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**UNITED STATES DISTRICT COURT FOR THE  
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE COMMISSION,  
  
Plaintiff,  
  
v.  
  
JOHN AFRIYIE,  
  
Defendant,  
  
and  
  
LAWRENCIA AFRIYIE,  
  
Relief Defendant.

16-CV-\_\_\_\_\_-\_\_\_\_

**COMPLAINT**

**ECF CASE**

**JURY TRIAL DEMANDED**

**COMPLAINT**

Plaintiff Securities and Exchange Commission (“the Commission”), for its Complaint against Defendant John Afriyie and Relief Defendant Lawrencia Afriyie, alleges as follows:

**SUMMARY OF THE ACTION**

1. This case involves unlawful insider trading by Defendant John Afriyie, an analyst at an investment firm (“Investment Firm”), in the options of The ADT Corporation (“ADT”) ahead of an announcement that affiliates of Apollo Global Management, LLC (“Apollo”), an alternative investment manager, planned to acquire ADT. Beginning in at least January 2016, through his employment, John Afriyie learned material, nonpublic information about the

acquisition and purchased high risk, out-of-the-money ADT call options in his mother's brokerage account. When Apollo and ADT announced the acquisition before market open on February 16, 2016, ADT's stock price jumped nearly 48%. By trading on inside information regarding the acquisition, John Afriyie reaped approximately \$1.56 million in illicit profits.

2. By knowingly or recklessly engaging in the conduct described in this Complaint, John Afriyie violated and, unless restrained and enjoined by this Court, will continue to violate 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].

### **NATURE OF THE PROCEEDING AND RELIEF SOUGHT**

3. The Commission brings this action pursuant to the authority conferred upon it by Sections 21(d) and 21A of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u-1], seeking a final judgment: (a) permanently enjoining John Afriyie from engaging in the acts, practices, and courses of business alleged in this Complaint; (b) requiring John Afriyie and his mother, Lawencia Afriyie, to disgorge ill-gotten gains and to pay prejudgment interest thereon; and (c) imposing civil monetary penalties on John Afriyie pursuant to Sections 21(d)(3) and 21A(a) of the Exchange Act [15 U.S.C. § 78u(d)(3) and 78u-1(a)]; and (d) granting such other and further relief as the Court may deem just and appropriate pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)].

### **JURISDICTION AND VENUE**

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

5. Venue lies in this District pursuant to Sections 21(d), 21A, and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u-1, and 78aa]. Venue is appropriate because John Afriyie is found, inhabits, and/or transacts business in the Southern District of New York and/or because one or more of the acts or transactions constituting the violation occurred in the Southern District of New York. During the relevant time period, John Afriyie worked and

resided in Manhattan and accessed the brokerage account from which he perpetrated his scheme from both his home and office.

6. In connection with the conduct alleged in this Complaint, John Afriyie made use of a means or instrumentality of interstate commerce, or of the mails, and/or of a facility of a national securities exchange.

#### **DEFENDANT**

7. **John Afriyie**, age 28, resides in New York City, New York. At all relevant times, Afriyie was employed in Investment Firm's New York City office as an analyst focused on public equities.

#### **RELIEF DEFENDANT**

8. **Lawrencia Afriyie**, age 59, resides in Monmouth County, New Jersey. Lawrencia Afriyie is the mother of John Afriyie and the sole owner of a brokerage account in which John Afriyie placed trades, including trades in the ADT options which are the subject of this Complaint. During the relevant period, John Afriyie repeatedly accessed Lawrencia Afriyie's account from his home and work. Lawrencia Afriyie's account currently holds approximately \$1.4 million of the illicit profits from John Afriyie's insider trading, in a combination of cash and securities.

#### **RELEVANT ENTITY**

9. ADT is a Delaware corporation headquartered in Boca Raton, Florida. ADT provides residential and small business monitored security services. ADT's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act [15 U.S.C. § 78l] and trades on the New York Stock Exchange under the symbol ADT.

#### **FACTUAL ALLEGATIONS**

10. On or about January 27, 2016, Apollo contacted Investment Firm to discuss potential debt financing for a "public to private" deal regarding ADT. In connection with the proposed financing, Apollo provided Investment Firm with material, nonpublic information concerning the ADT transaction. Investment Firm owed a duty to Apollo to keep this

information confidential. Specifically, Investment Firm executed a non-disclosure agreement with Apollo and received due diligence documents containing critical – and highly confidential – information about the deal. Investment Firm placed several of these documents on its systems, to which John Afriyie had access. For example, Investment Firm was provided with detailed presentations containing confidential information regarding ADT’s business prospects and synergies expected to be achieved as a result of the acquisition. Apollo expressly designated many of the documents as “Confidential” or “Strictly Confidential.”

11. At the time, John Afriyie was employed as a research analyst at Investment Firm, where his responsibilities included analyzing publicly-traded companies in connection with Investment Firm’s institutional investment strategy. As an employee of Investment Firm with access to confidential information, John Afriyie owed a duty or obligation arising from his relationship of trust and confidence to his employer to keep confidential such nonpublic information. For instance, in or about February 2015, John Afriyie signed an agreement to comply with Investment Firm’s Code of Business Ethics (“Code”), which: (a) prohibits insider trading; (b) prohibits the use of confidential company information for an employee’s personal benefit; (c) generally prohibits all employee trading in the individual securities of any public company; (d) prohibits unapproved employee trading in the securities of companies included on a restricted securities list; and (e) requires employees to obtain pre-approval for many permitted securities transactions, such as trading in ETFs. Accordingly, John Afriyie knew, or was reckless in not knowing, that he was not permitted to trade on the basis of material nonpublic information he obtained in the course of his employment. Moreover, John Afriyie knew, or was reckless in not knowing, that Investment Firm had a duty of confidentiality to Apollo.

12. By virtue of his employment at Investment Firm, and based upon the facts and reasonable inferences, John Afriyie learned material, nonpublic information regarding the ADT acquisition before its public announcement. For example, beginning in January 2016, John Afriyie received work emails indicating that ADT had been placed on Investment Firm’s restricted securities list, which meant that Investment Firm had decided to restrict institutional

and individual trading activity in ADT securities. John Afriyie knew, or was reckless in not knowing, that he was generally prohibited from trading in the securities of any company included on the restricted securities list. In addition, John Afriyie accessed several highly confidential, deal-related documents on Investment Firm's computer network. Many of the documents John Afriyie accessed were, on their face, designated "Confidential," "Strictly Confidential," or "Proprietary and Business Confidential."

13. Upon learning material, nonpublic information regarding the ADT transaction, John Afriyie transferred funds to his mother's brokerage account and then placed ADT trades in the account in advance of the acquisition announcement. Specifically, from January 28, 2016 through February 12, 2016, John Afriyie purchased 2,279 ADT short term option contracts – which provided the right to purchase ADT common stock at a particular stock price – for a cost of approximately \$24,000. On many of the days during which the trades were made, John Afriyie's purchases represented the vast majority of trading volume in ADT options for the specific series. John Afriyie placed these trades using his mother's account even though he knew, or was reckless in not knowing, that Investment Firm generally prohibited him from trading in the individual securities of any public company.

14. The ADT option contracts purchased by John Afriyie consisted of three series of call options with strike prices of \$32, \$33, and \$34, respectively. At the time John Afriyie purchased the options, ADT's stock was trading in a range of \$24 to \$28 per share. This meant that the options were "out-of-the-money" and would have value on their expiration dates only if the company's stock price increased to above \$32 per share by February 19, 2016, or above \$33 or \$34 per share by March 18, 2016. If the stock price did not rise to those levels by those dates, the options would expire worthless, and John Afriyie would lose his investment.

15. Before the market opened on February 16, 2016, ADT announced that it had agreed to be acquired by affiliates of Apollo for \$42 per share. By the close of market that day, ADT's stock price jumped approximately 48% to \$39.64 per share. Over the next week, John Afriyie sold all of the ADT options in Lawrencia Afriyie's account.

16. As a result of his insider trading, John Afriyie realized actual profits of approximately \$1.56 million from the ADT trades he placed using his mother's brokerage account. On February 17 and March 24, 2016, a total of \$150,000 was transferred from Lawrencia Afriyie's brokerage account to John Afriyie's bank account, leaving approximately \$1.4 million in illicit profits in the brokerage account.

17. In placing the ADT trades, John Afriyie misappropriated from his employer material, nonpublic information regarding the ADT transaction. At the time he placed the trades, John Afriyie knew, or was reckless in not knowing, that the information he accessed was material and confidential to Investment Firm and Apollo. He also knew, or was reckless in not knowing, that he was violating the duty he had to his employer to keep the information confidential.

#### **FIRST CLAIM FOR RELIEF**

##### *Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder (Against Defendant John Afriyie)*

18. The Commission re-alleges and incorporates by reference Paragraphs 1 through 17 above as if they were fully set forth herein.

19. At the time of each trade identified herein, John Afriyie was in possession of nonpublic information. The relevant information was nonpublic, and held by Investment Firm as confidential information related to potential financing for the ADT acquisition. In addition, the information was considered confidential by its source.

20. At the time of each trade identified herein, John Afriyie was in possession of material information. The relevant information was material because it would have been important to a reasonable investor in making his or her investment decision. There is a substantial likelihood that the disclosure of the misappropriated information would have been viewed by a reasonable investor as having significantly altered the total mix of information available to investors.

21. John Afriyie placed each of the trades identified herein using Lawrencia Afriyie's brokerage account while in possession of material nonpublic information. In each instance, John Afriyie knew, or was reckless in not knowing, that he owed a duty to Investment Firm to refrain from misappropriating confidential information for his personal benefit. In each instance, John Afriyie knew, or was reckless in not knowing, that Investment Firm owed a duty to Apollo to maintain the confidentiality of such information.

22. By engaging in the conduct described above, John Afriyie, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or of the mails, with scienter:

- (a) employed devices, schemes, or artifices to defraud;
- (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and
- (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, including purchasers and sellers of securities.

23. By reason of the actions alleged herein, John Afriyie has violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

### **SECOND CLAIM FOR RELIEF**

*(Equitable Claim Against Relief Defendant Lawrencia Afriyie)*

24. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 to 23 herein.

25. John Afriyie used Lawrencia Afriyie's brokerage account to execute the illegal insider trades in ADT options.

26. As the owner of the account, Lawrencia Afriyie received and currently holds proceeds of the unlawful trades that John Afriyie executed in the account.

27. Lawrencia Afriyie has no legitimate or good faith claim to these ill-gotten gains.

28. Lawrencia Afriyie obtained the funds under circumstances in which it is not just, equitable, or conscionable for her to retain the funds. Lawrencia Afriyie has therefore been unjustly enriched.

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that this Court:

I.

Permanently enjoin Defendant John Afriyie 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].

II.

Order Defendant John Afriyie and Relief Defendant Lawrencia Afriyie to disgorge their ill-gotten gains, including prejudgment interest.

III.

Order Defendant John Afriyie to pay civil penalties pursuant to Sections 21(d)(3) and 21A of the Exchange Act [15 U.S.C. §§ 78u(d)(3) and 78u-1].

IV.

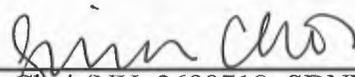
Grant such other and further relief as this Court may determine to be just and necessary.

**JURY DEMAND**

The Commission demands a trial by jury on all claims so triable.

Dated: April 13, 2016

Respectfully submitted,



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Jennifer J. Lee

Marc Katz (to be admitted *pro hac vice*)

Walker Newell (to be admitted *pro hac vice*)

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