

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

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

**JON L. ARONSON and
ELLIET N. ARONSON,**

Defendants.

Civil Action No. 20-1323

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) alleges as follows:

SUMMARY

1. This action involves illegal insider trading by Defendants Jon L. Aronson and Elliot N. Aronson prior to the January 22, 2018 announcement that American International Group, Inc. (“AIG”) had entered into an agreement to acquire all the outstanding common stock of Validus Holdings, Ltd. (“Validus”) for \$68 a share.

2. Between December 13, 2017 and January 4, 2018, Jon L. Aronson, then an employee in the legal department of AIG Employee Services, Inc. (“AIG Employee Services”), a wholly-owned subsidiary of AIG, misappropriated material, nonpublic information that he learned in the course of his employment about AIG’s impending acquisition of Validus. Jon L. Aronson purchased 550 Validus shares and tipped the material inside information about the acquisition to his father, Elliot N. Aronson, who purchased 1,000 Validus shares. Recognizing that his trading on the basis of material, nonpublic information exposed him and his father to liability for insider trading, Jon L. Aronson sold his entire position and advised Elliot N. Aronson

to do the same prior to the public announcement of the acquisition. Jon L. Aronson sold his shares, but Elliot N. Aronson continued to hold the shares.

3. On January 22, 2018, before the market opened, AIG and Validus announced the acquisition, which caused Validus's per share price to increase 44% that day, closing at \$67.29 compared to the prior day's close of \$46.72.

4. As a result of his insider trading, Elliot N. Aronson generated illicit profits of \$20,310.72.

5. By engaging in the conduct alleged in this Complaint, Jon L. Aronson and Elliot N. Aronson (collectively, the "Defendants") violated and, unless restrained and enjoined, will violate again, 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].

6. The Commission seeks entry of a final judgment enjoining the Defendants from future violations of these same provisions; ordering the Defendants to each pay civil monetary penalties; and ordering Elliot N. Aronson to disgorge his illicit gains together with prejudgment interest.

JURISDICTION AND VENUE

7. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), 21A, and 27 of the Exchange Act [15 U.S.C. §§ 78u(d)(1), 78u(e), 78u-1, and 78aa]. In connection with the conduct described herein, the Defendants directly or indirectly made use of a means or instrumentality of interstate commerce, or of the mails, or of a facility of a national securities exchange. For example, defendants purchased and sold the Validus stock on the New York Stock Exchange and used the telephone or an on-line brokerage account to place the trades.

8. Venue in the Southern District of New York is proper pursuant to Section 27 of

the Exchange Act [15 U.S.C. § 78aa] and 28 U.S.C. § 1391(b)(2). Certain of the acts, practices, and courses of business constituting the violations of law alleged in this Complaint occurred within this District. Specifically, Jon L. Aronson learned of the material, nonpublic information while working at AIG Employee Services in New York County, New York, and, while physically located in this District, placed his violative trades and tipped Elliot N. Aronson.

DEFENDANTS

9. **Jon L. Aronson**, age 53, resides in Brewster, Massachusetts. At the time of the relevant conduct, he resided and worked in New York, New York. He became an employee of AIG Employee Services in May 2008. From January 1, 2012 through April 27, 2018, when he resigned, he worked in the legal department of AIG Employee Services as a senior administrative assistant to the individual who served as vice president of corporate governance and chief of staff to the AIG board of directors.

10. **Elliot N. Aronson**, age 86, resides in Brewster, Massachusetts and is Jon L. Aronson's father. From the time of the relevant conduct up to the present, he has been retired.

RELEVANT ENTITY

11. **Validus Holdings, Ltd.** is an international insurance company incorporated in Bermuda with its principal place of business in Pembroke, Bermuda. At the time of the relevant conduct, Validus's common shares were registered with the Commission pursuant to Section 12(b) of the Exchange Act [15 U.S.C. § 78l(b)] and traded on the New York Stock Exchange ("NYSE"). Effective July 18, 2018, Validus became a wholly-owned subsidiary of AIG and delisted its common shares from the NYSE. On July 30, 2018, Validus filed a Form 15 with the Commission deregistering its common shares.

FACTS

12. At all relevant times, Jon L. Aronson was an employee of AIG Employee Services.

13. Effective February 14, 2014 and continuing up through the period of the relevant conduct, Jon L. Aronson was subject to the AIG Insider Trading Policy (the “Policy”), which defined “Covered Persons” subject to the Policy to include, among others, all employees of AIG and its subsidiaries, defined collectively as the “Company.” The Policy provided that “[n]o Covered Person may engage in any transaction involving the purchase . . . of any securities of an[] entity [other than AIG], directly or indirectly, if such Covered Person is in possession of material, nonpublic information about that entity obtained in the course of employment by the Company . . .” The Policy further stated that a Covered Person in possession of such material, nonpublic information “may not pass (or ‘tip’) that information to others or recommend to anyone the purchase or sale of the relevant securities.”

14. At all relevant times, Jon L. Aronson was aware of the substance of the Policy.

15. In November 2017, AIG and Validus began to explore the possibility of AIG acquiring Validus.

16. On December 8, 2017, the chief of staff to AIG’s board of directors provided to the board and others an agenda and related materials for a board meeting scheduled for December 13, 2017. The materials included an “M&A Update,” which provided the board with an update on the status of the negotiations with Validus, referenced that an acquisition was possible in the first quarter of 2018, and stated that the purchase price range then under consideration was between \$65.00 and \$70.00 per share. The M&A Update was marked “STRICTLY CONFIDENTIAL—FOR INTERNAL USE ONLY.”

17. Jon L. Aronson saw the “M&A Update” in the course of his employment as senior administrative assistant to the chief of staff to the AIG board of directors. On the basis of the material, nonpublic information, Jon L. Aronson purchased 150 shares of Validus on December 13, 2017 in an on-line brokerage account held in his name.

18. The acquisition negotiations progressed. On January 2, 2018, the chief of staff to AIG’s board of directors circulated by email to certain AIG officers, managers, and their support staff an agenda and related materials for a board meeting scheduled for January 3, 2018. The materials provided an update on the status of the acquisition negotiations with Validus, including that AIG had confirmed to Validus a willingness to pay \$65.00 per share while Validus sought a higher valuation. Each page of the materials was marked “STRICTLY CONFIDENTIAL – FOR INTERNAL USE ONLY.”

19. Jon L. Aronson saw the email, on which he was cc’d, and the attachments in the course of his employment as senior administrative assistant to the chief of staff to the AIG board of directors. On the basis of the information contained in the update attached to the email, he purchased 200 Validus shares on January 3, 2018, and another 200 Validus shares on January 4, 2018 in the on-line brokerage account held in his name. On or about January 3, 2018, Jon L. Aronson told his father, Elliot N. Aronson, about the acquisition negotiations with the expectation that his father would buy shares of Validus.

20. Jon L. Aronson knew or was reckless in not knowing that he breached a duty of trust and confidence owed to his employer when he purchased shares of Validus and tipped his father with the material, nonpublic information.

21. On January 4, 2018, Elliot N. Aronson placed an order by telephone with his broker and purchased 1,000 shares of Validus through an account in the name of the Aronson

Family Trust (the “Trust”), over which he exercised trading authority.

22. Elliot N. Aronson and his wife established the Trust for the benefit of, among others, their children. At all relevant times, the Trust has been subject to revocation by Elliot N. Aronson and his wife. Unless revoked beforehand, the Trust will become 100% irrevocable upon the death of Elliot N. Aronson and his wife.

23. Elliot N. Aronson knew, was reckless in not knowing, consciously avoided knowing, or should have known at the time he traded that Jon L. Aronson had acquired the information about the acquisition negotiations through the course of his employment in breach of a duty of trust and confidence owed to his employer; that the information was material and nonpublic; and that his son, Jon L. Aronson, tipped him for a personal benefit.

24. Recognizing that his and his father’s trading on the basis of material, nonpublic information exposed them to liability for insider trading, Jon L. Aronson sold his entire position in Validus on January 11, 2018, and urged Elliot N. Aronson to do the same prior to the public announcement of the acquisition. Elliot N. Aronson, however, continued to hold the 1,000 Validus shares, through the Trust.

25. On January 22, 2018, before the markets opened, AIG publicly announced that it had entered into an agreement to acquire all the outstanding common stock of Validus for \$68 per share. Validus closed at \$67.29 per share that day, a 44.03% increase over the prior trading day’s closing price of \$46.72 per share.

26. The day of the announcement, Elliot N. Aronson placed a market order to sell 500 of the Validus shares held in the Trust’s brokerage account, which was executed the same day. The actual and imputed profits on the 1,000 Validus shares held in the Trust account totaled \$20,310.72.

CLAIM FOR RELIEF

Violations of 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]

The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 26 above, as if fully set forth herein.

27. By reason of the foregoing, Defendants Jon L. Aronson and Elliot N. Aronson, directly or indirectly, in connection with the purchase or sale of Validus securities on the basis of material, nonpublic information, by use of a means or instrumentality of interstate commerce, of the mails, or of a facility of a national securities exchange, 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; or
- (c) engaged in acts, practices or courses of business which operated or would have operated as a fraud or deceit upon persons.

26. By reason of the foregoing, Jon L. Aronson and Elliot N. Aronson each violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a final judgment:

I.

Permanently restraining and enjoining Defendants Jon L. Aronson and Elliot N. Aronson from directly or indirectly violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and

Exchange Act Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

II.

Ordering Defendant Elliot N. Aronson to disgorge all illicit gains, with prejudgment interest;

III.

Ordering Defendants Jon L. Aronson and Elliot N. Aronson to pay appropriate civil penalties under Section 21A of the Exchange Act [15 U.S.C. § 78u-1]; and

IV.

Granting such other and further relief as this Court may deem just and appropriate for the protection of investors pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. §78u(d)(5)].

Dated: February 14, 2020

Respectfully submitted,

/s/ Derek Bentsen

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