

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE**

SECURITIES AND EXCHANGE COMMISSION,)	
)	CASE NO.:
)	
Plaintiff,)	
)	
v.)	
)	
MATH J. HIPP, JR.)	
)	
Defendant.)	
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COMPLAINT

Plaintiff Securities and Exchange Commission alleges:

I. SUMMARY

1. This case involves insider trading by Defendant Math J. Hipp, Jr. in the securities of Safeco Corp., formerly a publicly-traded, Seattle-based insurance company. Hipp misappropriated information about a potential sale of Safeco from his wife, the executive assistant to Safeco's Executive Vice President of Insurance Operations.

2. On April 17, 2008, while in possession of this material, non-public information about the company, Hipp purchased Safeco call options. On April 23, 2008, Liberty Mutual

Insurance Company announced it was acquiring all the outstanding shares of Safeco common stock for \$68.25 per share, a \$23.02 premium over the prior day's closing price. From April 23, 2008 through early May 2008, Hipp sold the Safeco call options for a total net profit of \$118,245.39.

3. By engaging in the conduct described above, and as described more fully below, Hipp violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5. The Commission requests the Court to enter (1) a permanent injunction restraining and enjoining Hipp from future violations of Section 10(b) of the Exchange Act and Rule 10b-5, (2) an order directing Hipp to disgorge his trading profits, with prejudgment interest, and (3) an order directing Hipp to pay a civil money penalty.

II. DEFENDANT

4. Hipp is a 49 year-old resident of Seattle, Washington. During the relevant time, Hipp's wife was the executive assistant to Safeco's Executive Vice President of Insurance Operations.

III. RELEVANT ENTITIES

5. Safeco was an insurance company incorporated in Washington and headquartered in Seattle. At all relevant times, Safeco's common stock was listed on the New York Stock Exchange and was registered with the Commission pursuant to Section 12(b) of the Exchange Act. Safeco's options were listed on the Chicago Board of Options Exchange, the NYSE Arca, the Intercontinental Exchange, and the Philadelphia Stock Exchange.

6. Liberty Mutual is an insurance company incorporated in Massachusetts and headquartered in Boston, Massachusetts.

IV. JURISDICTION AND VENUE

7. The Commission brings this action pursuant to Sections 21(d) and 21A of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78u-1.

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

9. Personal jurisdiction and venue are proper in the Western District of Washington because Hipp resides in this District and because he committed many of the acts complained of in this District.

10. In connection with the conduct alleged in this Complaint, Hipp, directly or indirectly, singly or in concert with others, made use of the means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange.

V. FACTS

A. Safeco's Sale to Other Insurance Companies

11. Liberty Mutual first contacted Safeco in November 2007, to discuss its interest in acquiring Safeco for an all-cash price of \$68.50 per share. Although Safeco indicated it did not have any interest at the time, from November 2007 to April 2008, Safeco continued to communicate with Liberty Mutual and other insurance companies that had expressed an interest in acquiring the company.

12. In April 2008, through her employment at Safeco, Hipp's wife learned the company may be acquired by another company at a substantial premium over its then-trading stock price. On April 9, 2008, Hipp's wife was informed that Safeco management was considering a sale of the company, and that representatives from other insurance companies would be visiting Safeco

headquarters. As a result, she was asked to sign a confidentiality agreement. Safeco required all employees and consultants with knowledge of the potential merger to sign a confidentiality agreement in order keep its discussions with potential acquirers secret.

13. On April 11, 2008, Safeco's CFO and Chief Legal Officer held a meeting with all employees who had each signed a confidentiality agreement, including Hipp's wife, to inform them that representatives from certain companies would be visiting Safeco over the next few weekends to conduct due diligence. They also said there might be a public announcement that another company would acquire Safeco. Safeco's CFO also said that Liberty Mutual had submitted an indication of interest to acquire Safeco for up to \$68.50 per share and that other companies had expressed interest at lower prices.

B. Hipp's Purchase of Safeco Stock Prior to Liberty Mutual's Announcement

14. Prior to Liberty Mutual's acquisition announcement on April 23, 2008, Hipp purchased Safeco call options based on information he had learned from conversations he had with his wife, and from observing her behavior in the period leading up to the announcement. Based on these conversations and his wife's behavior, Hipp had concluded "something big" was happening at Safeco that would result in an increase of its stock price.

15. From approximately April 9, 2008 through April 17, 2008, Hipp's wife began working overtime and during weekends, which was highly unusual for her. Hipp asked his wife on a daily basis why she was working late, what she was doing, or when her schedule would return to normal. His wife dodged his questions, stating she could not talk about it or was particularly busy at work, and it was a stressful time. She also told him she was concerned Safeco employees would lose their jobs, but she would not tell him why.

16. During this time, Hipp also learned from his wife that representatives from other companies would be visiting Safeco headquarters on the weekends. She told him she and the executive assistant to Safeco's CEO were preparing decorative food baskets for meetings to be held during a weekend at Safeco headquarters. Hipp also learned his wife was ordering food for people working at night at Safeco for an event she said was important to her boss.

17. On April 15, 2008, Hipp bought 22 Safeco April 50 calls (call options expiring in April with a \$50 strike price) for \$110. Hipp bought additional call options on April 17, 2008, specifically, 105 Safeco May 55 calls (call options expiring in May with a \$55 strike price) for \$2,187.70. Hipp bought these options because, based on the information he had learned from his wife, he had concluded Safeco was poised to make a big announcement that would drive up the stock price at least 10%.

18. From April 23, 2008, through early May 2008, following Liberty Mutual's acquisition announcement, Hipp sold the Safeco call options for a profit of \$118,245.39.

CLAIMS FOR RELIEF

COUNT I

Hipp Violated Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

19. The Commission repeats and incorporates by reference paragraphs 1 through 18.

20. By engaging in the conduct described above, Hipp, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of securities, as described herein, has knowingly, willfully, or recklessly: (i) employed devices, schemes or artifices to defraud; (ii) made untrue statements of material facts

and 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/or (iii) engaged in acts, practices and courses of business which have operated, are now operating and will continue to operate as a fraud upon the purchasers of such securities.

21. By reason of the foregoing, Hipp, directly and indirectly, violated and, unless enjoined, is reasonably likely to continue to violate 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.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Issue a Permanent Injunction, restraining and enjoining Hipp from violating Section 10(b) of the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

II.

Issue an Order directing Hipp to disgorge his ill-gotten trading profits from each illegal trade, and to pay prejudgment interest on those profits.

III.

Issue an Order directing Hipp to pay a civil penalty pursuant to Section 21A of the Exchange Act, 15 U.S.C. § 78u-1.

IV.

Grant such other and further relief as may be necessary and appropriate.

V.

Further, the Commission respectfully requests that the Court retain jurisdiction over this

action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

July 13, 2009

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