

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 101202 / September 27, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22213

In the Matter of

AUSTIN KAUH,

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 Austin Kauh (“Kauh” 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 Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

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

Summary

This matter involves insider trading by Kauh in the securities of Trupanion, Inc. ("Trupanion") in advance of the December 2021 announcement that Kauh's employer, Chewy, Inc. ("Chewy"), had entered into a strategic partnership with Trupanion to offer an exclusive suite of pet health insurance and wellness plans to more than 20 million Chewy customers (the "Announcement"). During the months leading up to the Announcement, Kauh was part of Chewy's due diligence team and, in this role, he obtained material nonpublic information ("MNPI") about the partnership negotiations. On August 25, 2021, in violation of his duties to Chewy, Kauh purchased Trupanion stock in his personal account ("Kauh Personal Account") while in possession and on the basis of this MNPI. Furthermore, from June 10, 2021 to August 25, 2021, Kauh purchased Trupanion stock in the account of a relative that Kauh controlled ("Kauh Controlled Account"). When Trupanion's stock price rose by approximately 39% following the Announcement, Kauh's trading resulted in ill-gotten gains of \$4,344 in the Kauh Personal Account and \$12,093 in the Kauh Controlled Account.

Respondent

1. **Kauh**, age 58, resides in Wilton, Connecticut. Kauh was employed by Chewy as a Director of Treasury during the relevant period.

Other Relevant Entities

2. **Chewy** is a provider of pet food, products, and services. Chewy is incorporated in Delaware and co-headquartered in Plantation, Florida and Boston, Massachusetts. Chewy's common stock is listed on the New York Stock Exchange, trading under the symbol "CHWY."

3. **Trupanion** is a provider of pet health insurance. Trupanion is incorporated in Delaware and headquartered in Seattle, Washington. Trupanion's common stock is listed on the NASDAQ Global Market, trading under the symbol "TRUP."

Background

4. Kauh was employed by Chewy as the Director of Treasury throughout the relevant period and through November 2023. In this role, he was responsible for Chewy's payment systems. Throughout his employment at Chewy, Kauh was subject to Chewy's policies and procedures concerning insider trading and treatment of MNPI obtained in connection with his employment, including news of potential strategic partnerships. Under those policies, Kauh owed

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.

a duty to Chewy not to trade securities on the basis of MNPI obtained through his work, including information about potential strategic partnerships.

5. Chewy and Trupanion first discussed a potential strategic partnership in October 2019. In December 2019, Chewy and Trupanion entered into a confidentiality agreement. From October 2019 through early 2021, representatives of Chewy and Trupanion discussed various proposals for a strategic partnership.

6. On January 29, 2021, Kauh attended an internal meeting at Chewy to discuss opportunities for a strategic partnership involving pet insurance. The Chewy team discussed Trupanion as a potential partner. On February 19, 2021, Kauh attended a meeting with representatives of Trupanion to discuss payment processing scenarios for a potential partnership between Chewy and Trupanion. In March and early April 2021, Kauh continued to support the Chewy negotiations team.

7. On April 5, 2021, Chewy's senior leadership team approved pursuing a strategic partnership with Trupanion.

8. On June 10, 2021, Kauh purchased 200 shares of Trupanion stock in the Kauh Controlled Account.

9. On August 24, 2021, Chewy and Trupanion entered into a non-binding term sheet regarding a strategic partnership. In the following weeks, the companies conducted due diligence and negotiated the terms of the proposed transaction.

10. On August 25, 2021, Kauh purchased 100 shares of Trupanion stock in the Kauh Personal Account. On the same day, Kauh also purchased 100 additional shares of Trupanion stock in the Kauh Controlled Account.

11. On December 7, 2021, before the market open, Chewy and Trupanion made the Announcement. Following the Announcement, the price of Trupanion shares increased by approximately 39%. That same day, Kauh sold all 100 shares of Trupanion stock in the Kauh Personal Account and all 300 shares of Trupanion stock in the Kauh Controlled Account. Kauh's trading resulted in ill-gotten gains of \$4,344 in the Kauh Personal Account and \$12,093 in the Kauh Controlled Account.

12. Kauh knew or was reckless in not knowing that the information he possessed as of June 10, 2021 regarding the potential strategic partnership between Chewy and Trupanion was material and nonpublic. Kauh also knew or was reckless in not knowing that by trading on Chewy's MNPI, he breached a duty of trust and confidence to Chewy.

13. As a result of the conduct described above, Kauh violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

Disgorgement and Civil Penalties

The disgorgement and prejudgment interest ordered in paragraph IV.C is consistent with equitable principles, does not exceed Respondent's net profits from his violations, and returning the money to Respondent would be inconsistent with equitable principles. Therefore, in these circumstances, distributing disgorged funds to the U.S. Treasury is the most equitable alternative. The disgorgement and prejudgment interest ordered in paragraph IV.C shall be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

IV.

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Kauh cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Kauh be, and hereby is, barred from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)] for a period of five (5) years from the entry of this Order.

C. Kauh shall, within 14 days of the entry of this Order, pay disgorgement of \$4,344.00, a civil money penalty in the amount of \$30,297.14, and prejudgment interest of \$634.79 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 of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment of a civil money penalty 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>; 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:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Austin Kauh 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 Joseph G. Sansone, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004-2616.

D. 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