

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 72022 / April 25, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15855

In the Matter of

AHARON R. YEHUDA,

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND 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 Aharon R. Yehuda (“Yehuda” 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, 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 Remedial Sanctions and 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

1. This matter involves improper use of insider information by Yehuda in trading in the securities of GSI Commerce, Inc. ("GSI") in advance of the March 28, 2011 announcement that eBay, Inc. ("EBAY") had agreed to acquire GSI.
2. On or about March 27, 2011, Yehuda learned material nonpublic information about the acquisition of GSI from his friend, Oded Gabay ("Gabay"), that Yehuda knew or should have known had been disclosed in breach of a duty.
3. On March 28, 2011, Yehuda traded on the basis of material nonpublic information he had received from Gabay. As a result of his improper use of the insider information provided by Gabay, Yehuda generated trading profits of \$20,739.75.
4. By virtue of his conduct, Yehuda violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Respondent

5. *Aharon R. Yehuda*, age 53, resides in New York, NY. During the relevant time period, Yehuda operated family businesses in the diamond industry.

Other Relevant Parties

6. *GSI Commerce, Inc.*, an e-commerce company, was during the relevant time period headquartered in King of Prussia, PA. Its common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act until after it was acquired by EBAY. GSI's common stock traded on the NASDAQ (former ticker symbol GSIC) and options on GSI's stock traded on multiple U.S. options exchanges.
7. *Oded Gabay* resides in the State of New York.
8. *Individual A* resides in the Commonwealth of Pennsylvania. Individual A was married to a GSI employee and resided in Pennsylvania during the relevant time period.

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.

Facts

9. Individual A first learned of the possible acquisition of GSI by EBAY from her husband, a GSI employee who possessed material nonpublic information concerning GSI's operations and management, on or about January 30, 2011. Individual A knew that the information about the possible acquisition of GSI by EBAY was material and nonpublic, and that she had an obligation to maintain the confidentiality of the information.

10. Discussions continued between representatives of GSI and EBAY throughout February and March 2011. Negotiations culminated in the execution of a final agreement in the early morning of March 28, 2011.

11. On the weekend of March 26 and 27, 2011, Individual A and Gabay's wife met in New York City. Individual A told Gabay's wife about the upcoming acquisition of GSI and that news of the acquisition would be publicly announced on Monday, March 28, 2011. Gabay's wife understood that the information was material nonpublic information and that Individual A had an expectation that Gabay's wife would not disclose the information to others based on their close friendship and history of sharing confidences. Gabay's wife owed Individual A a duty of trust and confidence to keep confidential the material nonpublic information that she learned from her conversation with Individual A.

12. Following her meeting with Individual A, Gabay's wife shared the material nonpublic information regarding the upcoming GSI acquisition with Gabay.

13. After Gabay received the material nonpublic information about the upcoming acquisition of GSI, Gabay spoke with his friend, Yehuda. Gabay told Yehuda that Gabay's wife had learned from her friend, who was married to a GSI insider, about the upcoming acquisition of GSI and that the friend had said that she and her husband would be billionaires by Monday. Gabay discussed with Yehuda whether they should buy GSI stock together based on this information, but Yehuda declined.

14. However, on March 27, 2011, following his conversation with Gabay, Yehuda called his banker so as to place an order to purchase GSI shares. The next day, March 28, 2011, Yehuda purchased 2,200 GSI shares in pre-market trading at an average price of \$19.88 per share, for a total price of \$43,727.95. Yehuda purchased these shares based on the information he received from Gabay. Prior to March 28, 2011, Yehuda had never purchased GSI shares.

15. Early in the morning on Monday, March 28, 2011, GSI and EBAY executed the merger agreement. NASDAQ halted trading in GSI shares at 9:22 a.m. that morning based on pending news. At 10:05 a.m., GSI and EBAY announced that the companies had entered into a definitive agreement to merge, whereby EBAY would acquire GSI for \$29.25 per share, or a total consideration of approximately \$2.4 billion.

16. The market reacted significantly to the news. The closing last sale price of GSI on the day of the announcement was \$29.20, an increase of approximately 50.6% over the prior day's close. Trading volume on the day of the announcement was 42.6 million shares, compared to GSI's historical average daily volume of approximately 1.1 million shares.

17. On March 28, 2011, Yehuda sold his GSI shares for \$29.30 per share, garnering profits of \$20,739.75.

18. The purchase of GSI shares by Yehuda on March 28, 2011 was made on the basis of material nonpublic information about the upcoming acquisition of GSI, unlawfully tipped by Gabay. Gabay intentionally tipped that information to Yehuda and obtained a personal benefit in conferring a gift of confidential information on a friend. Yehuda knew or should have known that the information had been disclosed in breach of a duty.

19. As a result of the conduct described above, Yehuda 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.

Undertakings

In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, Respondent (i) agrees to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) appoints Respondent's attorney as agent to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waives the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Respondent's travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (v) consents to personal jurisdiction over Respondent in any United States District Court for purposes of enforcing any such subpoena.

In determining whether to accept the Offer, the Commission has considered these undertakings.

IV.

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

Accordingly, pursuant to Section 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent shall 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. Respondent shall pay to the Securities and Exchange Commission disgorgement of \$20,739.75, prejudgment interest of \$1,666.35, and a civil money penalty of \$20,739.75, for a total of \$43,145.85. Payment shall be made within 10 days of the entry of this Order. Payment must be made in one of the following ways:

- (1) 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
- (2) 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 Aharon R. Yehuda as 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 Scott Friestad, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5010.

By the Commission.

Jill M. Peterson
Assistant Secretary