

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11078 / June 27, 2022

SECURITIES EXCHANGE ACT OF 1934
Release No. 95163 / June 27, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-20910

In the Matter of

Sidney A. Spector, MD, PhD,

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND 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 8A of the Securities Act of 1934 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Sidney A. Spector, MD, PhD (“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 Pursuant to Section 8A of the Securities Act of 1933 and 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 finds that:

Summary

1. These proceedings concern Sidney A. Spector, MD, PhD, who traded on material, non-public information about an adverse development in a clinical trial in 2019. Spector signed a contract with a medical consulting company (the "Consultancy") and consulted on the clinical drug trial for a gene therapy to treat Duchenne muscular dystrophy, then under development by Solid Biosciences Inc. ("SLDB"). When Spector learned of the negative information during the drug trial, he breached his duty of trust and confidence to the Consultancy and SLDB and its shareholders to keep this information confidential. Spector sold SLDB stock out of his own account, avoiding losses of \$28,142.33 and persuaded a close relative to do the same, resulting in further avoided losses of \$2,351.89.

2. By engaging in the conduct described above, Spector violated the antifraud provisions of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Section 17(a) of the Securities Act.

Respondent

3. **Sidney A. Spector, MD, PhD**, age 66, resides in Scottsdale, Arizona. He is a neurologist licensed to practice medicine in Arizona and Florida. Since 2019, Spector has offered medical consulting services through a wholly-owned, corporate entity.

Facts

4. On October 28, 2019, Spector entered into a contract, through his own wholly-owned, corporate entity, with the Consultancy, in order to provide medical consulting services. The Consultancy, in turn, contracted with a public company, SLDB, in order to provide consulting services in connection with SLDB's clinical trial of a gene therapy for the treatment of Duchenne muscular dystrophy.

5. Spector owed a duty of trust and confidence to the Consultancy and its clients, including SLDB. Spector's firm's contract with the Consultancy prohibited the use of confidential information for any purpose outside of the contract's scope. The contract between the Consultancy and SLDB likewise prohibited the use of confidential information for any unauthorized purpose.

6. By 2019, SLDB had never generated revenues and depended on products then in development for future revenues. SLDB's study drug was its lead product candidate, and the only one publicly identified as having advanced to the clinical trial stage of development.

7. On November 6, 2019, employees of both SLDB and the Consultancy provided Spector with material, non-public information in the course of his consulting work. Specifically,

they informed Spector of a serious adverse event (“SAE”) during a clinical trial of SLDB’s study drug, which involved a patient’s adverse medical reactions in late October 2019 that were deemed related to the study drug.

8. The information provided to Spector on November 6th was “confidential information” as defined in both the contract between Spector and the Consultancy and the contract between the Consultancy and SLDB.

9. The SAE in the Issuer’s clinical trial raised the likelihood that the U.S. Food and Drug Administration (the “FDA”) would place a clinical hold on SLDB’s clinical trial, especially since the FDA in March 2018 had placed such a hold on SLDB’s clinical trial following another, earlier SAE, which was subsequently released.

10. On November 6, 2019, while in possession of material, non-public information concerning the SAE in SLDB’s clinical trial, Spector spoke via telephone with a close relative for over 13 minutes. About four hours later, Spector’s relative ordered the sale of all shares of SLDB common stock in that relative’s brokerage account. The brokerage executed that order the next day at a sale price of \$10.66 per share.

11. On November 7, 2019, while in possession of material, non-public information concerning the SAE in SLDB’s clinical trial, Spector sold all shares of SLDB common stock in his brokerage account at an average price of \$11.18 per share. Spector and his relative had purchased shares of SLDB in their respective brokerage accounts on July 31, 2019.

12. On November 12, 2019, SLDB announced via press release that the FDA had placed a hold on the Issuer’s clinical trial.

13. Following this announcement, shares of SLDB’s common stock closed trading on November 12 at \$2.82 per share, a 74.4% decline from the prior day’s closing price, on volume of 11.75 million shares, exponentially higher than the prior average daily volume in the weeks leading up to that announcement.

14. Through his personal sales of SLDB’s shares and the sales he persuaded his relative to make, Spector knowingly or recklessly breached the duty of trust and confidence that he owed the Consultancy and its client, SLDB, and SLDB’s shareholders.

15. As a result of his trading on the basis of material, non-public information from SLDB, Respondent avoided losses of \$28,142.33, and his persuasion of his close relative to trade resulted in further avoided losses of \$2,351.89.

16. As a result of the conduct described above, Respondent violated Section 17(a) of the Securities Act, which prohibits fraudulent conduct in the offer or sale of securities.

17. As a result of the conduct described above, Respondent 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

18. The disgorgement and prejudgment interest ordered in paragraph IV.B is consistent with equitable principles, does not exceed Respondent's net profits from its 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.B 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's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondent Sidney A. Spector, MD, PhD cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent Sidney A. Spector, MD, PhD shall pay disgorgement of \$28,142.33, prejudgment interest of \$2,381.44, and a civil money penalty in the amount of \$33,045.02 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). Payment shall be made in the following installments: (i) \$15,892.20 due within 10 days of the entry of this Order; (ii) \$15,892.20 due within 180 days of the entry of this Order; (iii) \$15,892.20 due within 270 days of the entry of this Order; and (iv) \$15,892.19 due within 360 days of the entry of this Order. Payments shall be applied first to post order interest, which accrues pursuant to SEC Rule of Practice 600 and pursuant to 31 U.S.C. § 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

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 Sidney A. Spector, MD, PhD 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 Carolyn Welshhans, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5012.

C. 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