

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 77094 / February 9, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17108

In the Matter of

JARROD L. SPECTOR,

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 Jarrod L. Spector (“Spector” 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

1. This matter involves insider trading by Spector 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 February 24, 2011, Spector learned material nonpublic information about the acquisition of GSI from an individual with whom he has a relationship of trust and confidence ("Individual A"). Spector misappropriated the material nonpublic information about the acquisition of GSI in breach of the duty of trust and confidence he owed to Individual A when he traded based on the information.

3. On or about February 25, 2011, Spector purchased out of the money GSI call options on the basis of the material nonpublic information he had received. As a result of his improper use of the insider information, Spector garnered trading profits of \$21,350.

4. As a result of the conduct described above, Spector violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Respondent

5. *Jarrod L. Spector*, age 34 resides in New York, NY. During the relevant time period, Spector was self-employed in New York City.

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. *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

8. Individual A first learned of the possible acquisition of GSI by EBAY from Individual A's spouse, 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 Individual A had an obligation to maintain the confidentiality of the information.

9. 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.

10. Individual A and Spector have a relationship of trust and confidence built on years of sharing personal and professional confidences about their lives which they understood were to be maintained confidentially.

11. On or about February 24, 2011, Individual A told Spector about the upcoming acquisition of GSI. Spector knew that the information about the upcoming acquisition of GSI was material and nonpublic, and that Individual A had an expectation that he would not use or disclose the information to others based on their history of sharing confidences. Spector knew that he owed Individual A a duty of trust and confidence to keep confidential the material nonpublic information that he learned from his conversation with Individual A. Spector violated this duty of trust and confidence by trading on the basis of this material nonpublic information.

12. On February 25, 2011, Spector purchased 50 out of the money April 2011 GSI call options contracts at a strike price of \$25.

13. 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.

14. 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.

15. On April 18, 2011, Spector exercised his 50 GSI options contracts and purchased 5,000 shares at \$25 per share, for a total purchase price of \$125,000. Immediately thereafter Spector sold the 5,000 GSI shares he had purchased and garnered \$21,350 in profits.

16. Spector's purchase of the GSI options on February 25, 2011 was on the basis of material nonpublic information about the upcoming acquisition of GSI that he had unlawfully misappropriated from Individual A. Spector had learned this information through his discussion with Individual A, and knew he had a duty to maintain the information in confidence and refrain from trading on it.

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

IV.

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Spector 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, within 10 days of the entry of this Order, pay disgorgement of \$21,350, prejudgment interest of \$3,014, and a civil money penalty in the amount of \$21,350 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 the civil 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 Jarrod L. Spector 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 Scott Friestad, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5010.

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.

Brent J. Fields
Secretary