

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 81160 / July 18, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-18067

<p>In the Matter of</p> <p>JOHN F. STIMPSON,</p> <p>Respondent.</p>
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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 John F. Stimpson (“Stimpson” 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 finds that:

SUMMARY

1. This matter involves insider trading by Stimpson, a former employee of AuthenTec, Inc. ("AuthenTec" or the "Company"). In July 2012, Stimpson learned, in the course of his employment, material nonpublic information regarding the proposed acquisition of AuthenTec by Apple, Inc. ("Apple"). On the basis of that information, Stimpson purchased a total of 650 AuthenTec call options with varying strike prices and expirations in an IRA account held in his name. On July 27, 2012, AuthenTec announced that Apple would acquire AuthenTec for approximately \$355 million in cash (the "Announcement"), paying AuthenTec's shareholders \$8 per share, a 60% premium over the previous day's closing price.

2. In the weeks after the Announcement, Stimpson began selling his AuthenTec call options. Once the merger was completed, Stimpson realized \$135,570 in trading profits from the sale and redemption of his AuthenTec call options.

3. By virtue of his conduct, Stimpson violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

RESPONDENT

4. Stimpson, age 49, is a resident of Melbourne Beach, Florida. He joined AuthenTec in November 2006 as a Senior Network Administrator in AuthenTec's Informational Technology department and was employed with the Company through the completion of its merger with Apple.

OTHER RELEVANT ENTITIES

5. AuthenTec, a Delaware company headquartered in Melbourne, Florida, was a software and hardware provider for fingerprint sensors used in mobile devices, computers and other machines. AuthenTec's stock was listed on the NASDAQ under the ticker "AUTH" and options in AuthenTec stock traded on multiple U.S. options exchanges. On October 4, 2012, Apple completed the acquisition of AuthenTec and AuthenTec terminated its securities registration shortly thereafter.

6. Apple is a Delaware company headquartered in Cupertino, California.

FACTS

7. On May 1, 2012, Apple first proposed an acquisition to AuthenTec during a meeting at Apple's headquarters in Cupertino. From May 1 to July 27, 2012,

AuthenTec and Apple negotiated both an acquisition and a commercial licensing agreement for Apple to use AuthenTec's fingerprint sensor technology.

8. As an employee of AuthenTec, Stimpson was subject at all relevant times to AuthenTec's insider trading policy, which prohibited employees from trading in AuthenTec stock while in possession of material nonpublic information. In addition, AuthenTec's insider trading policy restricted all employees from trading in AuthenTec options.

9. In early July, Stimpson learned of material nonpublic information regarding a special meeting of AuthenTec's Board of Directors concerning Apple's acquisition of AuthenTec. Shortly thereafter, Stimpson learned of unusual activity in AuthenTec's Human Resources department, including preparations for file transfers relating to the merger negotiations. Stimpson knew the information regarding the acquisition was nonpublic and that he had a duty to refrain from trading AuthenTec securities while in possession of such information.

10. After obtaining this material nonpublic information regarding the acquisition and in violation of the prohibition on trading AuthenTec options, on July 9, 2012 Stimpson purchased 150 \$5 AuthenTec call options expiring in October. The following day, on July 10, Stimpson purchased 50 \$5 AuthenTec call options expiring in January 2013 and 170 \$5 AuthenTec call options expiring in October.

11. On July 19, 2012, Stimpson then purchased 270 AuthenTec call options with strike prices ranging from \$5 to \$7.50 and expiration dates in August and October 2012 and January 2013. On July 20, 2012, one week before the Announcement, Stimpson made his final purchase of 10 AuthenTec \$5 call options expiring in October.

12. Stimpson knew, or was reckless in not knowing, that these securities transactions were in breach of his duty to AuthenTec.

13. On July 27, 2012, after AuthenTec made the Announcement, the market reacted significantly to the news. AuthenTec's stock price closed at \$8.42, approximately a 70% increase from the previous day's closing price of \$5.07.

14. Stimpson subsequently liquidated 502 call options in August 2012. In October, after the acquisition had been completed, the remaining 148 options were exercised. As a result of his options trading, Stimpson realized a profit of \$135,570.

15. As a result of the conduct described above, Stimpson 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 Stimpson's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Stimpson 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 disgorgement of \$135,570, prejudgment interest of \$7,633 and a civil money penalty of \$135,570, for a total of \$278,773, 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: (1) \$139,387 within ten (10) days of the entry of this Order; (2) \$69,693, plus post-judgment interest, within six months of entry of this Order; and (3) \$69,693, plus post-judgment interest, within one year of entry of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance, plus any additional interest accrued pursuant to SEC Rule of Practice 600 and 31 U.S.C. § 3717, shall be due and payable immediately, without further application.

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 John F. Stimpson 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 Jason R. Berkowitz, Assistant Regional Director, Division of Enforcement, Securities and Exchange Commission, 801 Brickell Avenue, 18th Floor, Miami, FL 33131.

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