

Press Release

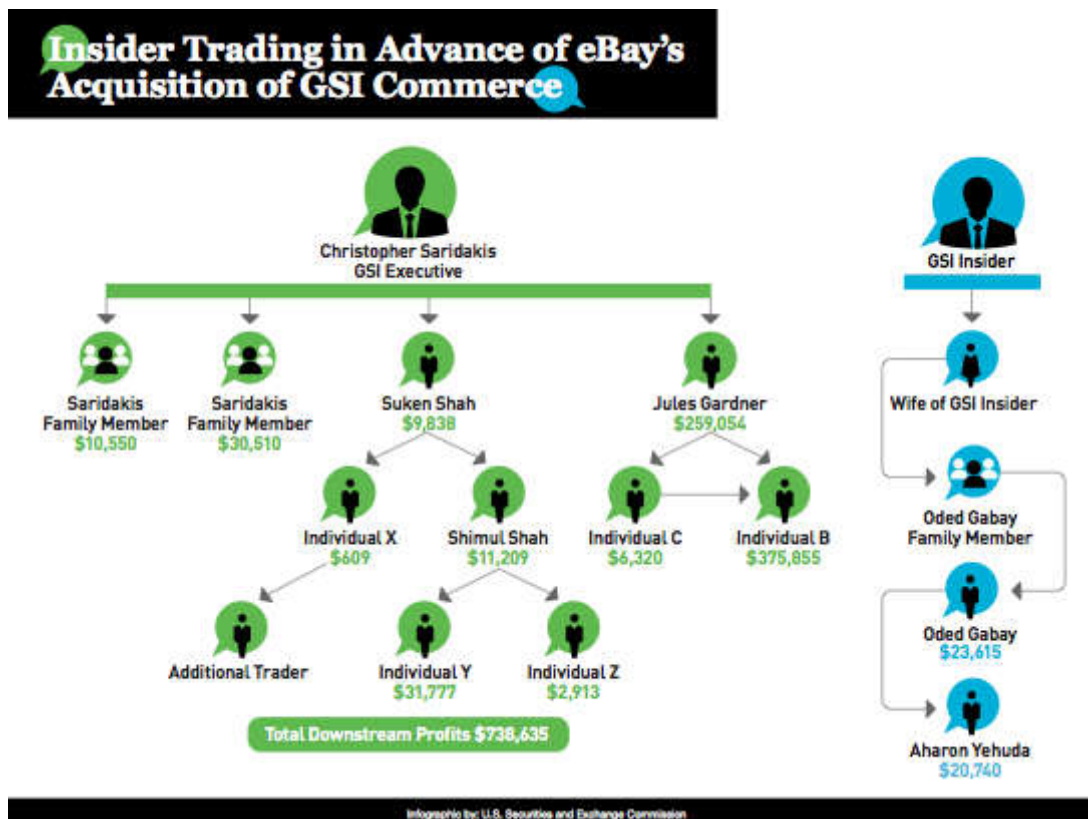
SEC Charges Six Individuals With Insider Trading in Stock of E-Commerce Company Prior to Acquisition by eBay

FOR IMMEDIATE RELEASE

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Washington D.C., April 25, 2014— The Securities and Exchange Commission today charged a former executive with insider trading in advance of eBay's acquisition of the e-commerce company where he worked by tipping friends and relatives with confidential information about the pending deal so they could attain more than \$300,000 in illegal profits.

In a case that the SEC unraveled in part due to extensive cooperation by some of the tippees, the SEC also charged five traders and entered into a non-prosecution agreement with a trader who provided extraordinary cooperation in the investigation. It's the agency's first non-prosecution agreement with an individual. The SEC's investigation is continuing into trading by other individuals.



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The SEC alleges that **Christopher Saridakis** violated a duty of trust as CEO of the marketing solutions division of GSI Commerce by providing two family members and two friends with nonpublic information about the pending

acquisition and encouraging them to trade on it. To settle the SEC's charges, Saridakis agreed to an officer-and-director bar and must pay \$664,822, which includes a penalty equal to twice the amount of his tippers' profits. In a parallel action, the U.S. Attorney's Office for the Eastern District of Pennsylvania today announced criminal charges against Saridakis, who lives in Delaware.

The five traders and the individual who entered into a non-prosecution agreement will pay a combined total of more than \$490,000 in their settlements, which range from disgorgement-only or reduced penalties for cooperators to penalties of two or three times the trading profits for other traders.

"Although Saridakis' tips spun a web of illegal trading, some of the downstream tippers substantially assisted in our investigation while others hindered it," said Andrew J. Ceresney, director of the SEC's Division of Enforcement. "The reduction in penalties for those tippers who assisted us, together with the non-prosecution agreement for one of the traders, demonstrate the benefits of cooperating with our investigations. The increased penalties for others highlight the risks of impeding our work."

Scott Friestad, associate director of the SEC's Division of Enforcement, added, "Saridakis chose to dole out confidential, market-moving information to enrich relatives and friends, and the nonpublic details then spread further through multiple levels of tippers and tippers. The SEC thoroughly investigates suspicious trading to trace it to the source and pursue all those involved."

According to the SEC's complaint filed in federal court in Philadelphia, GSI Commerce was renamed eBay Enterprise after the merger and is still based in King of Prussia, Pa. When the deal was publicly announced on March 28, 2011, GSI's stock price increased more than 50 percent. Saridakis became aware of negotiations between GSI and eBay in early 2011, and his involvement increased when he participated in a meeting between eBay and GSI executives on March 11. GSI took steps to ensure the pending deal remained secret, and Saridakis understood that any information concerning the potential acquisition was confidential.

The SEC alleges that Saridakis, who became president of eBay Enterprise after the merger and has since resigned, tipped two family members in the weeks leading up to eBay's acquisition of GSI. The relatives made a combined \$41,060 by trading on the nonpublic information provided by Saridakis, who in his settlement has agreed to pay disgorgement of that amount plus interest on behalf of those family members.

According to the SEC's complaint, Saridakis tipped his longtime friend and former colleague **Jules Gardner**, who lives in Villanova, Pa. The two regularly exchanged text messages during the weeks leading up to the merger, including an exchange one week before the public announcement in which Saridakis encouraged Gardner to buy shares in GSI. Gardner discussed the text messages from Saridakis with two friends who also traded. Gardner has agreed to fully disgorge his ill-gotten gains of \$259,054 as part of a cooperation agreement in which the SEC is not seeking a penalty. Gardner agreed to continue cooperating in the ongoing investigation.

The SEC alleges that Saridakis separately tipped his friend **Suken Shah**, a doctor who resides in Wilmington, Del., with nonpublic information about the deal following the March 11 meeting with eBay executives. Shah earned insider trading profits of \$9,838 and provided the nonpublic information to his brother and another individual. Shah agreed to settle the SEC's charges in an administrative proceeding by paying disgorgement of \$10,446, which includes \$609 in trading profits made by the other individual he tipped. Shah agreed to pay prejudgment interest of \$1,007 and a penalty of \$64,965 for a total of \$76,418. Shah's penalty is three times the amount of his and his tippers' trading profits.

In a separate settled administrative proceeding, the SEC charged **Shimul Shah**, a doctor who now resides in Cincinnati, with insider trading on the nonpublic information he received from his brother. Besides trading himself, Shah tipped others with the nonpublic information during a group dinner he attended with several friends from his medical residency. To settle the SEC's charges, Shah agreed to disgorge his trading profit of \$11,209 and pay prejudgment interest of \$1,022 and a penalty of \$22,418 for a total of \$34,650. Shah's penalty is twice the amount of his trading profit.

The individual who entered into the non-prosecution agreement was tipped by Shah at the group dinner. This individual has agreed to disgorge a trading profit of \$31,777 and pay \$2,725 in prejudgment interest for a total of \$34,502. The SEC entered into a non-prosecution agreement because this individual provided early, extraordinary, and unconditional cooperation.

The SEC also instituted settled administrative proceedings against two other traders in GSI stock who received material nonpublic information from a different source than Saridakis. The SEC's investigation found that the wife of another insider at GSI became aware of the proposed acquisition and shared the news with a friend the weekend before the public announcement. The friend shared the information with **Oded Gabay**, who then tipped his friend **Aharon Yehuda**. Gabay and Yehuda, who live in New York, each proceeded to trade GSI stock the following Monday morning.

Gabay agreed to settle the SEC's charges by disgorging his trading profit of \$23,615 and paying prejudgment interest of \$1,207 and a penalty of \$22,177 for a total of \$46,999. Gabay's penalty was reduced to half the amount of his and Yehuda's trading profits to reflect his early cooperation in the investigation. Yehuda agreed to settle the SEC's charges by disgorging his trading profit of \$20,740 and paying prejudgment interest of \$1,666 and a penalty of \$20,740 for a total of \$43,146.

The SEC's investigation has been conducted by Jessica Medina and Virginia Rosado Desilets, and supervised by Jeffrey Finnell. The SEC appreciates the assistance of the U.S. Attorney's Office for the Eastern District of Pennsylvania, Federal Bureau of Investigation, Financial Industry Regulatory Authority, and Options Regulatory Surveillance Authority.

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Related Materials

- [SEC complaint against Saridakis and Gardner](#)
- [SEC order against Suken Shah](#)
- [SEC order against Shimul Shah](#)
- [SEC order against Gabay](#)
- [SEC order against Yehuda](#)

