SEC Settles Action Against Defendants in Connection with Stock Fraud Scheme

Litigation Release No. 24283 / September 21, 2018

Securities and Exchange Commission v. Jason W. Galanis, et al., No. 1:15-cv-07547 (S.D.N.Y. filed Sept. 24, 2015)

U.S. v. Jason Galanis, et al., No. 15 Cr. 643 (S.D.N.Y.)

The Securities and Exchange Commission has settled its action against all six defendants sued in connection with a scheme to defraud investors in Gerova Financial Group Ltd., whose shares once traded on the New York Stock Exchange.

On September 24, 2015, the SEC filed a civil action in federal court in Manhattan against John Galanis, his sons Jason Galanis, Derek Galanis, and Jared Galanis, as well as Gary T. Hirst, the former CEO and President of Gerova, and an investment adviser, Gavin Hamels. According to the SEC's complaint, the defendants participated in a scheme to secretly issue $72 million of unrestricted Gerova shares to a Galanis family friend in Kosovo, and then bribe investment advisers to purchase the family friend's Gerova stock in client accounts through coordinated trades. Jason Galanis, his family and associates collectively realized approximately $20 million in illicit profits from the scheme.

Each of the defendants was separately charged in a parallel action brought by the U.S. Attorney's Office for the Southern District of New York. Jason Galanis, John Galanis, Derek Galanis, Jared Galanis and Hamels pled guilty to securities fraud and related charges, while Hirst was convicted of securities fraud, wire fraud, and conspiracy charges, following a trial. Jason Galanis was subsequently sentenced to 135 months of imprisonment, and was ordered to pay $37,032,337 in restitution; John Galanis and Derek Galanis were each sentenced to 72 months of imprisonment, and ordered to pay $19,019,404 in restitution; Hirst was sentenced to 60 months of imprisonment, and was ordered to pay restitution in the amount of $19,019,404; Jared Galanis was sentenced to 150 days of imprisonment; and Hamels was sentenced to a term of two years' probation, with a fine of $10,000. A seventh defendant, Ymer Shahini, was charged in the criminal action but remains at large.

Jason Galanis consented to a final judgment with the SEC that permanently enjoins him from violating Sections 5 and 17(a) of the Securities Act of 1933 ("Securities Act"), and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), and Rule 10b-5 thereunder, which are offering and antifraud provisions of the federal securities laws, and permanently bars him from serving as an officer or director of a registered issuer. His disgorgement was deemed satisfied by the restitution ordered against him.

John Galanis consented to a final judgment with the SEC that permanently enjoins him from violating Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder. His disgorgement was deemed satisfied by the restitution ordered against him.

Derek Galanis consented to a final judgment with the SEC that permanently enjoins him from violating Sections 5 and 17(a) of the Securities Act, and Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder. His disgorgement was deemed satisfied by the restitution ordered against him.

Jared Galanis consented to a final judgment with the SEC that permanently enjoins him from violating Section 5 of the Securities Act, and ordered disgorgement of $207,500, plus prejudgment interest in the amount of $37,699. The SEC also previously instituted an administrative proceeding against Jared Galanis that imposed a suspension from appearing or practicing before the Commission under Rule 102(e)(2) of the Commission's Rules of Practice.

Hirst consented to a final judgment with the SEC that permanently enjoins him from violating Section 5 of the Securities Act, and Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder, and permanently bars him from serving as an officer or director of a registered issuer.

Hamels consented to a final judgment with the SEC that permanently enjoins him from violating Sections 9(a)(1) and 10(b) of the Exchange Act, and Rule 10b-5 thereunder, and Sections 206(1) and (2) of the Investment Advisers Act of 1940. The SEC also previously instituted settled administrative proceedings against Hamels, which barred him from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and barred him from participating in any offering of a penny stock.

The SEC's investigation was conducted by H. Gregory Baker, Christopher Ferrante, Leslie Kazon and Sheldon Pollock of the New York Regional Office, and the litigation was conducted by Nancy A. Brown and Mr. Baker.

For further information, see Litigation Release No. 23664 (Sep. 30, 2016); Litigation Release No. 23360 (Sep. 24, 2016), Exchange Act Release No. 78322 (July 14, 2016), and Advisers Act Release No. 4451 (July 14, 2016).

Modified: September 21, 2018