UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION **Plaintiff,** **v.** **JASON W. GALANIS, JOHN P. GALANIS, JARED M. GALANIS, DEREK M. GALANIS, GARY T. HIRST, and GAVIN L. HAMELS,** **Defendants.**	**15 Civ. 7547 (VSB)** **ECF Case**

~~[PROPOSED]~~ FINAL JUDGMENT AS TO DEFENDANT JASON W. GALANIS

The Securities and Exchange Commission having filed a Complaint and Defendant Jason W. Galanis ("Defendant") having entered a general appearance; consented to the Court's jurisdiction over Defendant and the subject matter of this action; consented to entry of this Final Judgment; waived findings of fact and conclusions of law; and waived any right to appeal from this Final Judgment:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating Section 5 of the Securities Act of 1933 [15 U.S.C. § 77e] ("Securities Act") by, directly or indirectly, in the absence of any applicable exemption:

(a) Unless a registration statement is in effect as to a security, making use of any means or instruments of transportation or communication in interstate commerce

or of the mails to sell such security through the use or medium of any prospectus or otherwise;

(b) Unless a registration statement is in effect as to a security, carrying or causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale; or

(c) Making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed with the Commission as to such security, or while the registration statement is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act [15 U.S.C. § 77h].

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

II.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of

transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

(a) to employ any device, scheme, or artifice to defraud;

(b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

III.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

(a) to employ any device, scheme, or artifice to defraud;

(b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

IV.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] and Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)], Defendant is permanently prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is liable for disgorgement of $7,483,684, representing his ill-gotten gains as a result of the conduct alleged in the Complaint, together with prejudgment interest of $2,178,510.87, for a total of $9,662,194.87. However, Defendant's obligation to pay disgorgement and prejudgment interest shall be deemed satisfied upon entry of this Final Judgment by the restitution and/or forfeiture

orders entered against him in *United States v. Jason Galanis, et al.*, 15 Cr. 643 (PKC) (S.D.N.Y.).

VI.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply with all of the undertakings and agreements set forth therein.

VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the allegations in the complaint are true and admitted by Defendant, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Defendant under this Final Judgment or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Defendant 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).

VIII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

IX.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated: August 9, 2018

Vernon S. Broderick
United States District Judge

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION	:	
Plaintiff,	:	15 Civ. 7547 (VSB)
v.	:	ECF Case
JASON W. GALANIS, JOHN P. GALANIS, JARED M. GALANIS, DEREK M. GALANIS, GARY T. HIRST, and GAVIN L. HAMELS,	:	
Defendants.	:	

CONSENT OF DEFENDANT JASON W. GALANIS

1. Defendant Jason W. Galanis ("Defendant") acknowledges having been served with the complaint in this action, enters a general appearance, and admits the Court's jurisdiction over Defendant and over the subject matter of this action.

2. Defendant has pleaded guilty to criminal conduct relating to certain matters alleged in the complaint in this action. Specifically, in *United States v. Jason Galanis, et al.*, 15 Cr. 643 (PKC) (S.D.N.Y.) ("*United States v. Galanis*"), Defendant pleaded guilty to two counts of conspiracy to commit securities fraud, in violation of 18 U.S.C. § 371; one count of securities fraud, in violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78j(b) and 78ff, and Rule 10b-5 thereunder, 17 C. F. R. § 240.10b-5; and one count of investment adviser fraud, in violation of Section 206 of the Investment Advisers Act of 1940 ("Advisers Act"), 15 U.S.C. §§ 80b-6 and 80b-17. In connection with that plea, Defendant admitted the facts set out in the transcript excerpt of his plea allocution that is attached as Exhibit A to this Consent. This Consent shall remain in full force and effect regardless of the existence or outcome of any further proceedings in *United States v. Galanis*.

3. Defendant hereby consents to the entry of the final Judgment in the form attached hereto (the "Final Judgment") and incorporated by reference herein, which, among other things:

(a) permanently restrains and enjoins Defendant from violations of Section 5 of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77e; Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a); and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C. F. R. § 240.10b-5;

(b) permanently bars Defendant, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] and Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)], from serving as an officer or director of any issuer that has a class of securities registered under Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]; and

(c) orders that while Defendant is liable to pay disgorgement of $7,483,684, representing his ill-gotten gains, together with prejudgment interest of $2,178,510.87, for a total of $9,662,194.87, such obligation to pay disgorgement and prejudgment interest shall be deemed satisfied by the restitution and/or forfeiture orders entered in the criminal action against him, *United States v. Galanis*.

4. Defendant waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

5. Defendant waives the right, if any, to a jury trial and to appeal from the entry of the Final Judgment.

6. Defendant enters into this Consent voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the Commission or any

member, officer, employee, agent, or representative of the Commission to induce Defendant to enter into this Consent.

7. Defendant agrees that this Consent shall be incorporated into the Final Judgment with the same force and effect as if fully set forth therein.

8. Defendant will not oppose the enforcement of the Final Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and hereby waives any objection based thereon.

9. Defendant waives service of the Final Judgment and agrees that entry of the Final Judgment by the Court and filing with the Clerk of the Court will constitute notice to Defendant of its terms and conditions. Defendant further agrees to provide counsel for the Commission, within thirty days after the Final Judgment is filed with the Clerk of the Court, with an affidavit or declaration stating that Defendant has received and read a copy of the Final Judgment.

10. Consistent with 17 C.F.R. § 202.5(f), this Consent resolves only the claims asserted against Defendant in this civil proceeding. Defendant acknowledges that no promise or representation has been made by the Commission or any member, officer, employee, agent, or representative of the Commission with regard to any criminal liability that may have arisen or may arise from the facts underlying this action or immunity from any such criminal liability. Defendant waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty herein. Defendant further acknowledges that the Court's entry of a permanent injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to membership or participation in, or association with a

member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. In addition, in any disciplinary proceeding before the Commission based on the entry of the injunction in this action, Defendant understands that he shall not be permitted to contest the factual allegations of the complaint in this action.

11. Defendant understands and agrees to comply with the terms of 17 C.F.R. § 202.5(e), which provides in part that it is the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegations in the complaint or order for proceedings" and "a refusal to admit the allegations is equivalent to a denial, unless the defendant or respondent states that he neither admits nor denies the allegations." As part of Defendant's agreement to comply with the terms of Section 202.5(e), Defendant: (i) will not take any action or make or permit to be made any public statement denying, directly or indirectly, any allegation in the complaint or creating the impression that the complaint is without factual basis; (ii) will not make or permit to be made any public statement to the effect that Defendant does not admit the allegations of the complaint, or that this Consent contains no admission of the allegations, without also stating that Defendant does not deny the allegations; (iii) upon the filing of this Consent, Defendant hereby withdraws any papers filed in this action to the extent that they deny any allegation in the complaint; and (iv) stipulates solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, that the allegations in the complaint are true, and further, that any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Defendant under the Final Judgment or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by

Defendant 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). If Defendant breaches this agreement, the Commission may petition the Court to vacate the Final Judgment and restore this action to its active docket. Nothing in this paragraph affects Defendant's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

12. Defendant hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorney's fees or other fees, expenses, or costs expended by Defendant to defend against this action. For these purposes, Defendant agrees that Defendant is not the prevailing party in this action since the parties have reached a good faith settlement.

13. Defendant agrees that the Commission may present the Final Judgment to the Court for signature and entry without further notice.

14. Defendant agrees that this Court shall retain jurisdiction over this matter for the purpose of enforcing the terms of the Final Judgment.

Dated: 7/12/18

Jason W. Galanis

On 7/12, 2018, Jason Galanis, a person known to me, personally appeared before me and acknowledged executing the foregoing Consent.

M. BUGARIN, CASE MANAGER, AUTHORIZED BY THE ACT OF JULY 7, 1955, AS AMENDED TO ADMINISTER OATHS (18 USC 4004).

Notary Public
Commission expires:

EXHIBIT A

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
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UNITED STATES OF AMERICA,

v. 15 Cr. 643 (PKC)

JASON GALANIS,

Defendant.

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July 21, 2016
10:50 a.m.

Before:

HON. SARAH NETBURN

Magistrate Judge

APPEARANCES

PREET BHARARA
United States Attorney for the
Southern District of New York
BY: BRIAN R. BLAIS
REBECCA G. MERMELSTEIN
AIMEE HECTOR
Assistant United States Attorneys

MURPHY PEARSON BRADLEY & FEENEY
Attorneys for Defendant
BY: THOMAS P. MAZZUCCO
NICHOLAS C. LARSON

indictment, how do you plead?

THE DEFENDANT: Guilty.

THE COURT: Sir, can you tell me in your own words what you did that makes you believe you are guilty of those charges?

THE DEFENDANT: Your Honor, as to Count One and Two, myself, along with others, conspired to commit securities fraud, in or about 2009 through in or about 2011, in that I, along with others, opened and managed brokerage accounts of another individual and affected sales of Gerova stock, and received and concealed proceeds derived therefrom knowing that this activity was designed to conceal from the investing public the true ownership and control of the Gerova stock.

I, along with others, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails and of the facilities of a national securities exchange, would and did use and employed manipulative and deceptive devices and contrivances in connection with the purchase and sale of the securities, in violation of Title 17, Code of Federal Regulation, Section 240.10b-5, by employing devices, schemes and artifices to defraud, and making untrue statements of material fact, and omitting to state material facts necessary, in order to make the statements made, in light of the circumstances under which they were made, not misleading. And

I and others engaged in acts, practices and courses of business which operated, and would operate, as a fraud and deceit upon persons.

As to Count Five and Eight, from in or around June 2010 through September 2010, in violation of Title 15, U.S. Code, Sections 80b-6 and 80b-17, and Title 18, U.S. Code, Section 2, I, along with others, including Jim Tagliaferri, proceeded to make investments on clients' behalf in entities by providing compensation or other benefits to those investment advisers, those benefits not disclosed to those clients. I arranged these quid pro quo transactions with the knowledge and understanding that the investment advisers, whose businesses were often in precarious financial situations, would not fully disclose the quid pro quo arrangements to their clients.

As to Count Eight, from in or about November 2007 and up to about April 2010, in violation of Title 18, Section 371, I, along with others, participated in a scheme to defraud others. In exchange for compensation, I caused investment firm clients to invest in notes issued by entities associated with me and make loans to entities associated with me. When these obligations to clients became due, trades were made that allowed the firm to --

THE COURT: Do you want to take a moment to consult with your attorneys?

THE DEFENDANT: Excuse me, your Honor.

THE COURT: Take your time.

THE DEFENDANT: Trades were made that allowed the firm to use the client account funds for my own benefit.

THE COURT: Mr. Galanis, let me ask you, you just read statements that were prepared by lawyers, which sounded like lawyer statements. I want to make sure that, one, that you understand everything that you have just read.

THE DEFENDANT: I do, your Honor.

THE COURT: I want to make sure that you affirm and adopt the statements that your lawyers have provided for you.

THE DEFENDANT: It wasn't natural, but I understand everything I have said, and that's my position.

THE COURT: Anything that you want to add in your own words?

THE DEFENDANT: No, your Honor.

THE COURT: Did you know what you were doing at the time was illegal?

THE DEFENDANT: Not at the time, your Honor. I have come to learn that.

THE COURT: Any other questions you would like me to ask defendant?

MR. BLAIS: May I consult with defense counsel, your Honor?

THE COURT: Sure.

(Pause)

(Counsel confers with defendant)

MR. MAZZUCCO: Thank you, your Honor. We have had a chance to speak with our client. We are ready to proceed and make some clarifications.

THE DEFENDANT: Your Honor, I apologize. You're correct to observe that it was lawyerly and not natural. So not all of it came out exactly as it probably should have. But for the benefit of the record, I want to make sure I clarify also that, with regard to the investment adviser fraud and the charge relating thereto, the investment adviser was also a firm called Martin Kelly.

Then to broadly correct or to clarify, I should say what my position was. I knew the conduct was not correct. I obviously wasn't aware of the statutes at the time, but I knew the behavior was incorrect, possibly illegal.

THE COURT: Thank you.

MR. BLAIS: Just a couple of points.

On the investment adviser fraud count, just for clarity of the record, I think the investment adviser that he had specifically allocuted to was actually the investment adviser charged in Count Six. I think he has clarified for purposes of the record that the conduct he allocuted to was with respect to the investment adviser charged in Count Five, which is Martin Kelly Capital. So I think that is appropriately clarified.