

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 78318 / July 13, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17340

In the Matter of

JEFFREY E. GALLAGHER,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Jeffrey E. Gallagher (“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, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.2 below, and consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. From approximately 2008 to early 2012, Gallagher acted as and was associated with an unregistered broker-dealer. Gallagher, 73 years old, is a former resident of Massachusetts and current resident of Bradenton Beach, Florida.

2. On December 14, 2015, Gallagher pled guilty to one count of wire fraud in violation of Title 18 United States Code, Section 1343, three counts of engaging in monetary transactions in property derived from specified unlawful activity in violation of Title 18 United States Code, Section 1957, and two counts of tax evasion in violation of Title 26 United States Code, Section 7201 before the United States District Court of the District of Massachusetts, in *United States v. Jeffrey Eldred Gallagher*, Case No. 3:15-cr-30055-MGM. On December 14, 2015, the United States District Court Judge accepted Gallagher's guilty plea. On February 29, 2016, Gallagher was sentenced to three years of imprisonment, followed by three years of supervised release. He was also ordered to pay \$616,535 in restitution to his victims and \$69,377 in restitution to the IRS.

3. In connection with that plea, Respondent admitted that:

- (a) On June 26, 1989, Gallagher pled guilty to one count of mail fraud and three counts of interstate transportation of stolen property based on his illegal and unauthorized options trading while employed as a stockbroker at PaineWebber, Inc. As a result, Gallagher was sentenced to fifteen months in prison;
- (b) From approximately 2008 through early 2012, Gallagher convinced friends and associates to invest in various "puts and options" investments through him, promising them a guaranteed return of ten to fifteen percent;
- (c) Gallagher told the investors that through an account with Goldman Sachs, he was investing in stocks such as Dunkin Donuts, Halliburton, and a Chinese technology stock called QIHU;
- (d) Gallagher initially invested the funds through his Wells Fargo brokerage account, but never opened an account with Goldman Sachs;
- (e) After some initial failed trading, Gallagher began paying some investors their promised returns by using monies from other investors;
- (f) Gallagher also commingled investor funds and used monies from investors to pay his personal expenses;
- (g) To stall investors seeking payment, Gallagher wrote approximately 49 bad checks totaling \$1,783,375;

- (h) As a result of Gallagher's investment scam, which involved 607 financial transactions and 61 investors, 23 investors lost a total of \$617,475; and
- (i) Between 2009 and 2010, Gallagher used approximately \$249,703 of investor monies for his own personal benefit, without reporting it to the Internal Revenue Service.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act, that Respondent Gallagher be, and hereby is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

Pursuant to Section 15(b)(6) of the Exchange Act Respondent Gallagher be, and hereby is barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Brent J. Fields
Secretary