

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION

CASE NO.

SECURITIES AND EXCHANGE COMMISSION,)
)
Plaintiff,)
v.)
)
JEFFREY GALPERN,)
)
Defendant.)
_____)

COMPLAINT

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. In October and November 2009, Defendant Jeffrey Galpern, a stock promoter, engaged in a fraudulent kickback scheme involving Crystal Properties Holdings, Inc. common stock in violation of the federal securities laws.

2. Galpern paid an illegal kickback of 500,000 restricted shares of Crystal Properties stock to a purported corrupt stock broker in exchange for the broker purchasing 300,000 shares of the company's common stock over the course of one trading week. Galpern also paid a kickback of 500,000 restricted shares to a middleman who introduced Galpern to the broker. Unbeknownst to Galpern, the stock broker was actually an undercover FBI agent, and the middleman was actually a witness cooperating with the FBI.

3. Galpern created this scheme in an effort to generate the appearance of market interest in Crystal Properties and rapidly increase the stock's trading price. Once the price spiked, Galpern planned to sell his own shares of the stock. He intended to repeat the scheme at

larger volumes and told the cooperating witness they could “continuously make money” through such a fraud.

4. As a result of the conduct described in this Complaint, Galpern violated Section 17(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. § 77q(a); and Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b) and 17 C.F.R. §240.10b-5. Unless restrained and enjoined, Galpern is reasonably likely to continue to violate the securities laws.

5. The Commission respectfully requests that the Court enter: (1) a permanent injunction restraining and enjoining Galpern from violating the federal securities laws; (2) an order directing Galpern to pay civil money penalties; and (3) an order barring Galpern from participating in any offering of penny stock.

II. DEFENDANT AND RELEVANT ENTITY

A. Defendant

6. Galpern is a stock promoter who resides in Boca Raton, Florida. During the relevant time period (October and November 2009), he was involved in the promotion of Crystal Properties common stock. Galpern has a criminal record involving burglary, theft, and assault.

B. Relevant Entity

7. Crystal Properties is a Nevada corporation with its principal place of business in Las Vegas, Nevada. It purports to be in the business of providing financial assistance, marketing plans, and partnerships for undervalued companies. Crystal Properties common stock is quoted on the Pink Sheets under the symbol “CPHG.” Its common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act. The company never filed a Form

15 deregistering its stock and appears to be a delinquent filer pursuant to Section 15(d) of the Exchange Act.

8. Crystal Properties' stock is a "penny stock" as defined by the Exchange Act. At all times relevant to this Complaint, the stock's shares traded at less than \$5.00 per share. In fact, during this time period, the stock never closed above five cents per share.

9. During the same time period, Crystal Properties' stock did not meet any of the exceptions to penny stock classification pursuant to Section 3(a)(51) and Rule 3a51-1 of the Exchange Act. For example, the company's stock: (1) did not trade on a national securities exchange; (2) was not an "NMS stock," as defined in 17 C.F.R. § 242.242.600(b)(47); (3) did not have net tangible assets (i.e., total assets less intangible assets and liabilities) in excess of \$5,000,000; and (4) did not have average revenue of at least \$6,000,000 for the last three years. *See* Exchange Act, Rule 3a51-1(g).

III. JURISDICTION AND VENUE

10. The Court has jurisdiction over this action pursuant to Sections 20(d) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(d) and 77v(a); and Sections 21(d) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78aa.

11. This Court has personal jurisdiction over Galpern, and venue is proper in the Southern District of Florida, because Galpern resides in the District and many of his acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the District. For example, in October 2009, Galpern held numerous meetings with the cooperating witness in Broward County, Florida while planning the scheme.

12. In connection with the conduct alleged in this Complaint, Galpern, directly or indirectly, singly or in concert with others, made use of the means or instrumentalities of

interstate commerce, the means or instruments of transportation and communication in interstate commerce, and the mails.

IV. THE FRAUDULENT SCHEME

13. In October 2009, Galpern began discussions with the cooperating witness regarding a fraudulent scheme involving Crystal Properties stock. Galpern told the cooperating witness he held four million shares of the stock and wanted to increase its value. He also told the cooperating witness that by manipulating the market they could “continuously make money.”

14. Galpern claimed he had “buying groups” in Dubai and Arizona who were also willing to manipulate the volume and price per share of Crystal Properties stock. In order to mask any price or volume manipulation, he offered to promote Crystal Properties stock through a stock promotional website. Galpern indicated properly timed press releases would sufficiently disguise any spike in trading volume by making it look as if the press releases were responsible.

A. Galpern Creates the Scheme

15. On October 21, 2009, Galpern met with the cooperating witness in Coral Springs, Florida to outline the scheme. The cooperating witness told Galpern he knew a corrupt stock broker who was willing to purchase the stock for his clients’ discretionary accounts in exchange for a kickback.

16. Galpern agreed to issue 500,000 restricted shares of Crystal Properties stock to the broker in exchange for the broker purchasing approximately 300,000 unrestricted shares of Crystal Properties stock for his clients’ discretionary accounts. He also agreed to issue 500,000 restricted shares to the cooperating witness in exchange for acting as the middle man.

17. The cooperating witness informed Galpern the broker owed a fiduciary duty to his customers, and there would be a problem if the broker's supervisors or the Commission discovered the kickbacks. Galpern agreed the kickbacks should remain undisclosed and hidden.

18. The next morning, Galpern again met with the cooperating witness in Coral Springs, Florida to finalize the scheme. At this meeting, Galpern agreed to hide the kickbacks by issuing the shares to two phony companies.

B. Galpern Implements the Scheme

19. Later that day, Galpern issued 500,000 restricted shares of Crystal Properties stock to Alliance Equities, Inc. as a kickback to the cooperating witness and 500,000 restricted shares to Green Bay Group Enterprises, Inc. as a kickback to the broker. Galpern understood the cooperating witness and the broker had created these companies just to receive the kickbacks. Unbeknownst to Galpern, the FBI controlled these companies as part of the sting operation. Galpern provided both the stock certificates to the cooperating witness.

20. On November 2, 2009, Crystal Properties issued a press release touting a plan to purchase self storage facilities at a discount to increase cash flow for the company. The press release appeared on the stock promotional website.

21. On the same day, the FBI purchased 10,000 shares of Crystal Properties stock on the open market. The FBI's purchase constituted 6% of the volume for that day. The average daily trading volume for Crystal Properties had been approximately 53,223 shares per day for the previous ten trading days.

22. Later that day, the cooperating witness again met with Galpern in Coral Springs. The cooperating witness told Galpern the broker's compliance officer questioned the trade, and

that the broker was backing out of the scheme. Upset that the deal had fallen through, Galpern demanded the return of the shares he had provided for the kickbacks.

23. Soon after, the cooperating witness returned the shares that Galpern had provided to him. The broker did not return the shares provided to him.

COUNT I

Fraud In Violation of Section 17(a)(1) of the Securities Act

24. The Commission realleges and incorporates paragraphs 1 through 23 of its Complaint.

25. From October through November 2009, Galpern directly and indirectly, by use of the, means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described in this Complaint, knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

26. By reason of the foregoing, Galpern, directly and indirectly, violated and, unless enjoined, is reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. §77q(a).

COUNT II

Fraud in Violation of Section 10(b) and Rule 10b-5 of the Exchange Act

27. The Commission realleges and incorporates paragraphs 1 through 23 of its Complaint.

28. From October through November 2009, Galpern, directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of securities, knowingly, willfully or recklessly:

(a) employed devices, schemes or artifices to defraud;

- (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) engaged in acts, practices and courses of business which have operated, are now operating and will operate as a fraud upon the purchasers of such securities.

29. By reason of the foregoing, Galpern, directly or indirectly violated and, unless enjoined, is reasonably likely to continue to violate Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine, and find that Galpern has committed the violations of the federal securities laws alleged in this Complaint.

II.

Permanent Injunctive Relief

Issue a Permanent Injunction restraining and enjoining Galpern, his officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Section 17(a) of the Securities Act and Section 10(b) and Rule 10b-5 of the Exchange Act, as indicated above.

III.

Penalties

Issue an Order directing Galpern to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d); and Section 21(d) of the Exchange Act, 15 U.S.C. § 78(d)(3).

IV.

Penny Stock Bar

Issue an Order barring Galpern from participating in any offering of penny stock, pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), for the violations alleged in this Complaint.

V.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

VI.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

October 7, 2010

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