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**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK**

**SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,**

-against-

STEVEN PAGARTANIS,

Defendant.

ECF CASE

**COMPLAINT AND JURY
DEMAND**

Plaintiff Securities and Exchange Commission (“Commission”), for its Complaint against Defendant Steven Pagartanis (“Defendant” or “Pagartanis”), alleges as follows:

SUMMARY

1. Pagartanis, a former registered representative who was associated with various Commission-registered firms, defrauded at least nine retail investors of approximately \$8 million by soliciting and selling them securities using false and misleading statements from 2013 to at least February 2018 (the “Relevant Period”).

2. Contrary to his promises that he would make safe investments that would yield monthly return payments, Pagartanis never made any investments. Instead, Pagartanis deposited

the investor funds into various bank accounts that he controlled and then used the funds, among other things, for his personal benefit and to make monthly return payments to investors in a Ponzi scheme-like manner.

3. Despite complaints from investors and queries from regulators, Pagartanis has stopped making monthly payments and has not returned investors' funds.

VIOLATIONS

4. By virtue of the conduct alleged in this Complaint, Defendant engaged in acts, practices and courses of business, that constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a), and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5.

5. Unless Defendant is permanently restrained and enjoined, he will again engage in the acts, practices, transactions, and courses of business set forth in this Complaint, and in acts, practices, transactions, and courses of business of a similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

6. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act, 15 U.S.C. § 77t(b), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

7. The Commission seeks a judgment: (a) restraining and permanently enjoining Defendant from engaging in the acts, practices and courses of business alleged against him herein and from committing future violations of the above provisions of the federal securities laws; (b) ordering Defendant to disgorge his ill-gotten gains and to pay prejudgment interest thereon; (c) imposing civil money penalties on Defendant pursuant to Section 20(d) of the

Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C.

§ 78u(d)(3); and (d) ordering such other and further relief as the Court may deem just and proper.

JURISDICTION AND VENUE

8. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Sections 21(e) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(e) and 78aa. Defendant, directly and indirectly, singly or in concert, has made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation or communication in interstate commerce, and/or the mails, in connection with the transactions, acts, practices and courses of business alleged herein.

9. Venue is proper in the Eastern District of New York pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 77aa. Certain of the transactions, acts, practices and courses of business alleged herein occurred in the Eastern District of New York, including, among other things, Pagartanis made false and misleading statements to investors concerning certain investments while in the Eastern District of New York. Additionally, Pagartanis and certain of the investors reside within the Eastern District of New York.

10. In connection with the transactions, acts, practices, and courses of business alleged in this Complaint, Defendant directly or indirectly made use of the means and instrumentalities of interstate commerce or of the mails.

THE DEFENDANT

11. **Pagartanis**, age 58, is a resident of East Setauket, New York. Between September 2017 and March 2018, Pagartanis was a registered representative of Lombard Securities Incorporated (“Lombard”), a broker-dealer registered with the Commission, and worked at its

Setauket, New York branch office. From June 1989 to March 2017, Pagartanis was associated with various other Commission-registered broker-dealers. He has Series 6 and 63 securities licenses.

RELEVANT ENTITY

12. **Genesis I Holdings, LLC** (“Genesis I”) is a New York limited liability company with its principal place of business located in East Setauket, New York. Pagartanis is the sole principal and owner of Genesis I.

FACTS

13. During the Relevant Period, Pagartanis raised around \$8 million from at least nine investors, most of whom were retirees.

14. Pagartanis had long-standing relationships with these investors, who were his customers at Lombard and at various other broker-dealers registered with the Commission with whom Pagartanis was previously associated. These investors trusted Pagartanis and relied on his investment recommendations.

15. Pagartanis told all of the investors that their investment would be safe. Pagartanis further told certain investors that the investment guaranteed repayment of principal with a fixed percentage return, generally between 4.5 and 8 percent annually. Pagartanis represented to certain investors that the investment was similar to a bond or a fixed income investment.

16. Pagartanis told at least five of the investors that they were investing in the common stock of Genesis Land Development Co. (“GDC”), a Canadian land development and home building company whose stock is listed on the Toronto Stock Exchange. Pagartanis raised at least \$6.7 million from these investors. Pagartanis told other investors that he was investing their money in a land development company.

17. At Pagartanis' direction, investors paid for their investments with checks made payable to "Genesis," the name of the LLC for which Pagartanis is the sole owner and also the same name as GDC, the Canadian land development company. Pagartanis deposited the investors' checks into Genesis I's bank account, over which he had sole control.

18. Pagartanis never invested any of the money he raised from the investors in the common stock of, or anything related to, GDC. Pagartanis knew, or recklessly disregarded, that his statements regarding how the investor funds would be invested and the safety of the investors' funds were false. To further his charade, he deceptively provided some of these investors with fictitious account statements indicating that they owned GDC stock and GDC's financial statements.

19. As a result of Pagartanis false and misleading statements, at least nine investors invested at least \$8 million with Pagartanis.

20. Instead of using investors' funds as promised, Pagartanis transferred the money raised to his personal bank account, to other entities he controlled, and used around \$1.8 million to make monthly interest payments to investors. Pagartanis used the funds transferred to his personal bank account to pay for his personal expenses. He also made cash withdrawals totaling around \$175,000 from Genesis I's bank account. Pagartanis never told any investor that he would use their money for his personal benefit or to make monthly interest payments to other investors.

21. As of the end of February 2018, Genesis I's bank account balance was around \$8,000.

22. In early 2018, Pagartanis' scheme started to crumble when he stopped making monthly payments to investors. Investors contacted Pagartanis and requested that he resume

making monthly payments. Other investors requested that he return their investments entirely. Pagartanis ignored these requests and has made no further payments to investors.

23. Pagartanis failed to appear for an interview in March 2018 with Lombard's compliance staff, which had received an investor complaint and contacted Pagartanis in an effort to speak with him. Pagartanis then failed to respond to a request for an interview with the Financial Industry Regulatory Authority ("FINRA") in March 2018. FINRA barred Pagartanis from associating with any FINRA member in April 2018.

FIRST CLAIM FOR RELIEF
Violations of Section 17(a) of the Securities Act

24. Paragraphs 1 through 23 are realleged and incorporated by reference as if fully set forth herein.

25. By virtue of the foregoing, in the offer or sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, Defendant: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit upon the purchaser.

26. By reason of the foregoing, Defendant, directly or indirectly, singly or in concert, violated, and unless enjoined will again violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

SECOND CLAIM FOR RELIEF
Violations of Section 10(b) of the Exchange Act

27. Paragraphs 1 through 23 are realleged and incorporated by reference as if fully set forth herein.

28. By virtue of the foregoing, Defendant, directly or indirectly, by the use of the means and instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities, knowingly or recklessly, employed devices, schemes, or artifices to defraud, made untrue statements of material fact and omitted 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 engaged in acts, practices, and courses of business which operate or would operate as a fraud or deceit.

29. By reason of the foregoing, Defendant, directly or indirectly, singly or in concert, violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated thereunder.

PRAYER FOR RELIEF

Wherefore, the Commission respectfully requests that the Court grant the following relief, a Final Judgment:

I.

Finding that Defendant violated the securities laws and rules promulgated thereunder as alleged against him herein.

II.

Permanently restraining and enjoining the Defendant, his officers, agents, servants, employees and attorneys and all person in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from future

violating, directly or indirectly, the securities laws and rules promulgated thereunder he is alleged to have violated.

III.

Ordering the Defendant to disgorge his ill-gotten gains, plus prejudgment interest.

IV.

Ordering the Defendant 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. § 78u(d).

V.

Granting such other and further relief as this Court deems just and proper.

Dated: New York, New York
May 30, 2018



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