

## U.S. SECURITIES AND EXCHANGE COMMISSION

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***SEC v. Jason M. Genet*, Civil Action No. 09-CV-4215 (E.D.N.Y.) (Seybert, J)**

### **SEC Obtains Fraud Judgment Against Jason M. Genet, Former Stock Promoter of China Energy Savings Technology, Inc.; Judge Orders \$2 Million In Disgorgement and Penalties, Five Year Penny Stock Bar**

The Securities and Exchange Commission announced that on August 5, 2010, the Honorable Joanna Seybert of the United States District Court for the Eastern District of New York entered a Final Judgment against Jason Genet for his role in an elaborate stock manipulation scheme involving China Energy Savings Technology, Inc. The final judgment enjoins Genet from violating the antifraud and registration provisions of the federal securities laws, orders him to pay more than \$2 million in disgorgement, prejudgment interest and penalties, and bars him from participating in a penny stock offering for a period of five years.

The Commission's complaint, filed in September 2009, alleges that Genet played a crucial role in the illegal "pump and dump" and market manipulation of China Energy's common stock. According to the Complaint, as part of the manipulation, Genet: (i) helped China Energy falsely obtain a listing on the Nasdaq NMS by helping China Energy to give away shares to hundreds of persons, and thereby creating the false and misleading impression that China Energy had a bona fide and active shareholder base; (ii) engaged in unregistered distributions of securities; and (iii) entered into secret arrangements to give away China Energy stock to persons who agreed to purchase China Energy stock in the open market, thereby creating the false and misleading impression that there was active trading and investor interest in China Energy. In payment for his fraudulent activities, Genet received thousands of shares of China Energy stock, which he later sold into the artificially inflated market, realizing illicit profits in excess of \$1.7 million.

The Final Judgment, to which Genet consented without admitting or denying the allegations in the Complaint, permanently enjoins Genet from future violations of Sections 5 and 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. It also orders Genet to pay \$2,527,745 in disgorgement, prejudgment interest and penalties, and bars Genet from participation in any offering of a penny stock for five years from the date of the judgment.

*SEC v. Genet* is the latest in a series of enforcement actions brought by the Commission concerning the China Energy fraud:

On December 4, 2006, the Commission filed a fraud complaint against China Energy, Chiu Wing Chiu, who was the undisclosed control person of China Energy, and several of Chiu's associates. *SEC v. China Energy* 06-CV-6402 (EDNY). ([Press Release 2006-200](#); [Lit. Rel. 19933](#); [Complaint](#)) The Commission also obtained an emergency order freezing \$3.9 million in assets held in four U.S. brokerage accounts by nominees of Chiu Wing Chiu.

On December 6, 2006, the Commission issued an order revoking China Energy's stock registration statements ([Admin. Proc. 34-54881](#)). The Commission had previously issued

orders suspending trading in China Energy securities on May 19, 2006 (34-53839) and September 26, 2006 (34-54503A).

On April 27, 2009, the Commission obtained final judgments in *SEC v. China Energy* against Chiu, Lai Fun "Stella" Sim, Jun Tang Zhao, Sun Li, and New Solomon Consultants, finding them liable for fraud, and ordering them to pay over \$34 million in disgorgement, prejudgment interest, and civil penalties. The court also imposed officer-and-director bars against Chiu, Sim, Zhao, and Li.

On July 31, 2009, the Commission obtained final judgments *SEC v. China Energy* against the relief defendant nominees of Chiu, ordering that the \$3.9 million held in the relief defendants' U.S. brokerage accounts be turned over to the Court as proceeds of the fraud.

The Commission filed fraud charges against Jason Genet on September 30, 2009. (See [Lit. Rel. 21232](#); [Complaint](#))