

**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

**IN THE MATTER OF
GREGORY GALANIS**

**STATEMENT OF ALLEGATIONS OF STAFF
OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (the "Commission") make the following allegations:

A. The Respondent

1. At all material times, Galanis was an officer and the sole shareholder of Ascendant Capital Management, Inc. ("Ascendant"). Ascendant carried on business as an investment advisor to various hedge funds.
2. From August 22, 2000 until February 29, 2004, Ascendant was registered under Ontario securities law; initially, in the category of investment counsel and portfolio manager ("ICPM) and subsequently, as a limited market dealer ("LMD") and ICPM. From June 24, 2002 until February 13, 2004, Galanis was registered in the category of Officer, with Ascendant as the sponsoring firm.
3. At all material time, Galanis was also an officer of Eosphoros Asset Management Incorporated ("EAM Inc."), which was incorporated by Galanis in or around late 2003 for the purpose of carrying on the business of Ascendant under a rebranded corporate name. Galanis was the sole director, officer and shareholder of EAM Inc. In or around late 2003, Galanis began dissolving Ascendant and transferring its remaining assets to EAM Inc.

4. Following the termination of Galanis' registration as an Officer of Ascendant in February 2004, Galanis obtained registration in the categories of Officer, ICPM, Chief Executive Officer and Secretary, with EAM Inc. as the sponsoring firm.

B. The Offering

5. On May 13, 2004, McFarlane Gordon Inc. (now MGI Securities, Inc. and hereinafter referred to as "McFarlane Gordon") and Paradigm Capital Inc. entered into an engagement agreement with Dimethaid Research, Inc. (now NuVo Research, Inc. and hereinafter referred to as "Dimethaid") to act as underwriters for a proposed private placement of Dimethaid special warrants (the "Offering"). For each special warrant, the holder would be entitled to receive one unit, comprised of one common share of the company and one purchase warrant.
6. A draft term sheet was prepared by the underwriters for the proposed Offering (the "Draft Term Sheet") which priced the offering at a 20% discount to the market price (defined as the closing price on the day prior to the day the Offering is priced).

C. The Undisclosed Material Information

7. On the morning of May 20, 2004, McFarlane Gordon began pre-marketing the Offering by contacting institutional clients and sending out copies of the Draft Term Sheet.
8. That morning, Galanis was contacted by a trader at McFarlane Gordon. The trader advised Galanis of the proposed Offering and estimated the Offering to be priced at or around \$.58-.60, which he advised represented an approximate 20% discount to the closing price of \$0.73 on the day prior. The trader further advised Galanis that McFarlane Gordon was currently taking orders and that the book was more than half full. Galanis was also advised that trading in Dimethaid securities was not halted.

D. Insider Trading

9. Immediately following his discussion with the trader at McFarlane Gordon, Galanis placed an order to short sell 300,000 common shares of Dimethaid, at market, through an account in the name of Ascendant at Salman Partners, Inc. The order was filled at an average price of \$0.644 per share.
10. Immediately upon placing the order for the short sale, Galanis contacted the trader at McFarlane Gordon to confirm that the pricing for the proposed Offering was likely to be in the range of \$0.58-\$0.60. Upon receiving such confirmation, Galanis placed a tentative subscription order with the trader for 300,000 special warrants.
11. Over the course of that morning and into the afternoon, Galanis engaged in further short selling of Dimethaid shares through accounts in the name of Ascendant at Canaccord Capital Corp. and Haywood Securities, Inc.
12. In total, Galanis sold short 865,000 common shares of Dimethaid at an average price of \$.6283 per share.
13. Prior to his trading in Dimethaid on May 20, 2004, Galanis had not previously traded Dimethaid securities. Galanis' trading on May 20, 2004 accounted for approximately 42% of that day's trading volume.
14. Following his short sales, Galanis placed a follow up call with the trader at McFarlane Gordon during which he tentatively increased his participation in the Offering to 750,000 special warrants.
15. Shortly thereafter, Galanis confirmed his participation in the Offering and increased his subscription to 1,000,000 special warrants.
16. At the close of the market the following day (May 21, 2004), Dimethaid issued a press release disclosing the Offering and its terms, priced at \$0.58 per special warrant.

17. Galanis' subscription to the Offering was made on behalf of EAM Inc., for a total investment of \$580,000.
18. Galanis' participation in the Offering provided him with the securities necessary to cover the short position he had incurred on May 20, 2004.
19. Galanis' short selling on the basis of knowledge of the terms of the proposed Offering and his participation in the Offering to cover the short positions allowed him to capture a risk-free profit.

E. Conduct Contrary to Ontario Securities Law and the Public Interest

20. The short selling constituted trading in Dimethaid securities as defined by section 1(1) of the Act.
21. At the time of Galanis' short selling in Dimethaid common shares on May 20, 2004, Galanis was a person deemed to be in a special relationship with Dimethaid within the meaning of subsection 76(5)(e) of the Act.
22. The fact of the proposed Offering and its terms as communicated to Galanis constituted material facts within the meaning of subsection 76(1) of the Act and such facts had not been generally disclosed at the time of Galanis' trading.
23. By trading shares of Dimethaid with knowledge of material facts that had not generally been disclosed, Galanis contravened subsection 76(1) of the Act and acted in a manner contrary to the public interest.
24. Such additional allegations as Staff may advise and the Commission may permit.

Date: March 18, 2008