

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 77466 / March 29, 2016

INVESTMENT ADVISERS ACT OF 1940
Release No. 4359 / March 29, 2016

INVESTMENT COMPANY ACT OF 1940
Release No. 32059 / March 29, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17184

In the Matter of

CHRISTOPHER M. GIBSON,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS PURSUANT
TO SECTION 21C OF THE
SECURITIES EXCHANGE ACT OF
1934, SECTIONS 203(f) AND 203(k) OF
THE INVESTMENT ADVISERS ACT
OF 1940, AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF
1940**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Christopher M. Gibson (“Respondent” or “Gibson”).

II.

After an investigation, the Division of Enforcement alleges that:

A. SUMMARY

1. This matter involves fraudulent and deceptive conduct by Gibson who, from January 2010 through early 2013, acted as an investment adviser to the Geier International Strategies Fund, LLC (“GISF” or the “Fund”), a private pooled investment fund.

2. Specifically – despite the fact that, as a fiduciary, Gibson owed the critically important duty of loyalty and was required to disclose conflicts of interest to the Fund and its investors – Gibson on three instances engaged in transactions that benefited him and persons close to him or that favored GISF’s largest investor (“Investor A”) over Gibson’s other clients, including the Fund.

3. As of early 2011, GISF had 21 investors for whom it held investments worth approximately \$60 million. During the spring of 2011, Gibson caused GISF to invest the vast majority of its assets in a single security, the common stock of Tanzanian Royalty Exploration Corporation (“TRX”). By April 29, 2011, GISF held approximately 9.7 million shares of TRX, amounting to 10.3% of TRX’s issued and outstanding common shares and valued at over \$70 million.

4. The Fund’s value declined precipitously as the share price of TRX declined from over \$7 per share in late April 2011 to approximately \$4 per share in late September 2011. After a conversation with Investor A over the weekend of September 24-25, 2011, Gibson determined to sell GISF’s entire holdings of TRX.

5. Before beginning to liquidate the Fund’s TRX shares, Gibson sold all of the TRX shares he held in his personal brokerage account and two other brokerage accounts he controlled at an average price of \$4.04 per share. The following day, Gibson sold 3.7 million TRX shares held by GISF and TRX’s share price declined significantly, with the Fund receiving approximately \$3.50 per share for each TRX share it sold.

6. Through this front-running transaction, Gibson improperly used to his advantage the fact that the Fund he advised would be selling a significant portion of its TRX position.

7. Next, on October 18, 2011, Gibson again engaged in an improper transaction in TRX shares – this time favoring one fund investor (Investor A) over his other clients, including the Fund. Gibson – on behalf of the Fund – purchased over 680,000 additional TRX shares directly from Investor A’s personal account despite having previously determined to sell the Fund’s entire holdings of TRX. This transaction allowed Investor A to sell all his personally-held TRX shares at favorable prices. When Gibson liquidated GISF’s entire remaining investment in TRX approximately three weeks later, the Fund suffered significant losses when the shares purchased from Investor A were sold for substantially less than the Fund paid for them.

8. Lastly, in late October and early November 2011, Gibson engaged in further deceptive conduct by using his knowledge of the Fund’s impending sale of its TRX shares to benefit himself and persons close to him. Prior to selling the Fund’s remaining TRX shares, Gibson bought put option contracts in TRX with a strike price of \$4 and an expiration date of November 19, 2011 for himself and his then-girlfriend. He also advised his father to purchase identical put option contracts.

9. In purchasing the put contracts, Gibson acquired the right, at his discretion, to compel the seller of the put to purchase TRX shares at \$4 per share, regardless of the actual prevailing market price for TRX. In effect, Gibson's purchase of the put contracts represented a short position, *i.e.*, a bet that TRX's share price would decline below \$4 before the put contract's November 19, 2011 expiration date. Gibson knew that such a significant price decline was a likely result of his imminent sale of the large remaining block of the Fund's TRX shares.

10. On the morning of November 10, 2011, Gibson sold the approximately 4.9 million TRX shares GISF still held, and the price of TRX stock declined precipitously. As TRX's stock price dropped, the TRX put contracts purchased by Gibson and his father increased substantially in value. In particular, Gibson sold the put contracts in his account and the account of this then-girlfriend, and Gibson's father sold the put contracts in his account, reaping total illicit profits of approximately \$380,000.

11. Again, through these deceptive front-running transactions, Gibson improperly used to his advantage – and to the advantage of others close to him – the fact that the Fund he advised would be selling its remaining, significant TRX position.

B. RESPONDENT

12. Christopher M. Gibson was an executive officer of the managing member and investment manager of GISF, and he also acted as the Fund's investment adviser. Gibson previously held Series 7, 63, and 65 licenses. Gibson, 32 years old, is a resident of Brooklyn, NY.

C. OTHER RELEVANT ENTITIES

13. GISF is a Delaware LLC formed in December 2009. In January 2010, it raised approximately \$32 million from 17 investors in a private placement under Regulation D of the Securities Act. By February 2011, it had raised a total of approximately \$39.7 million. All of its investors were individuals or family limited partnerships. GISF presently survives as a Delaware limited liability company, holding its remaining assets, but is largely inactive. Only Gibson and two individuals with ties to his family retain their interests in the Fund.

14. Geier Group was a Georgia LLC formed in April 2009 and was GISF's investment manager. It was registered in the state of Georgia as an investment adviser from May 2009 through December 2010, but was never registered with the Commission. Geier Group was owned 50% by Gibson, 35% by Investor A, and 15% by Gibson's father. Geier Group was terminated in April 2011 and not replaced. Gibson never informed the Fund's investors that the Fund's investment manager had been terminated, and continued to operate as though Geier Group still existed. Because GISF's offering documents only identified Geier Group as the Fund's investment adviser, after Geier Group was terminated, Gibson acted as GISF's investment adviser in his individual capacity. Moreover, after its investment adviser registration lapsed, two investors were solicited to make or increase their

investment in GISF using materials stating that Geier Group was a registered investment adviser.

15. Geier Capital was a Georgia LLC formed in June 2009 and was GISF's managing member. It was terminated in March 2011 and was substituted by a Delaware LLC also named Geier Capital. Both the Delaware LLC and the prior Georgia LLC were owned 50% by Gibson, 35% by Investor A, and 15% by Gibson's father. The Delaware LLC was terminated in December 2011 and not replaced. Gibson never informed the Fund's investors that the Fund's managing member had been terminated.

16. Tanzanian Royalty Exploration Corporation is a foreign private issuer incorporated in Alberta, Canada and registered under Exchange Act Section 12(b). It is a mineral resource company specializing in the exploration and development of gold resources. It currently trades on the New York Stock Exchange Market LLC under the symbol "TRX." As of August 31, 2015, it had not been profitable since its inception.

D. FACTS

(i) GIBSON ACTED AS GISF'S INVESTMENT ADVISER

17. In April and June 2009 respectively, Geier Group and Geier Capital were formed. Gibson was Geier Group's managing member and Geier Capital's managing director.

18. In December 2009, GISF was formed, and Gibson oversaw the preparation of its fund documents. In January 2010, Gibson arranged for the distribution to prospective investors of GISF's limited liability company operating agreement, confidential private offering memorandum, and investor subscription documents. Investor A assisted Gibson, providing him with office space and administrative support at his business, and by introducing him to prospective investors.

19. From January 2010 to early 2013, Gibson acted as the Fund's investment adviser, initially as the principal executive of Geier Group and then in his personal capacity after Geier Group's termination. He personally chose the investments in which the Fund invested and directed the trades to acquire or sell those investments. Gibson was compensated for his services in the form of, among other things, management and incentive fees. Moreover, as part of his duties and responsibilities as the Fund's investment adviser, Gibson monitored the financial markets; tracked the performance of the Fund's investments; communicated on behalf of the Fund with the Fund's investors, counsel, outside administrator and brokers, as well as with the management of TRX; and signed Commission reports on Forms D, 13G, 4 and 5 and caused them to be filed with the Commission.

20. Gibson received compensation for his investment advisory services via Geier Group. As GISF's investment manager, Geier Group was entitled to a quarterly management fee equal to 0.25% of GISF's assets under management. The management fee was paid to Geier Group throughout 2010 and until September 2011 (even after its

termination). As the 50% owner of Geier Group, Gibson was entitled to, and received, 50% of the management fees paid to Geier Group after expenses.

21. Moreover, as GISF's managing member, Geier Capital was entitled to receive an annual incentive fee based upon GISF's investment returns. Gibson was entitled to – and received – 50% of the incentive fee paid to Geier Capital for 2010. No incentive fee was paid for 2011.

22. As further compensation for Gibson's investment adviser services to GISF, he received a salary and health insurance benefits from a commercial real estate business in which Investor A and Gibson's father were the senior executives. This salary totaled approximately \$75,000 in 2010, approximately \$150,000 in 2011, and approximately \$150,000 in 2012.

23. As an investment adviser to the Fund, Gibson was a fiduciary, and accordingly, owed a duty to act for the benefit of the Fund; to put the interests of his client before his own personal interests; and to act honestly and fairly in all respects in dealing with his client.

24. Gibson was aware of the fiduciary duties investment advisers owe to their clients. In particular, Gibson had held the Series 65 (Uniform Investment Adviser) license, which is not granted unless the licensee passes an examination that routinely includes questions concerning these fiduciary duties. Moreover, through the Fund's offering documents, Gibson conveyed to the Fund's investors that they would be treated fairly and equitably.

(ii) GIBSON "FRONT-RAN" THE FUND BY SELLING PERSONAL TRX SHARES BEFORE THE FUND DID

25. As of April 29, 2011, GISF primarily held one investment. This investment consisted of approximately 9.7 million shares of TRX, amounting to 10.3% of TRX's issued and outstanding common shares, and was valued at over \$70 million.

26. Between late April 2011 and late September 2011, the share price of TRX's common stock declined from over \$7 per share to approximately \$4 per share. After a conversation with Investor A, Gibson decided over the weekend of September 24-25, 2011 to liquidate GISF's entire TRX position.

27. At the time of Gibson's conversation with Investor A, Gibson held 2,000 TRX shares in his personal brokerage account, controlled 18,900 TRX shares in his then-girlfriend's brokerage account, and controlled 1,000 TRX shares held in Geier Group's brokerage account, in which Gibson had a 50% economic interest.

28. On Monday September 26, 2011, before beginning to liquidate GISF's TRX position, as described below, Gibson sold all of his personal TRX shares, as well as the

TRX shares he controlled in his then-girlfriend's account and Geier Group's account for approximately \$4.04 per share.

29. The next day, on September 27, 2011, Gibson began liquidating GISF's large TRX position, selling over 3.7 million shares on that day alone at an average price of \$3.50 per share. These sales accounted for over 59% of the over 6.3 million shares traded that day. On this day, TRX's share price opened at \$4.24 and dropped over 16%, closing at \$3.54 per share.

30. As a result of selling the TRX shares in the three brokerage accounts he controlled before selling GISF's TRX shares, Gibson received a price that was over \$0.50 per share higher than the price he obtained for GISF the following day.

31. With respect to the above-referenced conduct, Gibson knew, was reckless in not knowing, and should have known that without disclosing to the Fund his conflict of interest and obtaining the Fund's consent, he was improperly exploiting the fact that the Fund would be selling a substantial portion of its TRX position to benefit himself and his then-girlfriend.

(iii) GIBSON FAVORED INVESTOR A AT THE EXPENSE OF HIS OTHER CLIENTS, INCLUDING THE FUND

32. Following its September 27, 2011 sale of TRX, GISF still held approximately 5.4 million TRX shares.

33. On October 18, 2011, despite the fact that he planned to liquidate GISF's large TRX holdings, Gibson purchased on GISF's behalf more than 680,000 additional TRX shares from Investor A in a private transaction that was consummated on October 20, 2011. GISF paid \$3.60 per share, costing the Fund over \$2.45 million.

34. Through this transaction, Gibson favored Investor A over the Fund by enabling Investor A to sell his entire TRX position at prices favorable to Investor A. This transaction also benefitted Gibson by furthering his relationship with Investor A (whose company was paying Gibson a salary). This created an undisclosed conflict of interest.

35. In particular, Gibson privately purchased Investor A's shares for \$3.60 per share (the closing market price for TRX on October 18, 2011) and therefore enabled Investor A to sell his shares without the price-depressing impact of a publicly executed sale. By comparison, as GISF disposed of 364,495 TRX shares the prior day, the price obtained for those shares declined from approximately \$3.60 per share to \$3.40 per share.

36. Because Gibson purchased the shares privately, he also enabled Investor A to avoid paying a sales commission that he otherwise would have had to pay to sell his shares in the public marketplace.

37. As of the end of October 2011, after purchasing Investor A's shares, GISF held over 6.2 million TRX shares. In early November 2011, Gibson continued selling GISF's TRX holdings.

38. On November 10, 2011, and as described in greater detail below, Gibson abruptly sold all of GISF's remaining TRX shares – approximately 4.9 million shares – in a single day. GISF used the “first-in, first-out” (“FIFO”) method for calculating cost basis. Under this method, the additional TRX shares purchased from Investor A on October 18 were some of the last shares sold by the Fund on November 10, at an average price of approximately \$2.02. Thus, GISF lost approximately \$1.58 per share, for a total loss of approximately \$1.1 million, as a result of the transaction with Investor A.

39. When GISF resold the shares it purchased from Investor A, it was further disadvantaged because it paid sales commissions that it would not have incurred if Gibson had not purchased those shares from Investor A.

40. As noted earlier, at the time Gibson purchased Investor A's personal TRX holdings on GISF's behalf, Investor A's commercial real estate business was paying Gibson an annual salary of approximately \$150,000.

41. With respect to the above-referenced conduct, Gibson knew, was reckless in not knowing, and should have known that his conduct created an undisclosed conflict of interest that benefitted himself and Investor A over his other clients, including the Fund.

(iv) GIBSON BENEFITTED BY PURCHASING TRX PUT CONTRACTS IN ADVANCE OF THE FUND'S MASSIVE SALE OF TRX SHARES

42. Next, Gibson benefitted himself, his father, and his then-girlfriend by engaging in another series of “front-running” transactions in late October and early November 2011. In particular, prior to selling a massive block of TRX shares for the Fund, Gibson purchased TRX put contracts in his personal account and the account of his then-girlfriend and also advised his father to purchase identical TRX put contracts in his Individual Retirement Account.

43. Over the course of October 27, October 28, November 2, and November 8, in his and his then-girlfriend's accounts, Gibson purchased put contracts for TRX expiring in November 2011 and having an exercise price of \$4 per TRX share, when TRX was generally trading in the range of \$3.40 to \$4.07. In his personal account, Gibson purchased 565 TRX \$4 put contracts for approximately \$20,000. And, in the account of his then-girlfriend which he controlled, Gibson purchased 1,604 TRX \$4 put contracts for approximately \$50,000.

44. On November 9, 2011, Gibson advised his father to sell the 46,000 TRX shares his father held in an IRA account. Gibson also advised his father to purchase \$4 TRX put contracts identical to the ones he had purchased for himself and his then-girlfriend. That same day, Gibson's father followed this advice by (i) beginning to sell his

personal TRX shares and (ii) buying 350 identical \$4 TRX put contracts (expiring in November 2011) for a total cost of approximately \$18,000. It was the only occasion on which Gibson's father ever purchased a stock option in his investment history.

45. The put contracts gave Gibson the right, at his discretion, to compel the seller of the put to purchase TRX shares at \$4 per share, regardless of the actual prevailing market price for TRX. In effect, the put contracts represented a short position, *i.e.*, a bet that TRX's share price would decline below \$4 before the put contract's November 19, 2011 expiration date.

46. On the morning of November 10, as Gibson prepared to liquidate GISF's remaining TRX position, he knew that the impending sale of the Fund's TRX holdings could greatly depress TRX's share price, writing to one GISF broker that "we are going to potentially tank this stock."

47. At the opening of the market at 9:30 AM on November 10, 2011, Gibson immediately began selling all of GISF's remaining 4.9 million TRX shares. TRX's share price, which opened at \$3.41, immediately began to plummet, declining to approximately \$2.99 by 9:45 AM. At 9:52 AM, the New York Stock Exchange halted trading in TRX for five minutes due to the dramatic drop in TRX's share price.

48. At 10:00 AM that day, shortly after the trading halt in TRX was lifted, and with TRX's weighted average share price down to \$2.02 per share, Gibson sold all of the \$4 TRX put contracts in his account. Two minutes later, with TRX at \$2.00 per share, he sold all of the \$4 TRX put contracts in his then-girlfriend's brokerage account. At 11:40 AM that day, with TRX's weighted average share price at \$2.30, Gibson's father likewise sold all his \$4 TRX put contracts.

49. As a result of the substantial decline in TRX's share price, these put positions were highly profitable when sold. In particular, the total profits from these sales were approximately \$380,000 – with over \$254,000 coming from the put positions in Gibson's then-girlfriend's account; approximately \$82,000 coming from the put positions in Gibson's personal account; and approximately \$43,000 coming from the put positions in Gibson's father's account.

50. Although he purchased the profitable \$4 TRX put contracts for himself and his then-girlfriend's account and advised his father to purchase them as well, Gibson did not buy \$4 TRX put contracts for the Fund – which was financially and legally able to buy them – and did not share this opportunity with other clients.

51. As a result of this front-running transaction, Gibson benefitted himself, his then-girlfriend, and his father by improperly using to his advantage the fact that the Fund would be selling a significant portion of its TRX position.

52. Moreover, GISF's formation and private offering documents did not authorize Gibson to trade for himself in a manner that exploited the market impact of his

advice to the Fund. On the contrary, the conflicts of interest provisions in both the GISF operating agreement and private offering memorandum merely disclosed generally the investment adviser's ability to pursue other business and advisory opportunities outside the Fund and emphasized that all of Gibson's clients, including the Fund, would be treated fairly and equitably.

53. With respect to the above-referenced conduct, Gibson knew, was reckless in not knowing, and should have known that front-running the Fund by trading on the market impact of his advice to the Fund without disclosure to, and consent by, the Fund improperly benefitted himself and persons close to him, and was contrary to Fund disclosures that said that investment opportunities would be allocated fairly and equitably among all clients.

E. VIOLATIONS

54. As a result of the conduct described above, Gibson willfully violated Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities. Gibson engaged in a deceptive scheme to front-run GISF's trades and benefit himself and those close to him at the expense of the Fund and his other clients by exploiting the investment advice he provided to the Fund.

55. As a result of the conduct described above, Gibson willfully violated Section 206(1) of the Advisers Act, which prohibits an investment adviser, directly or indirectly, from employing any device, scheme, or artifice to defraud any client or any prospective client.

56. As a result of the conduct described above, Gibson willfully violated Section 206(2) of the Advisers Act, which prohibits an investment adviser, directly or indirectly, from engaging in any act, transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

57. As a result of the conduct described above, Gibson willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, which makes it unlawful for an investment adviser to a pooled investment vehicle to make any untrue statement of material fact or to omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, or to engage in any act, practice, or course of business that is fraudulent, deceptive or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 21B of the Exchange Act;

C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act including, but not limited to, disgorgement and civil penalties pursuant to Section 203 of the Advisers Act;

D. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 9(b) of the Investment Company Act including, but not limited to, disgorgement and civil penalties pursuant to Section 9 of the Investment Company Act; and

E. Whether, pursuant to Section 21C of the Exchange Act, and Section 203(k) of the Advisers Act, Respondent should be ordered to cease and desist from committing or causing violations of and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, whether Respondent should be ordered to pay civil penalties pursuant to Section 21B(a) of the Exchange Act, and Section 203(i) of the Advisers Act, and whether Respondent should be ordered to pay disgorgement pursuant to Sections 21B(e) and 21C(e) of the Exchange Act, and Section 203 of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file Answers to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, Respondent may be deemed in default and the proceedings may be

determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice. 17 C.F.R. §§ 201.360(a)(2).

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Brent J. Fields
Secretary