

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

STEVEN MARK PEASLEE,
(CRD No. 2285838)

Respondent.

Disciplinary Proceeding
No. 2009020134201

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. During the period from February 2009 through June 2009, Steven Mark Peaslee participated in private securities transactions by selling a private securities offering of a company he owned and controlled (Offering) to four individual investors, without providing notice to, and receiving prior approval from, his employing member firm, in violation of NASD Rule 3040 and FINRA Rule 2010. Peaslee provided documents to investors in the Offering that contained material misrepresentations and omitted certain material facts. For example, Peaslee falsely represented that an escrow agreement was in place for the Offering, which was sold on a contingency basis, and that investor funds were being deposited into an escrow account and held until the Offering's contingency was met. As a result, Peaslee violated FINRA Rules 2010 and 2020 and willfully violated Section 10(b) of the Securities Exchange Act of 1934 (SEA) and SEC Rule 10b-5. In March 2009, Peaslee distributed investor funds raised in the Offering before the Offering's minimum contingency had been met, in violation

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of FINRA Rule 2010 and in willful violation of Section 10(b) of the SEA and SEC Rule 10b-9.

RESPONDENT AND JURISDICTION

2. Peaslee entered the securities industry in August 1992 and became registered as a general securities representative in October 1992. In July 1997, Peaslee became associated as a general securities representative with FINRA member firm LPL Financial Corporation. He was associated with LPL until September 17, 2009.
3. On October 19, 2009, LPL filed a Uniform Termination Notice for Securities Industry Registration (Form U5) on behalf of Peaslee, terminating his association with the firm as of September 17, 2009.
4. On January 9, 2010 and February 26, 2010, LPL filed Amended Forms U5 on behalf of Peaslee, disclosing that certain customer complaints had been filed against Peaslee.
5. Peaslee is not currently associated with a FINRA member firm, but remains subject to FINRA's jurisdiction pursuant to Article V, Section IV of FINRA's By-Laws in that the misconduct alleged in this Complaint occurred while Peaslee was associated with a FINRA member firm, and this complaint was filed within two years of Peaslee's last association with a FINRA member firm and within two years of the last amendment to Peaslee's Form U5 filed by LPL.

FIRST CAUSE OF ACTION

Private Securities Transactions

(NASD Conduct Rule 3040 and FINRA Rule 2010)

6. The Department realleges and incorporates by reference paragraphs 1 through 5 above.

7. Between February 2009 through June 2009, Peaslee participated in private securities transactions by soliciting four individuals to invest approximately \$399,850 in the Offering. The Offering's purpose was to capitalize Peaslee Capital Group, LLC (PCG), a d/b/a through which Peaslee operated his securities business and which was wholly owned by Peaslee. The Offering purported to be issued in compliance with Rule 506 of Regulation D of the Securities Act of 1933 (Reg. D), but no Reg D documents were filed with the SEC.
8. The Offering was an equity offering of up to 50% of the shares of PCG to accredited investors. Peaslee received no written representation from any of the four investors that he or she met the requirements to be an accredited investor. The price was \$20,000 for a 1% interest, and each member had a voting right. Investors were to receive distributions of 9% per year paid monthly in the amount of \$750 for each 5% membership interest.
9. Peaslee sold the Offering to four individuals, L. Ba., L. Be., L. L., and M. G., three of whom, L. Ba., L. Be. and L. L., were customers of LPL.
10. The aforementioned investments were "securities" pursuant to the Securities Exchange Act of 1934.
11. Peaslee failed to give written notice of his intent to participate in the sale of the Offering to his member firm, and failed to obtain written approval from his member firm before engaging in such activities, as required by NASD Conduct Rule 3040.
12. LPL did not permit registered representatives to participate in the sale of private equity offerings.
13. As a result of this conduct, Peaslee violated NASD Conduct Rule 3040 and FINRA Rule 2010.

SECOND CAUSE OF ACTION

Fraudulent Misrepresentations or Omissions of Material Facts

**(Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-5,
and FINRA Rules 2010 and 2020)**

14. The Department realleges and incorporates by reference paragraphs 1 through 13 above.
15. During the period from in or about February 2009 until in or about June 2009, while registered through LPL, Peaslee intentionally or recklessly, by the use of means or instrumentalities of interstate commerce, or of the mails, employed devices to defraud customers L. Ba., L. Be., L. L., and M. G., and made untrue statements of material facts and/or omitted to state material facts necessary to make the statements and representations made by Peaslee, in light of the circumstances in which they were made, not misleading, in connection with L. Ba., L. Be., L. L., and M. G.'s investment in the Offering.
16. Under his signature as President and Manager of PCG, Peaslee provided the investors with a private placement memorandum (PPM) and subscription agreement (collectively, Offering Documents) for the Offering.
17. Through the Offering Documents, Peaslee made misrepresentations and omissions as follows:
- (a) Peaslee misrepresented the value of PCG in the PPM he provided to investors by failing to take into consideration the company's debts and pending legal obligations when valuing PCG. Peaslee valued PCG at \$1.45 million, which he represented to be the value of its book of business. When determining the value of PCG, however, he did not include, nor did he disclose, (i) the \$800,000 of debt he intended to pay with the proceeds of the offering; (ii) an unpaid arbitration award of more than \$75,000 against PCG and Peaslee; or (iii) the potential liability from another legal action against PCG and Peaslee by former clients.
 - (b) Peaslee failed to disclose the material facts pertaining to the significant amount of PCG debt that he intended to pay with the proceeds of the offering: \$400,000 of debt for a

company whose assets were valued at \$1.45 million.

- (c) Peaslee failed to disclose to at least three of the four investors the material fact that he also intended to pay personal debts of approximately \$400,000 with the proceeds of the offering, which would not benefit PCG.
- (d) Peaslee misrepresented his business plan to the investors, claiming that he would be using the funds invested to hire additional employees and expand his business, when this was not the case.
- (e) In the PPM, Peaslee made the misrepresentation that funds invested would be held in an escrow account and released only if certain conditions were met, when he never created an escrow account.

18. In reliance on Peaslee's misrepresentations, L. Ba., L. Be., L. L., and M. G. invested in the Offering. L. Ba., L. Be., and L. L. each invested \$100,000; M. G. invested \$99,850. The investors have not received a scheduled interest payment since August 2009. Peaslee sold PCG for \$250,000 on October 1, 2009; although this was a liquidity event for PCG under the terms of the PPM that should have triggered payment to the investors, they received no payment from these funds. Instead, Peaslee convinced the investors to convert their equity to debt, entering into promissory notes in October 2009 that pushed the date of repayment out until 2017 and 2018.

19. As a result of such conduct, Peaslee violated FINRA Rules 2010 and 2020 and willfully violated Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5.

THIRD CAUSE OF ACTION

Failure to Comply with Contingency Offering Terms

(SEA Section 10(b), SEA Rule 10b-9 and FINRA Rule 2010)

20. The Department realleges and incorporates by reference paragraphs 1 through 19 above.
21. The Offering sold by Peaslee was a contingent offering insofar as it required that ten percent of the equity being offered be sold in order for investors' funds to be released to the issuer.
22. The Offering Documents used by Peaslee in connection with the Offering represented that funds raised in the Offering would be held in an escrow account and released only if the minimum contingency of the sale of ten percent of the company's membership interest was satisfied.
23. Peaslee failed to establish an escrow account in the name of PCG, and no investor funds from the offering were ever held in an escrow account. Rather, Peaslee deposited investor funds into PCG's operating account and immediately began making withdrawals.
24. Peaslee distributed investor funds before the minimum contingency was satisfied, thereby rendering the representations in the offering documents false and misleading.
25. As a result of this conduct, Peaslee willfully violated SEA Section 10(b), Rule 10b-9 thereunder, and violated FINRA Rule 2010.

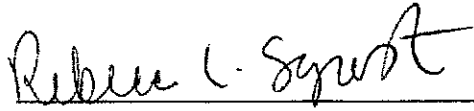
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. Order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that the Respondent Peaslee be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- B. Order that Respondent Peaslee bear such costs of the proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- C. Make specific findings that Respondent Peaslee willfully violated Securities Exchange Act Sections 10(b) and Rules 10b-5 and 10b-9.

FINRA DEPARTMENT OF ENFORCEMENT

Date: Aug. 2, 2011



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