

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C.

SECURITIES EXCHANGE ACT OF 1934  
Release No. 97779 / June 21, 2023

Admin. Proc. File No. 3-19336

In the Matter of  
STEVE G. BLASKO

OPINION OF THE COMMISSION

BROKER-DEALER PROCEEDING

Grounds for Remedial Action

**Injunction**

Respondent was permanently enjoined from violations of registration provisions of the federal securities laws. *Held*, it is in the public interest to bar respondent from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization and from participation in an offering of penny stock.

APPEARANCES:

*Marisa Westervelt* and *Lynn M. Dean* for the Division of Enforcement.

On August 13, 2019, we instituted an administrative proceeding against Steve G. Blasko pursuant to Section 15(b) of the Securities Exchange Act of 1934.<sup>1</sup> We now find Blasko to be in default, deem the allegations against him to be true, and bar him from associating in the securities industry in any capacity and from participating in the offering of penny stock.

## I. Background

### A. The Commission instituted the proceeding against Blasko.

The order instituting proceedings (“OIP”) alleged that, in 2017, the Commission brought a civil action against Blasko alleging that, from June 2014 to February 2015, Blasko acted as an unregistered broker and sold unregistered securities of Kentucky-Tennessee 50 Wells/400 BBLPD Block, Limited Partnership (a/k/a Warren County 200 Well/1,600 BBLPD Block, Kentucky-Tennessee 200 Well/1600 BBLPD Block) (“KT-50 Wells”). The OIP also alleged that, on April 18, 2019, a federal district court permanently enjoined Blasko from violating Sections 5(a) and 5(c) of the Securities Act of 1933,<sup>2</sup> and Section 15(a) of the Exchange Act.<sup>3</sup>

The OIP initiated proceedings to determine whether the allegations contained therein were true and if any remedial action was appropriate in the public interest. It directed Blasko to file an answer to the allegations within 20 days after service, as provided by Rule of Practice 220(b).<sup>4</sup> The OIP informed Blasko that if he failed to answer, he could be deemed in default, the allegations in the OIP could be deemed to be true as provided in the Rules of Practice, and the proceeding could be determined against him upon consideration of the OIP.<sup>5</sup>

### B. Blasko failed to answer the OIP, respond to an order to show cause why he should not be found in default, or respond to a motion for a default and sanctions.

Blasko was properly served with the OIP on January 16, 2020, pursuant to Rule of Practice 141(a)(2)(i),<sup>6</sup> but did not respond. On January 25, 2021, more than 20 days after service, the Commission ordered Blasko to show cause by February 8, 2021, why it should not find him in default due to his failure to file an answer or otherwise to defend this proceeding.<sup>7</sup> The show cause order warned Blasko that if he was found in default, the allegations in the OIP

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<sup>1</sup> *Steve G. Blasko*, Exchange Act Release No. 86640, 2019 WL 3814365 (Aug. 13, 2019).

<sup>2</sup> 15 U.S.C. § 77e(a), (c).

<sup>3</sup> 15 U.S.C. § 78o(a).

<sup>4</sup> 17 C.F.R. § 201.220(b).

<sup>5</sup> *See* Rules of Practice 155(a), 220(f), 17 C.F.R. §§ 201.155(a), .220(f).

<sup>6</sup> 17 C.F.R. § 201.141(a)(2)(i) (providing that service of an OIP on an individual may be made by “leaving a copy at the individual’s dwelling house or usual place of abode with some person of suitable age and discretion then residing therein”).

<sup>7</sup> *Steve G. Blasko*, Exchange Act Release No. 90984, 2021 WL 241885 (Jan. 25, 2021).

would be deemed to be true and the Commission could determine the proceeding against him upon consideration of the record. The order directed the Division of Enforcement to file a motion for entry of an order of default and the imposition of remedial sanctions by March 8, 2021, in the event that Blasko failed to respond to the show cause order.

After Blasko failed to answer the OIP or respond to the show cause order, the Division filed a motion requesting that the Commission find Blasko in default and bar him associating in the securities industry and from participating in the offering of penny stock. Blasko did not respond.

The Division supported the motion with the allegations of the OIP and with filings from the civil action against Blasko. These filings included the district court's order granting the Commission summary judgment in the civil action,<sup>8</sup> the court's order granting the Commission's motion for injunctions and civil penalties, and the court's final civil judgment against Blasko.

According to the district court's order granting summary judgment, KT-50 Wells purported to be an investment in the development and operation of oil wells, with 65% of investor funds being devoted to "drilling efforts" according to its 2014 private placement memorandum ("PPM"). But KT-50 Wells spent just 13% of the money raised on oil well development and operation, with persons associated with the company misappropriating over 33% of the funds. The PPM also misrepresented KT-50 Wells's principals' experience and expertise in managing oil and gas investment projects and projected investment returns.

Blasko engaged, along with others, in a scheme to offer and sell at least \$2.4 million in KT-50 Wells securities to at least 41 investors between May 2014 and February 2016. No registration statement was in effect for this offering, nor did any exemption from registration apply. Blasko earned approximately \$59,000 in commissions from these unregistered sales.

In granting the Commission's motion for summary judgment and imposing civil money penalties of \$160,000 and disgorgement of \$59,461, the district court found that Blasko violated Securities Act Sections 5(a) and 5(c) by engaging in the unregistered offer and sale of securities and Exchange Act Section 15(a) by acting as an unregistered broker-dealer. The district court found that Blasko acted with scienter and that his business practices were "fraudulent, deceitful, and manipulative and resulted in loss to other persons."<sup>9</sup> The court enjoined Blasko from future violations of the provisions of the securities laws that it found him to have violated.

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<sup>8</sup> Order Regarding Plaintiff's Motion for Summary Judgment, *SEC v. Wayland*, No. 8:17-cv-01156-AG (C.D. Cal. Apr. 8, 2019), ECF No. 71.

<sup>9</sup> *Id.*

## II. Analysis

### A. We hold Blasko in default and deem the OIP's allegations to be true.

Rule of Practice 155(a) provides that if a party fails to “answer, to respond to a dispositive motion within the time provided, or otherwise to defend the proceeding,” we may deem the party in default and “determine the proceeding against that party upon consideration of the record, including the order instituting proceedings, the allegations of which may be deemed to be true.”<sup>10</sup> Because Blasko has failed to answer or to respond to the show cause order or the Division’s motion, we find it appropriate to deem him in default and to deem the allegations of the OIP to be true. We base the findings that follow on the record, including the OIP and evidentiary materials that the Division submitted with its motion for default and sanctions.

### B. We find associational and penny stock bars to be in the public interest.

Exchange Act Section 15(b)(6)(A) authorizes the Commission to suspend or bar a person from associating in the securities industry and from participating in an offering of penny stock if it finds, on the record after notice and opportunity for hearing, that (1) the person was enjoined from engaging in or continuing any conduct or practice in connection with activity as a broker or dealer or in connection with the purchase or sale of a security; (2) the person was associated with a broker or dealer at the time of the misconduct; and (3) such a sanction is in the public interest.<sup>11</sup>

The record establishes the first two of these elements. Blasko was enjoined from violating Securities Act Section 5(a) and (c) and Exchange Act Section 15(a) and was therefore enjoined from conduct in connection with activity as a broker and in connection with the purchase or sale of a security.<sup>12</sup> And the district court in the civil action found that Blasko acted as an unregistered broker. We give preclusive effect to a district court’s summary judgment

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<sup>10</sup> 17 C.F.R. § 201.155(a); *see also* Rule of Practice 220(f), 17 C.F.R. § 201.220(f) (providing that “[i]f a respondent fails to file an answer required by this section within the time provided, such respondent may be deemed in default pursuant to” Rule of Practice 155(a)).

<sup>11</sup> 15 U.S.C. § 78o(b)(6)(A) (cross-referencing Exchange Act Section 15(b)(4), 15 U.S.C. § 78o(b)(4)); *id.* § 78o(b)(4)(C) (discussing injunctions from engaging in or continuing any conduct or practice in connection with acting as a broker or dealer or the purchase or sale of a security).

<sup>12</sup> *See* 15 U.S.C. § 77e(a), (c) (prohibiting unregistered offers and sales of securities); 15 U.S.C. § 78o(a) (prohibiting unregistered brokers from effecting transactions in securities).

findings supporting an injunction.<sup>13</sup> Because Blasko was acting as an unregistered broker at the time of his misconduct, he was a person associated with a broker.<sup>14</sup>

Thus, we need determine only if any remedial action is in the public interest. In doing so, we consider the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of the conduct, and the likelihood that the respondent's occupation will present opportunities for future violations.<sup>15</sup> Our public interest inquiry is flexible, and no one factor is dispositive.<sup>16</sup> The remedy is intended to protect the trading public from further harm, not to punish the respondent.<sup>17</sup>

We have weighed all these factors, and find associational and penny stock bars are warranted to protect the investing public. The district court's findings in the underlying civil action establish that Blasko and others effected unregistered sales of securities to over 40 investors in violation of the securities laws over several years. As a result of the sales, Blasko received nearly \$60,000 in commissions while investors suffered losses. The district court also observed that Blasko acted with scienter and engaged in "fraudulent" business practices. We conclude that Blasko's misconduct was egregious, recurrent, and committed with scienter.<sup>18</sup>

Because Blasko failed to answer the OIP or to respond to the show cause order or the Division's motion, he has made no assurances in this proceeding that he will not commit future

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<sup>13</sup> *Mark Morrow*, Exchange Act Release No. 90472, 2020 WL 6867614, at \*3 (Nov. 20, 2020); *see also Sherwin Brown*, Advisers Act Release No. 3217, 2011 WL 2433279, at \*4 (June 17, 2011) (finding that "a respondent in a follow-on administrative proceeding may not challenge the findings made by the court in the underlying [injunctive] proceeding").

<sup>14</sup> *Allen M. Perres*, Exchange Act Release No. 79858, 2017 WL 280080, at \*3 (Jan. 23, 2017) (explaining that an individual who acts as an unregistered broker meets the definition of a "person associated with a broker" in Exchange Act Section 3(a)(18)).

<sup>15</sup> *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981).

<sup>16</sup> *Tzemach David Netzer Korem*, 2013 WL 3864511, at \*4.

<sup>17</sup> *McCarthy v. SEC*, 406 F.3d 179, 188 (2d Cir. 2005).

<sup>18</sup> *See Marc Jay Bryant*, Exchange Act Release No. 91531, 2021 WL 1351206, at \*4 (Apr. 12, 2021) (finding bar to be in the public interest where respondent engaged in hundreds of transactions of unregistered securities and was aware of the wrongfulness of his conduct); *David Howard Welch*, Exchange Act Release No. 92267, 2021 WL 2941483, at \*4 (June 25, 2021) (similar); *see also Ronald S. Bloomfield*, Securities Act Release No. 9553, 2014 WL 768828, at \*18 (Feb. 27, 2014) (finding respondents' registration violations egregious because they were "blatant, concerned multiple customers and stocks, involved a large part of [the] overall business, and were contrary to essential provisions of the federal securities laws"), *vacated in part on other grounds*, Securities Act Release No. 9743, 2015 WL 1546302 (Apr. 8, 2015).

violations or that he recognizes the wrongful nature of his conduct. It appears that Blasko's occupation presents opportunities for future violations because he acted as a broker during the period of his misconduct and offers no assurances about his future plans.

The Commission may impose bars to protect the investing public from a respondent's future actions by restricting access to areas of the securities industry where a demonstrated propensity to engage in violative conduct may cause further investor harm. Here, the record establishes that Blasko is unfit to participate in the securities industry and that his participation in it in any capacity would pose a risk to investors.<sup>19</sup> Given that Blasko has defaulted in this proceeding, he has not opposed the imposition of any particular associational bar or a bar from participating in an offering of penny stock. We conclude that it is in the public interest to bar him from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and from participating in any offering of penny stock.<sup>20</sup>

An appropriate order will issue.

By the Commission (Chair GENSLER and Commissioners CRENSHAW, UYEDA, and LIZÁRRAGA; Commissioner PEIRCE concurring in part and dissenting with respect to the imposition of a bar from participating in an offering of penny stock).

Vanessa A. Countryman  
Secretary

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<sup>19</sup> *George Charles Cody Price*, Advisers Act Release No. 4631, 2017 WL 405511, at \*5 (Jan. 30, 2017) (finding that the misconduct underlying the respondent's injunction demonstrated that respondent was unfit to participate in the securities industry and posed a risk to investors); *Bloomfield*, 2014 WL 768828, at \*18 (finding that associational bars to remedy registration violations "serve a remedial purpose by preventing [respondents] from again placing investors at risk through their involvement in the unlawful distribution of unregistered securities").

<sup>20</sup> *Price*, 2017 WL 405511, at \*5 (imposing associational bars where necessary to protect the public); *Bloomfield*, 2014 WL 768828, at \*18 (imposing associational and penny stock bars).

UNITED STATES OF AMERICA  
before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 97779 / June 21, 2023

Admin. Proc. File No. 3-19336

In the Matter of  
STEVE G. BLASKO

ORDER IMPOSING REMEDIAL SANCTIONS

On the basis of the Commission's opinion issued this day, it is

ORDERED that Steve G. Blasko is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and it is further

ORDERED that Steve G. Blasko is barred from participating in any offering of a penny stock, including acting as a promoter, finder, consultant, agent, or other person who engages in activities with a broker, dealer, or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

By the Commission.

Vanessa A. Countryman  
Secretary