

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 69640 / May 24, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15333

In the Matter of:

Deer Hill Financial Group, LLC,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Deer Hill Financial Group, LLC (“Deer Hill” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent consents to the Commission’s jurisdiction over it and the subject matter of these proceedings and to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Deer Hill Financial Group, LLC operated as an unregistered investment adviser and broker-dealer in Danbury, Connecticut fully owned by Stephen B. Blankenship.
2. Blankenship, age 63, is a resident of New Fairfield, Connecticut and former registered representative of Vanderbilt Securities, LLC, a broker-dealer registered with the Commission.
3. On September 12, 2012, Blankenship pled guilty to one count of Mail Fraud in violation of Title 18 of the United States Code, Section 1341 and one count of Securities Fraud in violation of Title 15 of the United States Code, Section 78j(b) and Title 17, Code of Federal Regulations, Section 240.10b-5 before the United States District Court for the District of Connecticut, in United States of America v. Stephen B. Blankenship, Criminal No. 12-197 (VLB).
4. On May 16, 2013, a final judgment was entered by consent against Deer Hill, permanently enjoining it from future violations of Section 17(a) of the Securities Act of 1933, Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 in the civil action entitled Securities and Exchange Commission v. Deer Hill Financial Group, LLC et al., Civil Action Number 12-01317, in the United States District Court for the District of Connecticut.
5. The Commission's complaint alleged that, from at least 2002 through at least November 2011, Defendant Stephen B. Blankenship engaged in a scheme to misappropriate at least \$600,000 from at least 12 brokerage customers by falsely representing that he would invest their funds in securities through Defendant Deer Hill Financial Group, LLC, a Connecticut-based limited liability company formed by Blankenship. Most of the investors lied to by Blankenship were brokerage customers of his, first at Syndicated Capital, Inc., a registered broker-dealer based in Santa Monica, California and then at Vanderbilt Securities, LLC, a registered broker-dealer based in Melville, New York. In many instances, Blankenship lured his customers to withdraw money from their brokerage accounts with promises that they could obtain a greater rate of return, while in other instances Blankenship simply falsely told his customers that he was changing his brokerage affiliation. In all cases, the brokerage customers that chose to invest with Blankenship through Deer Hill believed, due to Blankenship's assurances, that Blankenship was investing their money in established securities such as publicly traded mutual funds or securities. After Blankenship received the customers' funds, Blankenship gave many customers purported "account" statements from Deer Hill that falsely represented that he had invested their money in a variety of investments. In reality, Blankenship did not use the customers' money to purchase the investments as represented. Instead, Blankenship used the customers' money: (1) for his personal expenses; (2) to pay business expenses; and (3) to make Ponzi-like payments to other customers who requested a return of all or part of their investment.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Deer Hill's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act that Respondent Deer Hill be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

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.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Jill M. Peterson
Assistant Secretary