

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 91814 / May 10, 2021

ADMINISTRATIVE PROCEEDING
File No. 3-20289

In the Matter of

Gregory P. Herlean,

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 Gregory P. Herlean (“Herlean” 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, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings and the findings contained in paragraph III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities and 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. From approximately January 2015 through May 2019, Herlean, through CapSource, Inc. (“CapSource”), an entity he owned and controlled with his business partner, acted as an unregistered broker or dealer by selling over \$151 million of securities for

approximately 60 different issuers. Herlean did not hold any securities licenses and was never registered as a broker or dealer or associated with a registered broker-dealer. Herlean, age 42, is a resident of Henderson, Nevada.

2. On May 5, 2021, a final judgment was entered by consent against Herlean, permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (“Securities Act”) and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder in the civil action entitled Securities and Exchange Commission v. CapSource, Inc. et al., Civil Action Number 2:20-cv-02303-RFB-DJA, in the United States District Court for the District of Nevada.

3. The Commission’s complaint alleged that, among other things, while acting as an unregistered broker, Herlean committed fraud and registration violations in connection with the sale of securities benefiting CapSource’s largest client (“Individual 1”) and certain entities related to his drug rehabilitation business (“Company A”). In particular, Herlean was an indirect seller, or in the alternative, a necessary participant and substantial factor in non-exempt, unregistered securities offerings raising over \$28 million for entities relating to Company A. Herlean knew, or was reckless in not knowing, that Individual 1 diverted millions of dollars of proceeds raised by CapSource for various projects managed by Individual 1 and, unbeknownst to investors, used them to support Company A’s ailing operations. Herlean then helped raise approximately \$10 million for entities associated with Company A in multiple fraudulent securities offerings in a failed attempt to cure Company A’s financial woes. Herlean’s fraudulent conduct included, among other things, making material misrepresentations to investors about using the new offering proceeds for future renovations to Company A’s primary facility, while instead allowing Individual 1 to use a substantial amount of those proceeds to partially repay, and thereby conceal, the improper diversion of funds that had occurred.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act, that Respondent Herlean be, and hereby is barred from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

Pursuant to Section 15(b)(6) of the Exchange Act, Respondent Herlean be, and hereby 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.

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, compliance with the Commission’s order and

payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) 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 (e) 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.

Vanessa A. Countryman
Secretary