

STATE OF NEW HAMPSHIRE
BUREAU OF SECURITIES REGULATION
DEPARTMENT OF STATE
25 CAPITOL STREET
CONCORD, NH 03301

STAFF PETITION FOR RELIEF
IN THE MATTER OF:

JOSEPH MICHAEL PALERMO
COM11-0013

STATEMENT OF ALLEGATIONS

- I. The staff of the Bureau of Securities Regulation, Department of State, State of New Hampshire (hereinafter referred to as the "Bureau") alleges the following issues of fact:
 1. Joseph M. Palermo (hereinafter "Palermo") was a resident of Derry, New Hampshire in 2005. His last known address is 5 Captain Greaves Road, East Sandwich, Massachusetts 02537-1118. Investor #1 was a resident of New Boston, New Hampshire in 2005 and was in the retail hot dog sales business. The two met and became friends at the Derry, New Hampshire traffic circle where a friend of Investor #1 had a hot dog stand.
 2. In 2005, Palermo offered to sell Investor #1 and a friend of Investor #1 shares that he owned in a company called Pinnacle Resources, Inc. of the State of Wyoming (hereinafter "Pinnacle") at five cents per share. Palermo told Investor #1 that the stock price would, "go through the roof." Palermo promised in writing to buy back the shares at a higher price at twenty-four cents a share if Investor #1 wanted to sell. Palermo also stated to Investor #1 that the Pinnacle shares were restricted and could not be re-sold until May of 2006. Investor #1 had a friend who also bought shares.
 3. Investor #1 reported to the Bureau that he paid fifty thousand dollars for Palermo's shares of Pinnacle. The friend of Investor #1 also paid for Palermo's shares in the amount of fifteen thousand dollars. A share certificate numbered 605 and transfer form purporting to be from Pinnacle was given to Investor #1 by Palermo, purporting to transfer one million two hundred thousand shares of Pinnacle to Investor #1 dated 5/25/05.
 4. In 2011, Investor #1 reported to the Bureau that he discovered much later after the sale that he was defrauded by Palermo. Investor #1 heard that Palermo actually sold his Pinnacle shares to a nephew located in the State of Florida. The Bureau contacted the State of Wyoming and determined that Pinnacle of Wyoming merged with Pinnacle, Delaware, in March 2010. The Pinnacle name was then changed to Iron

Eagle Group, Inc. (hereinafter "Iron") of Englewood, Colorado. The Bureau then made contact with Iron's transfer agent and determined that Palermo did own shares of Pinnacle. According to the transfer agent, Corporate Stock Transfer of Denver, Colorado, Palermo had five hundred and fifty thousand shares issued to him on 5/25/2005. However, according to records, Palermo did not transfer any shares to Investor #1, but instead transferred the shares to a relative located in Florida on 5/25/2006.

5. In actuality, Palermo never transferred any shares to Investor #1 making the transaction to Investor #1 fraudulent and deceptive. The Bureau attempted to contact Palermo and take his statement regarding this incident; however, all written requests for a statement or documentation were returned undelivered. A Massachusetts process server also attempted to locate Palermo without success.

STATEMENT OF LAW

- II. The Staff of the Bureau hereby petitions the Director and makes the following statements of law under the New Hampshire Revised Statutes Annotated, RSA 421-B, and regulations thereunder:
 1. Palermo is a "Person" within the meaning of RSA 421-B:2.
 2. The stock of Pinnacle are "securities" within the meaning of RSA 421-B:2.
 3. The offer to distribute and sell the securities listed above constitutes an "offer" and a "sale" within the meaning of RSA 421-B:2 and 421-B:3.
 4. Pursuant to RSA 421-B:3, it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly: To employ any device, scheme, or artifice to defraud or make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading or to engage in any act, practice, or course of business which operates or would operate as fraud or deceit upon any person. Palermo violated this section by indicating to Investor #1 that he was transferring his ownership of Pinnacle shares to Investor #1, that the stock price would, "go through the roof", that he would buy back the shares at a later time for a higher price and that they were restricted for one year when in actuality none of that was true and instead Palermo transferred the shares to someone else at a later time.
 5. Pursuant to RSA 421-B:23, whenever it appears to the secretary of state that any person has engaged or is about to engage in any act or practice constituting a

violation of this chapter or any rule under this chapter, he shall have the power to issue and cause to be served upon such person an order requiring the person to cease and desist from violations of this chapter. Palermo, is subject to this section for violations of RSA 421-B:3.

6. Pursuant to RSA 421-B:26,III, any person who, either knowingly or negligently, violates any provisions of this chapter may, upon hearing, and in addition to any other penalty provided for by law, be subject to such suspension, revocation or denial of any registration or license, or an administrative fine not to exceed \$2,500, or both. Each of the acts specified shall constitute a separate violation. Palermo is subject to a suspension, revocation, or denial, and a fine for violations of RSA 421-B:3.
7. Pursuant to RSA 421-B:26,V, the Bureau can order that restitution be paid for violations of RSA 421-B.

RELIEF REQUESTED

The staff of the Bureau requests the Director take the following action:

1. Find as fact the allegations contained in section I of the Statement of Allegations of this petition.
2. Make conclusions of law as stated in section II relative to the allegations contained in section I of this petition.
3. Issue an order to cease and desist in accordance with RSA 421-B:23.
4. Order Respondent Palermo to pay administrative penalties of \$10,000 for violations of RSA 421-B:3.
5. Order Palermo to pay restitution to Investor #1 in the amount of \$50,000.00.
6. Take such other actions as necessary for the protection of New Hampshire investors and enforcement of the Act.

RIGHT TO AMEND

The Bureau's Staff reserves the right to amend this Petition for Relief and to request that the Director of the Bureau take additional administrative action. Nothing herein shall preclude the Staff from bringing additional enforcement action under this NH RSA 421-B or the regulations thereunder.

Respectfully submitted by:

Jeffrey Spill
Deputy Director

November 26, 2013

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION**

IN THE MATTER OF:

Joseph Michael Palermo

Respondent

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Order to Cease and Desist
COM11-0013

NOTICE OF ORDER

This Order commences an adjudicative proceeding under the provisions of RSA 421-B:26-a.

LEGAL AUTHORITY AND JURISDICTION

Pursuant to RSA 421-B:23, the Secretary of State has the authority to issue and cause to be served an order requiring any person appearing to him to be engaged or about to be engaged in any act or practice constituting a violation of RSA 421-B or any rule or order thereunder, to cease and desist from violations of RSA 421-B.

Pursuant to RSA 421-B:24, I, any person who willfully violates a cease and desist order issued pursuant to RSA 421-B:23 shall be guilty of a class B felony.

Pursuant to RSA 421-B:26, the Secretary of State has the authority to impose administrative penalties of up to \$2,500.00 for each violation of the New Hampshire securities laws and rules.

NOTICE OF RIGHT TO REQUEST A HEARING

The above-named Respondent has the right to request a hearing on this order to cease and desist, as well as the right to be represented by counsel. Any such request for a hearing shall be in writing, shall be signed by the Respondent, or by the duly authorized agent of the above-named Respondent, and shall be delivered either by hand or certified mail, return receipt requested, to the Bureau of Securities Regulation, Department of State, 25 Capitol Street, Concord, New Hampshire 03301.

Under the provisions of RSA 421-B:23, I, if Respondent fails to request a hearing on this order within 30 calendar days of receipt of this order, Respondent shall be deemed in default, and this order shall, on the thirty-first day, become permanent.

Upon request for a hearing being received by the Bureau of Securities Regulation, in the manner and form indicated above, a hearing shall be held not later than ten days after such request is received by the Bureau, after which hearing, the Secretary of State, or such other person authorized by statute, shall issue a further order vacating or modifying this order, or making it permanent, as the circumstance require.

STATEMENT OF ALLEGATIONS

The allegations contained in the Staff Petition for Relief dated November 26, 2013 (a copy of which is attached hereto) are incorporated by reference hereto.

ORDER

WHEREAS, finding it necessary and appropriate and in the public interest, and for the protection of investors and consistent with the intent and purposes of the New Hampshire securities laws, and

WHEREAS, finding that the allegations in the Staff Petition, if proved true and correct, form the legal basis of the relief requested.

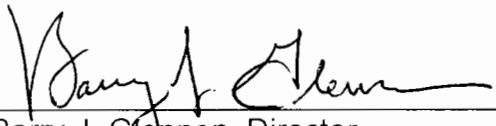
It is hereby **ORDERED**, that:

1. The Respondent shall immediately cease and desist from the above indicated acts and from in any other way violating RSA 421-B.
2. The Respondent shall pay an administrative fine in an amount to be determined by the hearings officer in accordance with RSA 421-B:10, VI and RSA 421-B:26, III.
3. The Respondent shall pay restitution in an amount to be determined by the hearing officer in accordance with RSA 421-B:26, V.

4. Failure to request a hearing within 30 days of the date of receipt of this Order shall result in a default judgment being rendered, including imposition of fines and penalties upon the defaulting Respondent.

WILLIAM M. GARDNER
SECRETARY OF STATE
BY HIS DESIGNEE:

Dated: 12.3.13


Barry J. Glennon, Director
N.H. Bureau of Securities Regulation