

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11080 / July 7, 2022

SECURITIES EXCHANGE ACT OF 1934
Release No. 95205 / July 7, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-20926

In the Matter of

JOHN W. PAUCIULO, Esq.,

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE AND CEASE-
AND-DESIST PROCEEDINGS PURSUANT TO
SECTION 8A OF THE SECURITIES ACT OF
1933 AND SECTIONS 4C AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934 AND
RULE 102(e) OF THE COMMISSION’S RULES
OF PRACTICE, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND A
CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against John W. Pauciulo, Esq. (“Respondent” or “Pauciulo”) pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 4C¹ and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 102(e)(1)(iii) of the Commission’s Rules of Practice.²

¹ Section 4C provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others; (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations issued thereunder.

² Rule 102(e)(1)(iii) provides, in pertinent part, that:

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, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Public Administrative Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Exchange Act of 1933 and Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-And-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds³ that:

A. SUMMARY

1. These proceedings arise out of attorney Pauciulo’s role in a multi-million dollar unregistered offering fraud through his involvement with the unregistered and fraudulent offerings of multiple private investment funds created to invest in Complete Business Solutions Group, d/b/a Par Funding (“CBSG”). Pauciulo made material misstatements and omissions in private placement memoranda (“PPMs”) he prepared for many of these private investment funds and in in-person and video presentations he made to prospective investors and investors. Among other things, Pauciulo said that the investments did not need to be registered with the SEC and that they complied with the securities laws and gave full disclosure to investors. However, Pauciulo knew or was reckless in not knowing that there was no exemption from registration available for the CBSG offering or some of the private investment fund offerings because CBSG and some of the private investment funds engaged in a general solicitation. By engaging in this conduct, Pauciulo violated Sections 5(a), 5(c) and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. RESPONDENT

2. Pauciulo, age 56, resides in Pennsylvania. He is an attorney licensed to practice in the Commonwealth of Pennsylvania. During the relevant time, Pauciulo served as the chair of his law firm’s Financial Transactions Group.

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

³ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

C. OTHER RELEVANT ENTITY AND INDIVIDUALS

3. CBSG is a Delaware corporation that was engaged in the merchant cash advance business. Neither CBSG nor any of its securities have ever been registered with the Commission in any capacity. In November 2018, the Pennsylvania Department of Banking and Securities filed a Consent Agreement and Order (the “Pennsylvania Order”) against CBSG for selling securities through at least one unregistered sales agent. CBSG also is subject to a December 2018 Summary Cease and Desist Order issued by the New Jersey Bureau of Securities (the “New Jersey Order”) for CBSG’s offer and sale of unregistered securities. In February 2020, the Texas State Securities Board issued an Emergency Cease and Desist Order against CBSG and others, alleging fraud and registration violations (the “Texas Order”). In July 2020, the Commission charged CBSG, seven individuals, and various other entities, in an emergency action in federal district court for antifraud and securities registration violations (the “CBSG Action”).

4. Dean J. Vagnozzi, age 53, resides in Collegeville, Pennsylvania, and is the sole owner of ABetterFinancialPlan.com, LLC d/b/a/ ABetterFinancialPlan (“ABFP”), which is an investment firm that offers alternative investments involving assets unrelated to the stock market. ABFP has never been registered with the Commission. Vagnozzi has a disciplinary history. On May 30, 2019, Vagnozzi d/b/a ABFP entered into a settlement with the Pennsylvania Department of Banking and Securities in connection with the sale of notes offered and sold by CBSG, in which he agreed to pay a penalty of \$490,000 for violations of the Pennsylvania Securities Act of 1972. *See Commonwealth of Pennsylvania Department of Banking and Securities, Bureau of Securities Compliance and Examinations v. Dean J. Vagnozzi d/b/a Better Financial Plan, LLC*, Docket No. 190016 (SEC-OSC)(May 30, 2019).

5. Joseph W. LaForte, age 51, is a resident of Philadelphia, Pennsylvania. LaForte was an undisclosed control person of CBSG. In 2007, LaForte was convicted of state charges in New York for grand larceny and money laundering, sentenced to jail time, and ordered to pay \$14.1 million in restitution. In 2009, LaForte pled guilty to federal criminal charges in the District of New Jersey for conspiracy to operate an illegal gambling business. He was sentenced to ten months incarceration, three years supervised release, and a \$5,000 fine. He was released from jail in February 2011.

D. FACTS

6. CBSG engaged in an unregistered, fraudulent offering of securities in the form of notes (the “CBSG Notes”) from August 2012 until July 2020, when the Commission obtained emergency injunctive relief from the federal district court to halt the offering. CBSG initially offered the CBSG Notes directly to the investing public, using a network of sales agents who solicited investors for CBSG in exchange for commissions.

7. CBSG switched its sales strategy in 2018 after Pennsylvania regulators launched an investigation into the sale of the CBSG Notes. CBSG began using what it called a “fund model,” through which it raised investor money for CBSG’s unregistered offering through sales agents located nationwide who operated their own private investment funds.

8. Pauciulo provided legal representation for one of the sales agents, Vagnozzi, who raised more than \$100 million from investors for investment into CBSG through at least seven private investment funds (the “Vagnozzi Agent Funds”), and Pauciulo also provided legal representation for at least 25 other private investment funds formed to raise money for CBSG (collectively, with the Vagnozzi Agent Funds, the “Agent Funds”).

9. The Agent Funds raised money from investors to be invested in CBSG’s merchant cash advance business, and issued promissory notes to the investors. Then, the Agent Funds transferred the investor money to CBSG in exchange for 12-month promissory notes that CBSG issued to the Agent Funds in CBSG’s unregistered offering. CBSG compensated the Agent Funds for soliciting investors and investing in the CBSG notes by paying the Agent Funds 20% interest on the CBSG notes. The Agent Funds then paid lesser returns to investors, ranging from 8% to 12% interest, and kept as their compensation the “spread” between the 20% received from CBSG and the 8% to 12% interest the Agent Funds paid investors.

10. Vagnozzi, with Pauciulo’s assistance, created a turnkey operation to create the Agent Funds. Vagnozzi recruited other agents to start their own Agent Funds that would issue, offer, and sell promissory notes to investors. Vagnozzi introduced the agents he recruited to Pauciulo. Pauciulo provided legal representation to the agents and helped them create their own Agent Funds by drafting the offering documents necessary for the Agent Funds to issue promissory notes, including PPMs and the filing of Notices of Exempt Offering of Securities on Form D with the Commission in reliance on Rule 506(b).

11. From no later than January 2018 until at least July 31, 2019, Pauciulo attended and spoke at dinner seminars Vagnozzi held to solicit investors for the Vagnozzi Agent Funds. During at least one dinner presentation on July 31, 2019, Pauciulo told investors that the securities being offered were exempt from registration with the Commission. Pauciulo also spoke with potential investors by telephone and told them that the investment was legal and that it complied with the securities laws.

12. From no later than March 2018 through at least late 2019, Vagnozzi and the Agent Funds distributed a video to prospective investors featuring Pauciulo. Pauciulo knew when he filmed the video that it would be shown to potential investors. In the video, Pauciulo tells potential investors about his specialized experience as a securities law attorney and assures them that: (1) he and his law firm “...work very hard to make sure things are done the correct and appropriate way;” (2) he drafts a PPM to provide investors with “all the information that a reasonable person would want to know or information they want to have in order to make an informed investment decision;” and (3) he conducts due diligence and it is “... all about disclosure. Disclosure of risk, disclosure of the nature of the investment.”

13. Pauciulo knew that Vagnozzi was advertising on the radio, and Pauciulo appeared on at least one radio show with Vagnozzi.

14. Through his legal representation of Vagnozzi, Pauciulo was aware in May 2019 that Vagnozzi had settled a regulatory action with the Commonwealth of Pennsylvania ordering him to pay a \$490,000 fine based on his sales of the CBSG investment in violation of state law. Pauciulo was also aware that in February 2020, the Texas State Securities Board issued an

Emergency Cease and Desist Order against CBSG and others, including Vagnozzi, alleging fraud and registration violations. Pauciulo also knew since at least 2017, that LaForte, an undisclosed control person of CBSG, who was running the company, had a criminal history. LaForte had been convicted in 2007 of grand larceny and money laundering and had pled guilty in 2009 to federal criminal charges for conspiracy to operate an illegal gambling business.

15. Pauciulo was a necessary participant and substantial factor in the CBSG offering and in the offering of the seven Agent Funds Vagnozzi controlled, by virtue of his drafting of the Agent Funds' PPMs and signing Forms D claiming exemptions under Rule 506(b).

16. Pauciulo knew or was reckless in not knowing that there was no exemption from registration available for the CBSG offering that he and the Agent Funds participated in, because CBSG engaged in a general solicitation. Pauciulo also knew that Vagnozzi was engaged in a general solicitation through radio ads and dinner seminars, and thus, the seven Agent Funds Vagnozzi controlled had no exemption from registration.

17. Pauciulo made material misrepresentations and omissions to investors. Pauciulo told investors that the investments did not need to be registered with the SEC and that they complied with the securities laws. Pauciulo knew or was reckless in not knowing that there was no exemption available for the CBSG offering or the Vagnozzi Agent Funds offerings, and thus, the offerings needed to be registered with the SEC. Pauciulo touted Vagnozzi's investment experience in presentations and in the PPMs he prepared, but failed to disclose Vagnozzi's regulatory history and also failed to disclose LaForte's criminal history. Pauciulo made these omissions while telling investors and prospective investors that the PPMs he prepared contained all the information that a reasonable person would want to know in order to make an informed investment decision.

18. In approximately March 2020 during the beginning of the Covid-19 pandemic, CBSG's business began to fail and it stopped paying returns to some investors. Pauciulo appeared with Vagnozzi in two April 2020 video calls with the Vagnozzi Agent Funds investors to solicit them to exchange their Agent Funds' promissory notes for new promissory notes (the "Exchange Offering"). The new notes would be from the same Agent Funds issuers, but with lower interest rates and longer maturity dates, purportedly to allow CBSG to recover and begin making payments again. On the first video call, Pauciulo told investors that he would file a first priority lien against CBSG's assets and stated that no prior liens had been filed against CBSG. Pauciulo knew or was reckless in not knowing that prior liens against CBSG's assets existed. On the second video call, Pauciulo participated and listened while Vagnozzi assured investors that they would have security through the new notes because he would secure liens against CBSG. Pauciulo failed to disclose to investors in the two video calls or in the supplemental PPMs he drafted for the Exchange Offering that CBSG was the subject of several regulatory actions.

Findings

19. Based on the foregoing, the Commission finds that Pauciulo willfully violated Sections 5(a), 5(c) and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

20. Based on the foregoing, the Commission finds that Pauciulo engaged in conduct within the meaning of Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Pauciulo's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Respondent shall cease and desist from committing or causing any violations and any future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent is denied the privilege of appearing or practicing before the Commission as an attorney.

C. After five years from the date of the Order, Respondent may request that the Commission consider Respondent's reinstatement by submitting an application to the attention of the Office of the General Counsel.

D. In support of any application for reinstatement to appear and practice before the Commission as an attorney, Respondent shall provide a certificate of good standing from each state bar where Respondent is a member.

E. In support of any application for reinstatement, Respondent shall also submit a signed affidavit truthfully stating, under penalty of perjury:

1. That Respondent has complied with the Commission suspension Order, and with any related orders and undertakings including any orders in this Order or any related Commission proceedings, including any orders requiring payment of disgorgement or penalties;
2. That Respondent is not currently suspended or disbarred as an attorney by a court of the United States (or any agency of the United States) or the bar or court of any state, territory, district, commonwealth, or possession;
3. That Respondent, since the entry of the Order, has not been convicted of a felony or a misdemeanor involving moral turpitude that would constitute a basis for a forthwith suspension from appearing or practicing before the Commission pursuant to Rule 102(e)(2);
4. That Respondent, since the entry of the Order:

- a. has not been charged with a felony or a misdemeanor involving moral turpitude as set forth in Rule 102(e)(2) of the Commission's Rules of Practice, except for any charge concerning the conduct that was the basis for the Order;
 - b. has not been found by the Commission or a court of the United States to have committed a violation of the federal securities laws, and has not been enjoined from violating the federal securities laws, except for any finding or injunction concerning the conduct that was the basis for the Order;
 - c. has not been charged by the Commission or the United States with a violation of the federal securities laws, except for any charge concerning the conduct that was the basis for the Order;
 - d. has not been found by a court of the United States (or any agency of the United States) or any state, territory, district, commonwealth, or possession, or any bar thereof to have committed an offense (civil or criminal) involving moral turpitude, except for any finding concerning the conduct that was the basis for the Order;
 - e. has not been charged by the United States (or any agency of the United States) or any state, territory, district, commonwealth, or possession, civilly or criminally, with having committed an act of moral turpitude, except for any charge concerning the conduct that was the basis for the Order; and
 - f. has not been subject to disciplinary action by a bar, court or agency of any state for violations of applicable rules of professional conduct, except for any charge concerning the conduct that was the basis for the Order;
5. That Respondent's conduct is not at issue in any pending investigation of the Commission's Division of Enforcement or any criminal law enforcement investigation.
 6. That Respondent is not the subject of any complaints to, or investigations by, the bar or court of any state, territory, district, commonwealth, or possession, except to the extent that such complaints concern the conduct that was the basis for the Order;
 7. That Respondent has complied with any and all orders, undertakings, or other remedial, disciplinary, or punitive sanctions resulting from any action taken by the bar or court of any state, territory, district, commonwealth, or possession, or other regulatory body; and

8. That Respondent undertakes to notify the Office of General Counsel immediately in writing if any information submitted in support of the application for reinstatement becomes materially false or misleading or otherwise changes in any material way while the application is pending.

F. Respondent shall also provide a detailed description of:

1. Respondent's professional history since the imposition of the Order, including
 - (a) all job titles, responsibilities and role at any employer;
 - (b) the identification and description of any work performed for entities regulated by the Commission, and the persons to whom Respondent reported for such work;
2. The circumstances under which Respondent's membership in a state bar or any court for which Respondent was a member has lapsed or otherwise is no longer active and an explanation of why for each; and
3. Respondent's plans for any future appearance or practice before the Commission.

G. The Commission may conduct its own investigation to determine if the foregoing attestations are accurate.

H. If Respondent provides the documentation and attestations required in this Order and the Commission (1) discovers no contrary information therein, and (2) determines that Respondent truthfully and accurately attested to each of the items required in Respondent's affidavit, and the Commission discovers no information, including under Paragraph G, indicating that Respondent has violated a federal securities law, rule or regulation or rule of professional conduct applicable to Respondent since entry of the Order (other than by conduct underlying Respondent's original Rule 102(e) suspension), then, unless the Commission determines that reinstatement would not be in the public interest, the Commission shall reinstate the respondent for cause shown.

I. If Respondent is not able to provide the documentation and truthful and accurate attestations required in this Order or if the Commission has discovered contrary information, including under Paragraph G, the burden shall be on the Respondent to provide an explanation as to the facts and circumstances pertaining to the matter setting forth why Respondent believes cause for reinstatement nonetheless exists and reinstatement would not be contrary to the public interest. The Commission may then, in its discretion, reinstate the Respondent for cause shown.

J. If the Commission declines to reinstate Respondent pursuant to Paragraphs H and I, it may, at Respondent's request, hold a hearing to determine whether cause has been shown to permit Respondent to resume appearing and practicing before the Commission as an attorney.

K. Respondent shall pay a civil money penalty of one hundred twenty-five thousand dollars (\$125,000). Payment shall be made to CBSG dba Par Funding Receivership (aka Ryan K. Stumphauzer, Esq., the court-appointed receiver for Complete Business Solutions Group, Inc. dba Par Funding), pursuant to Rule 1102 of the Commission Rules of Fair Fund and Disgorgement Plans [17 C.F.R. § 201.1102]. Payment shall be made in the following installments:

- 1) \$65,000 within 14 days of the entry of the Order;
- 2) \$15,000.00 within 99 days of the entry of the Order;
- 3) \$15,000.00 within 184 days of the entry of the Order;
- 4) \$15,000.00 within 269 days of the entry of the Order;
- 5) \$15,000.00 within 354 days of the entry of the Order;

Payments shall be applied first to post-order interest, which accrues pursuant to 31 U.S.C. §3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to CBSG dba Par Funding Receivership, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may pay by certified check or bank cashier's check, made payable to CBSG dba Par Funding Receivership and hand-delivered or mailed by United States Postal Service or overnight courier to:

CBSG dba Par Funding Receivership
Development Specialists, Inc.
Attn: Stacey Cooper
500 W. Cypress Creek Road, Suite 400
Fort Lauderdale, FL 33309

The suite number must be included in the address if mailing or overnight courier.

Payments by check must be accompanied by a copy of this Order and a cover letter identifying Mr. Pauciulo as a Respondent in these proceedings, the file number of these proceedings, and *Securities and Exchange Commission v. Complete Business Solutions Group, Inc. d/b/a Par Funding et al.*, Civil Action No. 20-cv-81205-RAR. A copy of the cover letter and check must be simultaneously sent to Glenn S. Gordon, Associate Regional Director, Miami Regional Office, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1950, Miami, FL 33131. If the payment is transmitted electronically, the Respondent must, within 3 business days

of making the payment, send a copy of the electronic payment receipt, along with a cover letter identifying the Respondent in these proceedings and the file number of these proceedings to Glenn S. Gordon, Associate Regional Director, Miami Regional Office, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1950, Miami, FL 33131.

L. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the penalty referenced in paragraph K above. The Fair Fund will be distributed by the court-appointed receiver. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary