UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11245 / September 28, 2023

SECURITIES EXCHANGE ACT OF 1934
Release No. 98577 / September 28, 2023

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4462 / September 28, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21745

In the Matter of

Stanley Stefanski, CPA,

Respondent.

ORDER INSTITUTING PUBLIC
ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO
SECTION 8A OF THE SECURITIES ACT
OF 1933, 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 AND NOTICE OF
HEARING

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the
public interest that public administrative and cease-and-desist proceedings be, and hereby are,
instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 4C1 and

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.

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 admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and consents to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, 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 and Notice of Hearing ("Order"), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds\(^3\) that:

**Summary**

1. This case concerns accounting and disclosure fraud by Pareteum Corporation, a telecommunications company, spanning from 2018 through mid-2019 (the "relevant time period"). During this time, Pareteum’s public filings materially overstated revenue by approximately $12 million for fiscal year 2018 (60% of the ultimately restated revenue), and by approximately $30 million for the first and second quarters of 2019 (91% of the ultimately restated revenue).

2. These misstatements resulted from improper accounting practices, whereby Pareteum executives, including Stefanski, allowed revenue to be recognized based on non-binding purchase orders and prior to product shipment, which was not in accordance with generally accepted accounting principles ("GAAP"). Further, Stefanski and others took steps to conceal these practices from Pareteum’s auditor.

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

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.
3. As a result of the conduct described herein, Stefanski willfully violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) and 13b2-2 thereunder, and willfully aided and abetted and caused Pareteum’s and Pareteum’s CFO’s violations of Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

4. **Stanley Stefanski**, age 48, is a resident of New York, New York. Stefanski served as Business Controller of Pareteum during his employment with the company from November 2017 until he resigned in September 2020. He obtained a New York CPA license in 2001, but it is currently lapsed.

5. **Pareteum Corporation** was incorporated in Delaware with a principal place of business in New York, New York. At all relevant times, Pareteum was a telecommunications and cloud software company. On May 15, 2022, Pareteum filed a Chapter 11 bankruptcy petition and is currently in liquidation. Until November 2020, its common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act, and prior to November 12, 2020 traded on the NASDAQ exchange under the symbol “TEUM.” It then traded under the same symbol on the OTC Markets Group Inc.’s Pink Open Market until filing for bankruptcy. On September 2, 2021, the Commission instituted a settled cease-and-desist proceeding finding that Pareteum violated Section 17(a) of the Securities Act, and Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder, and imposing a $500,000 civil penalty.

6. During the relevant time period, Pareteum was a telecommunications “Software as a Service” or “SaaS” company that offered various services such as SIM card services, WiFi service, and a Cloud platform. Pareteum’s customers were telecommunications businesses that contracted with Pareteum for these service offerings and related materials (such as SIM cards), and then marketed and sold the services directly to downstream consumers. One portion of Pareteum’s business was its mobile bundled services line, which provided SIM cards with customizable service plan options. Pareteum’s customers then resold the SIM cards and service plans to consumers.

7. At all relevant times, in its Forms 10-K and 10-Q filed with the Commission, Pareteum represented that the financial statements included in those forms were prepared in accordance with GAAP. FASB Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers* (“ASC 606”), provides guidance for recognizing revenue for the type of sales agreements described above. ASC 606 requires entities to recognize revenue to depict the
transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

8. ASC 606 requires entities to apply the following steps to assess whether and what revenue should be recognized: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the corresponding performance obligation(s); and (5) recognize revenue when or as the entity satisfies a performance obligation by transferring control of a promised good or service to a customer.

9. Consistent with this, Pareteum disclosed in its 2018 Form 10-K that starting on January 1, 2018, Pareteum was reporting revenue in accordance with ASC 606 which, Pareteum stated, “requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.”

Pareteum’s Improper Revenue Recognition Practices Based on Non-Binding Purchase Orders

10. Despite disclosing that it would adhere to ASC 606, in practice, the company did not have internal accounting controls in place to provide reasonable assurance that it would follow that guidance. While serving as Pareteum’s Business Controller, Stefanski implemented the revenue recognition process under the direction of Pareteum’s CFO. In practice, Pareteum recognized revenue based on non-binding purchase orders and without any regard to whether Pareteum satisfied any performance obligations. For a number of customers, Pareteum recognized revenue prior to any “contract with the customer” to satisfy the first step of ASC 606. Moreover, there were no revenue recognition policies and procedures in place to require sufficient review of the purchase orders’ payment terms or collectability, and there was no formal process in place to provide reasonable assurance that Pareteum’s performance obligations under a purchase order had been satisfied, as ASC 606 requires.

11. Instead of properly following ASC 606, Pareteum’s revenue recognition procedure for mobile bundled services customers during the relevant time period was as follows: (1) a new customer signed a contract and master services agreement; (2) Pareteum drafted a purchase order providing the number of SIM cards the customer intended to purchase, as well as an estimated cost for the associated average monthly service plan they were expecting to sell to downstream consumers; (3) the customer signed this purchase order, which in most cases indicated that the full cost listed was just an estimated forecasted amount that would not be due unless the customer sold the product to downstream consumers; and (4) Pareteum’s Finance department recognized revenue for the entire amount listed in the purchase order provided by the Pareteum Sales department, without regard to whether the order was even a contract under step 1 of ASC 606, and without checking whether any of Pareteum’s performance obligations under the purchase order had been met. Pareteum recognized the total revenue of each purchase order regardless of whether the SIM cards had been shipped or whether a platform had been set up by Pareteum sufficient to even allow the SIM card service plans to work.
12. To comply with Step 5 of ASC 606, Pareteum had to satisfy its performance obligations under the purchase order prior to recognizing revenue. Specifically, Stefanski and other Pareteum executives should have ensured that the SIM cards had been shipped, and that the platform had been created and was operational. In multiple instances, Pareteum failed to meet all of these requirements prior to recognizing revenue.

13. Pareteum’s CFO had not put in place sufficient internal accounting controls to assess whether the required performance obligations had been met prior to Pareteum recognizing revenue, and in practice, such checks often were not properly done. As a result, Stefanski, alongside and under the direction of Pareteum’s CFO, recognized the amounts listed in the purchase orders based solely on the purchase order being signed by the customer without confirming whether these amounts were recognizable under ASC 606, resulting in Pareteum improperly recognizing millions of dollars of revenue in contravention of ASC 606.

14. Recognizing the full amount of each purchase order once signed, rather than in accordance with GAAP, became standard practice for Pareteum’s mobile bundled services line of business. Stefanski and other former Pareteum executives knew or were reckless in not knowing that the requirements for proper revenue recognition had not been met and yet continued to authorize or accept decisions to recognize millions of dollars of revenue improperly. These improper revenue recognition decisions accounted for millions of Pareteum’s revenue each quarter, starting in 2018 and continuing through the first half of 2019, even though it was not yet owed by the customers. By August 2019, Pareteum had only collected a fraction of the tens of millions in revenue it had recognized for mobile bundled services customers.

Misstatements Made to Pareteum’s Auditor

15. Due to the improper revenue recognition practices described above, Pareteum’s accounts receivable (“AR”) balance ballooned by the end of 2018. Realizing that a large AR balance without supporting invoices would raise red flags with Pareteum’s auditors, Pareteum’s then-CFO began a push to get all AR amounts invoiced by the end of November 2018, and Stefanski assisted.

16. When Pareteum’s independent auditor performed its 2018 end-of-year audit testing in February 2019, it included Pareteum’s accounts receivable as a main risk area. To test the validity of the AR amounts, the auditor sent out audit confirmations to many of Pareteum’s customers asking the customers to sign that they agreed with Pareteum’s record of how much was owed to Pareteum as of year-end 2018. These audit confirmations went out to the vast majority of the customers that accounted for the $12 million in revenue that Pareteum improperly recognized in 2018. None of these customers should have been able to sign these confirmations, as they knew they did not owe the amount stated on the confirmations at that time. Some of these customers did not initially return the confirmation to the auditor, so Pareteum’s CFO and Stefanski directed Pareteum sales employees to reach out to the customers and encourage them to sign the confirmations.
17. Stefanski knew the audit confirmations should not have been provided to the auditor because he understood that the customers were confirming amounts that they did not actually owe at the time.

**Pareteum’s Improper Recognition of Revenue From an Unsigned Purchase Order, and Related Cover-up Steps**

18. In addition to the improper revenue recognition practices discussed above, Pareteum also improperly recognized millions in revenue based on an unsigned, mid-negotiation purchase order for International Mobile Subscriber Identity numbers, or IMSIs, to which the customer never ultimately agreed.

19. Unlike SIM cards, IMSIs are “virtual” and do not require the shipment of a physical SIM card – instead, Pareteum would deliver IMSIs by assigning and emailing the relevant IMSI numbers to the customer once the necessary platform had been developed and created by Pareteum.

20. In late January 2019, Pareteum and a customer were negotiating an IMSI purchase order. A former Pareteum sales employee drafted a purchase order for 6.3 million euros and circulated an unsigned version internally to others at Pareteum for approval.

21. Despite the fact that the customer had not signed or agreed to the 6.3 million euro purchase order, a senior executive at Pareteum told Stefanski that Pareteum should recognize 20% of the purchase order in January 2019. Stefanski was provided no reasoning for why 20% of the purchase order was an appropriate amount, which he knew was necessary before recognizing revenue. Regardless, the day after receiving this instruction, Stefanski forwarded the unsigned draft order to his accounting staff and asked them to recognize 20% of it for January 2019. This amount, approximately $1.4 million, was included in Pareteum’s revenue for the first quarter of 2019.

22. The sales order did not meet the criteria for revenue recognition: Most significantly, the customer had not actually agreed to the purchase order, and so there was no contract under Step 1 of ASC 606. In addition, Pareteum had not yet begun to perform any of its obligations, as required by Step 5 of ASC 606 prior to recognizing revenue. Finally, Stefanski understood that there was no basis or reason for specifically recognizing 20% of the draft purchase order amount – other than the fact that he had been told to do so.

23. Meanwhile, the former Pareteum sales employee ultimately finalized the purchase order with the customer in February 2019 – but for 630,000 euros, not 6.3 million. Notwithstanding this change in the purchase order, Stefanski continued to recognize revenue off of the unsigned draft purchase order for 6.3 million euros. Pareteum recognized another 20% of revenue from the draft purchase order in February 2019, and another 20% in April 2019. Ultimately, Pareteum recognized a total of approximately $4.4 million in revenue for this customer in the first and second quarter of 2019, before the service platform was even functional.
and despite the fact that the signed agreement was only for 630,000 euros, or approximately
$750,000 – an amount that was still just a consignment agreement and not recognizable revenue.

Pareteum’s Misleading Filings

24. Pareteum’s 2018 Form 10-K, filed on March 18, 2019, was materially misleading
as it overstated 2018 revenue by 60% ($12 million). Pareteum’s 10-Qs were also misleading
from at least November 14, 2018 through August 9, 2019, as these filings also overstated
revenue by up to 102% (Q2 2019 10-Q, dated August 9, 2019).

25. In addition, with respect to each quarterly or annual filing, from at least March 12,
2019 through August 13, 2019, Pareteum filed current reports on Form 8-K, pursuant to
Exchange Act Rule 13a-11, attaching materially misleading press releases concerning financial
results for the completed reporting period. These press releases were misleading because they
included, and often highlighted, the revenue amounts that were materially overstated.

Pareteum’s Restatement and Offer of Settlement

26. On October 21, 2019, Pareteum publicly announced that it would be issuing
financial restatements for all of 2018 and the first two quarters of 2019, and that it expected the
restatements to reduce the reported revenue by $9 million for all of 2018 and $24 million for the
first half of 2019. After this announcement, Pareteum’s Audit Committee began an independent
investigation.

27. On December 14, 2020, Pareteum filed a restated Form 10-K for 2018, reducing the
full year revenue from $32.4 million to $20.3 million. On March 12, 2021, Pareteum restated is
financial results for 2019, reporting a full year revenue of $62.05 million – reducing its stated
revenue for the first quarter of 2019 from $23.04 million to $13.07 million, and for the second
quarter of 2019 from $34.2 to $16.9 million.

28. On September 2, 2021, Pareteum agreed to an Offer of Settlement and the
Commission commenced a settled cease-and-desist proceeding, finding that Pareteum violated
Section 17(a) of the Securities Act, and Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the
Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder, and imposing a
$500,000 civil penalty.

Violations

29. As a result of the conduct described above, Stefanski willfully violated Section
17(a) of the Securities Act, which prohibits fraudulent conduct in the offer or sale of a security.

30. As a result of the conduct described above, Stefanski willfully violated Section
10(b) of the Exchange Act and Rules 10b-5(a) and (c) promulgated thereunder, which prohibit
fraudulent conduct in connection with the purchase or sale of securities.
31. As a result of the conduct described above, Stefanski willfully aided and abetted and caused Pareteum’s CFO’s and Pareteum’s violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

32. As a result of the conduct described above, Stefanski willfully violated Rule 13b2-2 under the Exchange Act, which prohibits any officer or director of an issuer from directly or indirectly making or causing to be made a materially false or misleading statement to an accountant in connection with any audit, review, or examination of the financial statements of the issuer.

33. As a result of the conduct described above, Stefanski willfully aided and abetted and caused Pareteum’s violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13 promulgated thereunder, which require issuers of securities registered pursuant to Section 12 of the Exchange Act to file periodic and other reports with the Commission, including annual, quarterly and current reports that must contain any material information necessary to make the required statements made in the report not misleading.

34. As a result of the conduct described above, Stefanski willfully aided and abetted and caused Pareteum’s violations of Exchange Act Section 13(b)(2)(A), which requires issuers of securities registered pursuant to Section 12 of the Exchange Act to make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of assets.

35. As a result of the conduct described above, Stefanski willfully aided and abetted and caused Pareteum’s violations of Exchange Act Section 13(b)(2)(B), which requires issuers of securities registered pursuant to Section 12 of the Exchange Act to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that, among other things, transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP.

Stefanski’s Cooperation

36. In determining to accept the Offer, the Commission considered Stefanski’s cooperation afforded to the Commission staff.

IV.

Pursuant to the Offer, Respondent agrees to additional proceedings in this proceeding to determine what, if any, disgorgement, prejudgment interest and civil penalties are appropriate and in the public interest under Section 8A of the Securities Act, and appropriate under Sections 21B and 21C of the Exchange Act. In connection with such additional proceedings: (a) Respondent agrees that he will be precluded from arguing that he did not violate the federal securities laws described in this Order; (b) Respondent agrees that he may not challenge the validity of this Order; (c) solely for the purposes of such additional proceedings, the findings made in this Order shall be accepted as and deemed true by the hearing officer; and (d) the hearing officer may
determine the issues raised in the additional proceedings on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, documentary evidence, and, if the hearing officer determines it necessary, hearing testimony.

V.

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

Accordingly, pursuant to Section 8A of the Securities Act, Sections 4C and 21C of the Exchange Act, and Rule 102(e)(1)(iii) of the Commission’s Rules of Practice, it is hereby ORDERED that:

A. Respondent Stefanski shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act, and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, and 13b2-2 thereunder.

B. Respondent Stefanski be, and hereby is prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act.

C. Respondent Stefanski is denied the privilege of appearing or practicing before the Commission as an accountant.

VI.

IT IS ORDERED that a public hearing for purposes of taking evidence on the questions set forth in Section IV hereof shall be convened at a time and place to be fixed and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission’s Rules of Practice, 17 C.F.R. § 201.110, following the entry of a final judgment against the last remaining defendant(s) in Securities and Exchange Commission v. Victor Bozzo, et al. (S.D.N.Y.) (the “Related Actions”).

If Respondent fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission’s Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

IT IS FURTHER ORDERED that, pursuant to Rule 360(a)(2) of the Commission’s Rules of Practice, 17 C.F.R. § 201.360(a)(2), the Administrative Law Judge shall issue an initial decision no later than 75 days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B) Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a motion pursuant to Rule 250 of the Commission’s Rules of Practice, 17 C.F.R. §
201.250; or (C) The determination by the hearing officer that a party is deemed to be in default under Rule 155 of the Commission’s Rules of Practice, 17 C.F.R. § 201.155 and no hearing is necessary.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission’s Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to service of paper copies, service to the Division of Enforcement of all opinions, orders, and decisions described in Rule 141, 17 C.F.R. § 201.141, and all papers described in Rule 150(a), 17 C.F.R. § 201.150(a), in these proceedings shall be by email to the attorneys who enter an appearance on behalf of the Division, and not by paper service.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Vanessa A. Countryman
Secretary