

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 102230 / January 17, 2025**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-22431**

**In the Matter of**

**PAUL JOHN MCCABE, JR.**  
**AND PMAC CONSULTING,**  
**LLC**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTIONS 15(b) AND 21C  
OF THE SECURITIES EXCHANGE ACT  
OF 1934, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS AND  
A CEASE-AND-DESIST ORDER**

**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 Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Paul John McCabe, Jr. (“McCabe”) and PMAC Consulting, LLC (“PMAC,” and collectively with McCabe, “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have 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 them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V as to McCabe, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, 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 Respondents' Offer, the Commission finds<sup>1</sup> that:

#### Summary

These proceedings arise out of unregistered broker activity by McCabe, conducted through his solely-owned entity, PMAC. Until October 2016, McCabe was a registered representative associated with broker-dealers registered with the Commission. In December 2016, McCabe consented to a permanent bar by the Financial Industry Regulatory Authority ("FINRA") from acting as a broker or otherwise associating with a registered broker-dealer. From October 2016 through June 2023, McCabe continued to broker securities transactions between holders of shares of stock in private companies that were expected to go public through an initial public offering ("Pre-IPO Shares") and funds seeking to acquire such Pre-IPO Shares. Between October 2018 and June 2023, McCabe received more than \$16 million in transaction-based compensation through PMAC for unregistered broker activity on behalf of several fund clients and nearly 100 sellers. McCabe and PMAC acted as unregistered brokers in violation of Section 15(a) of the Exchange Act in connection with these securities transactions.

#### Respondents

1. **McCabe** (CRD No. 2751063), age 56, resides in Bethesda, Maryland. McCabe previously held Series 6, 7, 63, and Securities Industry Essentials licenses. From 1996 through October 2016, McCabe was associated with six different registered broker-dealers. In December 2016, McCabe consented to a permanent bar by FINRA for failing to provide information and documents requested by FINRA in connection with an examination of the registered broker-dealer with which he was then associated. Since October 2016, McCabe has not been associated with a registered broker-dealer.

2. **PMAC** is a single-member managed limited liability corporation established by McCabe in Michigan on October 13, 2016, with its principal place of business in Bethesda, Maryland. McCabe is the sole owner and manager of PMAC. From October 2016 through June 2023, McCabe conducted his unregistered broker activities primarily through the PMAC entity, and buyers and sellers of Pre-IPO Shares executed fee agreements with PMAC and paid PMAC transaction-based compensation in connection with this unregistered broker activity.

#### Background

3. From March 2009 through October 2016, McCabe was at various times associated with five different registered broker-dealers (the "Registered Broker-Dealers") specializing in transactions in Pre-IPO Shares. While so associated, he met potential buyers and sellers of Pre-

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<sup>1</sup> The findings herein are made pursuant to Respondents' Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

IPO Shares by using websites, attending conferences, and word of mouth. He then connected potential buyers and sellers looking to transact in Pre-IPO Shares. Upon successful completion of a transaction brokered by McCabe, the seller paid transaction-based compensation in the form of a percentage of the sale to the Registered Broker-Dealers, from which McCabe's compensation was derived.

4. During McCabe's tenure at one of the Registered Broker-Dealers, McCabe used a fee agreement form for transactions in Pre-IPO Shares that he brokered (the "Registered Broker-Dealer Fee Agreement"). The Registered Broker-Dealer Fee Agreement included certain provisos including one specifying: "[Registered Broker-Dealer] represents and warrants that it is a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended, and has appropriate state licenses to provide the services and receive the fees hereunder." The language of the Registered Broker-Dealer Fee Agreement of the last two Registered Broker-Dealers with which McCabe was associated stated "[Registered Broker-Dealer] is a registered broker dealer."

5. In October 2016, as part of a FINRA examination of the last Registered Broker-Dealer with which McCabe was affiliated, FINRA requested that McCabe produce certain information and documents. Rather than do so, McCabe decided to leave that Registered Broker-Dealer and terminate his FINRA registration, which eliminated his obligation to produce documents and information. On October 14, 2016, McCabe resigned from his last Registered Broker-Dealer. On November 17, 2016, he submitted a Letter of Acceptance, Waiver, and Consent ("AWC") to FINRA, in which he consented to a bar from associating with any FINRA member firm in any capacity. FINRA accepted and entered the AWC on December 8, 2016.

6. On October 13, 2016—the day before McCabe resigned from his last Registered Broker-Dealer—he created PMAC to continue facilitating transactions in Pre-IPO Shares, notwithstanding his lack of association with a registered broker-dealer and his plan to terminate his registration with FINRA. Shortly before establishing PMAC, McCabe informed multiple clients that he would be leaving his last Registered Broker-Dealer and could be reached at his personal email address, adding that "nothing will change as far as business goes" and he was "still doing the same thing just on my own."

7. McCabe used a modified version of the Registered Broker-Dealer Fee Agreement at PMAC that he created called the PMAC Consulting Agreement, which included the number of shares; price per share plus "referral fee"; gross amount buyer obligation; PMAC's fee; and seller proceeds as the relevant information to be input. McCabe also included a proviso in the PMAC Consulting Agreement specifying that the "[f]ee is to be paid directly to PMAC Consulting by buyer [or seller] upon successful completion of the transaction between buyer [] and seller[.]" McCabe did not include the statement from the Registered Broker-Dealer Fee Agreements about being a registered broker-dealer.

8. The business McCabe conducted through PMAC was a continuation of the same activity he previously performed as a registered representative at the Registered Broker-Dealers. McCabe described the work he conducted at the Registered Broker-Dealers with which he was associated as the same as with PMAC Consulting.

9. Between October 2016 and June 2023, McCabe, through PMAC, negotiated the terms of transactions for the purchase and sale of Pre-IPO Shares, worked directly with the issuers of Pre-IPO Shares with respect to the mechanics of share transfers, provided purchasers with advice or valuations as to the merits of a particular investment, handled and submitted paperwork for the transactions, acted as the primary intermediary between buyers, sellers, and their agents or representatives, paid fees to certain issuers to effectuate closings, and actively identified and solicited sellers of Pre-IPO Shares in particular companies for buyers.

10. McCabe, through PMAC, was usually paid a percentage fee of the transaction when the transaction closed as compensation for his unregistered broker activities. Between October 2018 and June 2023, McCabe received more than \$16 million in transaction-based compensation through PMAC for unregistered broker activity on behalf of several fund clients and nearly 100 sellers. McCabe received compensation from both purchasers and sellers, sometimes collecting fees from both sides in the same transaction. The fees collected by McCabe through PMAC were typically between 3% and 5% of the total transaction price. The transactions were typically documented using the PMAC Consulting Agreement.

11. As a result of the conduct described above, Respondents willfully violated Section 15(a) of the Exchange Act, which prohibits any broker or dealer from making use of the mails or any means or instrumentality of interstate commerce, to effect any transaction in, or induce or attempt to induce the purchase or sale of, any security unless the broker or dealer is registered in accordance with Section 15(b) of the Exchange Act or is a natural person who is associated with a registered broker or dealer.<sup>2</sup>

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in the Respondents McCabe and PMAC's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondents McCabe and PMAC cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.

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<sup>2</sup> "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act, "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ted]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

B. Respondent McCabe 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.

C. Any application for reentry by Respondent McCabe will be made to the appropriate self-regulatory organization, or if there is none, to the Commission by contacting the Division of Enforcement's Office of Chief Counsel at ENF-Reentry@sec.gov, and will be subject to the applicable laws and regulations governing the reentry process. 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 Respondent McCabe in any action brought by the Commission; (b) any disgorgement amounts ordered against Respondent McCabe 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.

D. Respondents McCabe and PMAC shall pay a civil money penalty in the amount of \$3,000,000.00, jointly and severally, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made in the following installments:

1. Due within 21 days of the entry of this Order: \$600,000.00;
2. Due within 90 days of the entry of this Order: \$600,000.00;
3. Due within 180 days of the entry of this Order: \$600,000.00;
4. Due within 270 days of the entry of this Order: \$600,000.00; and
5. The remainder within 360 days of the entry of this 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, Respondents shall contact the staff of the Commission for the amount due. If Respondents fail 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) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying McCabe and/or PMAC as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Associate Regional Director Sheldon Pollock, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004-2616.

E. 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, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of a 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, Respondents agree that they 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 a 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 McCabe, and further, any civil penalty or other amounts due by Respondent McCabe 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 McCabe 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