UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 99443 / January 29, 2024

Admin. Proc. File No. 3-21529

In the Matter of

RONALD SHANE FLYNN

ORDER GRANTING MOTION TO AMEND THE ORDER INSTITUTING PROCEEDINGS

On July 14, 2023, the Securities and Exchange Commission issued an order instituting proceedings ("OIP") against Ronald Shane Flynn pursuant to Section 15(b) of the Securities Exchange Act of 1934 based on an injunction entered against him by a federal court in 2023.[1] On September 15, 2023, the Commission issued an order directing the Division of Enforcement to file periodic status reports concerning service of the OIP.[2] In its most recent status report, dated December 19, 2023, the Division represents that it has not been able to confirm that Flynn has been served. Flynn has not filed an answer or otherwise appeared in this proceeding.

On October 26, 2023, the Division filed a motion to amend the OIP to allege the truth of the allegations found in the Commission's underlying amended civil complaint in the injunctive action against Flynn.[3] In its motion, the Division explained that it sought this amendment so that the Commission could deem the underlying amended civil complaint's allegations to be true in the event that Flynn defaults.[4] Flynn did not respond to the Division's motion.

Rule of Practice 200(d)(1) provides that, "[u]pon motion by a party, the Commission may, at any time, amend an order instituting proceedings to include new matters of fact or law."[5] Such amendments to OIPs "'should be freely granted, subject only to the consideration that other parties

1 *Ronald Shane Flynn*, Exchange Act Release No. 97907, 2023 WL 4546119 (July 14, 2023).

2 *Ronald Shane Flynn*, Exchange Act Release No. 98403, 2023 WL 6036855 (Sept. 15, 2023).

3 The original OIP alleged that the Commission's amended civil complaint had made certain allegations against Flynn, not that the allegations were true. *See Flynn*, 2023 WL 4546119, at *1 (providing that the "Commission's Amended Complaint alleged" certain facts).

4 *Cf. Clinton Maurice Tucker II*, Exchange Act Release No. 94208, 2022 WL 394644, at *1 (Feb. 9, 2022) (noting that "the OIP here recounts the allegations of the Commission's complaint; it does not independently allege that [the respondent] engaged in particular misconduct," and therefore "[e]ntering [the respondent's] default would not appear to permit the Commission to deem true the allegations of the Commission's complaint in the injunctive action").

5 17 C.F.R. § 201.200(d)(1).

should not be surprised nor their rights prejudiced.'"[6] We conclude that the Division's requested amendment to the OIP is appropriate because it adds new matters of fact or law to the OIP (*i.e.*, the truth of the amended civil complaint's allegations).[7]

Flynn should not be surprised that the Division believes that the amended civil complaint's allegations, which led to the injunction against him, are true.[8] Moreover, as Flynn was served in the injunctive action, he should be aware of the allegations that the Division made against him in its amended complaint in that action. Nor should such an amendment prejudice Flynn because this proceeding is still in its earliest stages, and he will have the opportunity to file an answer to the amended OIP and to contest its allegations.[9]

Accordingly, IT IS ORDERED that the Division's motion to amend the OIP is granted. The amended OIP is attached to this order. Service of this order and the amended OIP shall be made consistent with Rule of Practice 141(a).[10] After the service of the amended OIP, the Division shall promptly file with the Office of the Secretary a record of service consistent with

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6 *James S. Tagliaferri*, Exchange Act Release No. 75820, 2015 WL 5139389, at *2 (Sept. 2, 2015) (quoting *Robert David Beauchene*, Exchange Act Release No. 68974, 2013 WL 661619, at *2 (Feb. 25, 2013)).

7 *See Donald Howard*, Exchange Act Release No. 98291, 2023 WL 5770175, at *1 (Sept. 6, 2023) (holding that an amendment to an OIP alleging the truth of a civil complaint's allegations constituted "new matters of fact or law"); *Hughe Duwayne Graham*, Exchange Act Release No. 97963, 2023 WL 4682613, at *1 (July 21, 2023) (same).

8 *See Graham*, 2023 WL 4682613, at *2 ("[The respondent] should not be surprised or prejudiced that the Division believes that the civil complaint's allegations are true.").

9 *See Tagliaferri*, 2015 WL 5139389, at *2 ("The OIP does not establish facts, it alleges them; [the respondent] will have an opportunity to contest these allegations and their legal effect.").

10 17 C.F.R. § 201.141(a).

Rule of Practice 141(a)(3).[11] Flynn shall file an answer to the allegations contained in the amended OIP within 20 days of service of the amended OIP.

The parties' attention is directed to the e-filing requirements in the Rules of Practice.[12]

By the Commission.

Vanessa A. Countryman
Secretary

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[11] 17 C.F.R. § 201.141(a)(3). The Division's obligation to file status reports regarding service of the original OIP based on the Commission's order dated September 15, 2023, is hereby suspended.

[12] *See Amendments to the Commission's Rules of Practice*, Exchange Act Release No. 90442, 2020 WL 7013370 (Nov. 17, 2020), 85 Fed. Reg. 86,464 (Dec. 30, 2020), https://www.sec.gov/rules/final/2020/34-90442a.pdf; *Instructions for Electronic Filing and Service of Documents in SEC Administrative Proceedings and Technical Specifications*, https://www.sec.gov/efapdocs/instructions.pdf. The amended rules require, among other things, the redaction and omission of sensitive personal information, and provide alternative procedures if a person cannot reasonably comply with the electronic filing requirements due to lack of access to electronic transmission devices. *See Amendments to the Commission's Rules of Practice*, 85 Fed. Reg. at 86,465–81.

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. /

ADMINISTRATIVE PROCEEDING
File No. 3-21529

In the Matter of **RONALD SHANE FLYNN,** **Respondent.**	**AMENDED ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934 AND NOTICE OF HEARING**

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 Ronald Shane Flynn ("Respondent" or "Flynn").

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Respondent is 60 years old and his last known address was in the United Arab Emirates. From approximately September 2016 through the present, Respondent controlled the entities Vuuzle Media Corp. and Vuuzle Media Corp. Limited (together "Vuuzle"). Respondent was a registered representative of the Income Network Company in Irvine, California from November 1988 to March 1989, but is not currently registered with the Commission in any capacity.

2. On January 27, 2021, the Commission filed a complaint against Respondent and others in the civil action entitled *SEC v. Vuuzle Media Corp., et al.*, 21-cv-1226, in the United States District Court for the District of New Jersey, which it amended on February 17, 2022, alleging violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (the "Securities Act") and

Sections 10(b) and 15(a)(1) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 thereunder.

3. Respondent was the primary architect and beneficiary of an international offering fraud. In furtherance of this fraud, Respondent acted directly and indirectly through a series of entities – including Vuuzle Media Corp. (together with its predecessor entities, hereinafter referred to as "Vuuzle U.S."), Vuuzle Media Corp. Limited ("Vuuzle UAE"), collectively called "Vuuzle" – and was assisted by an individual named Richard Marchitto and others.

4. Respondent exercised ultimate control over all aspects of Vuuzle's business, including its operations, online presence, communications with investors, and finances. Respondent used these entities to facilitate the offering fraud without regard to corporate formality through a core group of purported company executives, officers, and employees, who in reality worked directly for Flynn. Individually and through these entities, Respondent controlled bank accounts located in the UAE and the Philippines, which he used and continues to use to receive and transfer Vuuzle investor funds. While Respondent currently holds no official title at Vuuzle, he represented himself to be Vuuzle's founder and majority shareholder.

5. Respondent has been subject to at least two state cease-and-desist orders in connection with his prior solicitations of investors: one dated October 4, 2000 by the Ohio Division of Securities; and a second dated September 22, 2016 by the State of California Department of Business Oversight. Respondent was a registered representative of a registered broker-dealer from November 1988 to March 1989, but he is not currently registered with the Commission in any capacity.

6. From approximately September 2016 to the present, Respondent, operating through Vuuzle U.S., Vuuzle UAE, and in coordination with Marchitto, engaged in a scheme to defraud investors, primarily located in the United States, through the offer and sale of more than $22.8 million of securities in Vuuzle U.S. and Vuuzle UAE. Some of the securities offered by Flynn and Vuuzle UAE were offered in the form of a digital asset called a "VUCO security token."

7. In violation of the securities laws, Respondent and the entities he controlled secretly diverted more than $5.9 million of the offering proceeds to support his aggressive fund-raising operations, which included paying commissions to stock promoters. Respondent and Marchitto misappropriated another more than $10.3 million in direct transfers to their personal bank accounts, cash withdrawals, and by using corporate credit and debit cards for personal items, such as mortgage payments, dating and gambling applications, gold bars, and luxury travel. The remainder appears to have been used for other expenses in furtherance of the fraud, including, but not limited to, payments to a limited number of investors, FedEx charges, rent for a New York City office, and attorney fees.

8. To raise funds, Respondent and the Vuuzle entities, through email and phone communications, websites, and press releases, falsely represented to investors that Vuuzle was and is a successful and growing multinational company in the business of providing online live streaming and entertainment services. To reinforce the false impression that Vuuzle has a

significant U.S. presence, Marchitto, at Respondent's direction, maintained a New York City address for Vuuzle and operated Vuuzle's U.S. bank accounts, which he used to receive and transfer the overwhelming majority of investor funds.

9. In fact, Vuuzle was little more than a front for a Philippines-based boiler room controlled by Respondent. Operating overseas, Respondent, directly and through purported Vuuzle U.S. and Vuuzle UAE employees acting at his direction, engaged in aggressive and high-pressure sales campaigns. Among other tactics, Flynn and his employees cold-called potential investors and, through relentless and deceptive phone and email communications, convinced them to buy Vuuzle securities. In return for bringing in Vuuzle investor funds, Respondent paid substantial undisclosed commissions to himself and his boiler room staff.

10. Until approximately June 2021, the securities offered were common stock in Vuuzle U.S. and/or Vuuzle UAE. The price per share was initially $5.00, which was later increased to $5.50. Many investors were also granted warrants that provided the investor the purported right to purchase additional shares for a limited time at a discounted price that ranged from $1 to $2.50 a share. None of these securities are or were registered with the Commission.

11. Since June 2021, Respondent and Vuuzle have shifted from offering and selling Vuuzle stock to offering and selling a digital asset security offered by Vuuzle UAE, called a "VUCO security token." Since that time, Respondent and Vuuzle UAE also began contacting existing investors to urge them to convert their stock into VUCO security tokens on a 1-for-1 basis. None of these VUCO security tokens are or were registered with the Commission.

12. Respondent, Vuuzle U.S., and Vuuzle UAE made numerous materially false and misleading statements in their communications with investors, websites, press releases, filings with the Commission, and in offering documents, including Vuuzle U.S.'s Private Placement Memoranda ("PPMs"). For instance, Respondent, Vuuzle U.S., and Vuuzle UAE have told investors that their funds were and will be used to operate and build an online streaming and entertainment business, which purportedly would earn millions of dollars in revenue from service fees and advertising. In fact, of the $22.8 million in Vuuzle investor funds raised, only approximately $3.6 million was used to build and support Vuuzle's various products, including several mobile phone applications, other technologies, and a purported film studio. With the limited funds directed to their creation, these purported products have served no purpose other than as props used to raise more investor funds.

13. Respondent and Vuuzle U.S. also falsely portrayed Vuuzle as a pre-initial public offering ("IPO") investment opportunity that would provide returns to investors in the form of dividends and skyrocketing post-IPO stock values. Yet, Vuuzle has never made a profit, never paid dividends to any investor, never made a public offering on any stock exchange, and never even took the required steps to prepare for an IPO. From Vuuzle's inception in September 2016 through approximately July 2021, Vuuzle's bank accounts reflect total business revenue of approximately $12,504.

14. Until 2021, public filings and offering documents for Vuuzle U.S. falsely suggested that Respondent had only a peripheral relationship with the company, if any. In fact, however, Respondent exercises ultimate control over Vuuzle's business for the primary purpose of enriching himself. Vuuzle U.S., Vuuzle UAE, and Respondent concealed his control over Vuuzle by falsely representing to investors and the public that Vuuzle is and was operated by a legitimate team of independent executive officers overseen by an independent board of directors. This is false. In early 2018, Respondent hired two former executives of a publicly-traded company to ostensibly serve as Vuuzle's Chief Executive Officer ("CEO") and Chief Operating Officer ("COO"). Their hiring was all for show. During their time at Vuuzle, both individuals raised serious questions about Respondent's operation of Vuuzle, and both were gone by November of that year. Vuuzle UAE investment agreements sent to investors in June 2021 were amended to acknowledge that Respondent "has undertaken responsibility for the management, operation, and administration" of Vuuzle UAE and all affiliated entities. In fact, Respondent has always exercised ultimate control over every part of Vuuzle's business for the primary purpose of enriching himself.

B. ENTRY OF THE INJUNCTION

15. On June 22, 2023, the Court in *SEC v. Vuuzle Media Corp., et al.*, issued an opinion granting default judgment in favor of the Commission and finding that Respondent violated Sections Sections 5(a), 5(c), and 17(a) of the Securities Act, and Sections 10(b) and 15(a)(1) of the Exchange Act and Rule 10b-5 thereunder. Among other things, the Court found that, Flynn regularly solicited U.S. investors, promoted the merits of a Vuuzle investment, facilitated and negotiated the transactions, supervised and controlled a securities sales force, handled customer funds, drafted offering documents, and was paid in commissions, all while not being registered with the Commission as a broker-dealer or a person associated with a broker-dealer. The Court further found that Respondent defrauded investors out of millions of dollars as a result of these actions.

16. On June 22, 2023, the Court issued an order of final judgment that permanently enjoined Respodnent from future violations of the foregoing securities laws. The Court also imposed monetary relief that included joint and several liability with the Vuuzle entities for disgorgement of $25,807,490.73, pre-judgment interest of $720,354.08, and a civil penalty of $25,807,490.73.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be amended to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing before the Commission for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed by further order of the Commission, pursuant to Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220(b) of the Commission's Rules of Practice, 17 C.F.R. § 201.220(b).

IT IS FURTHER ORDERED that the Division of Enforcement and Respondent shall conduct a prehearing conference pursuant to Rule 221 of the Commission's Rules of Practice, 17 C.F.R. § 201.221, within fourteen (14) days of service of the Answer. The parties may meet in person or participate by telephone or other remote means; following the conference, they shall file a statement with the Office of the Secretary advising the Commission of any agreements reached at said conference. If a prehearing conference was not held, a statement shall be filed with the Office of the Secretary advising the Commission of that fact and of the efforts made to meet and confer.

If Respondent fails to file the directed Answer, or fails to appear at a hearing or conference 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.

This Order shall be served upon Respondent as provided for in Rule 141(a)(2)(iv) of the Commission's Rules of Practice, 17 C.F.R. § 201.141(a)(2)(iv).

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.

Attention is called to Rule 151(a), (b) and (c) of the Commission's Rules of Practice, 17 C.F.R. § 201.151(a), (b) and (c), providing that when, as here, a proceeding is set before the Commission, all papers (including those listed in the following paragraph) shall be filed electronically in administrative proceedings using the Commission's Electronic Filings in Administrative Proceedings (eFAP) system access through the Commission's website, www.sec.gov, at http://www.sec.gov/eFAP. Respondent also must serve and accept service of

documents electronically. All motions, objections, or applications will be decided by the Commission.

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 filing with or disposition by a hearing officer, all filings, including those under Rules 210, 221, 222, 230, 231, 232, 233, and 250 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.210, 221, 222, 230, 231, 232, 233, and 250, shall be directed to and, as appropriate, decided by the Commission. This proceeding shall be deemed to be one under the 75-day timeframe specified in Rule of Practice 360(a)(2)(i), 17 C.F.R. § 201.360(a)(2)(i), for the purposes of applying Rules of Practice 233 and 250, 17 C.F.R. §§ 201.233 and 250.

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 the Commission shall issue a decision on the basis of the record in this proceeding, which shall consist of the items listed at Rule 350(a) of the Commission's Rules of Practice, 17 C.F.R. § 201.350(a), and any other document or item filed with the Office of the Secretary and accepted into the record by the Commission. The provisions of Rule 351 of the Commission's Rules of Practice, 17 C.F.R. § 201.351, relating to preparation and certification of a record index by the Office of the Secretary or the hearing officer are not applicable to this proceeding.

The Commission will issue a final order resolving the proceeding after one of the following: (A) The completion of post-hearing briefing in a proceeding where the public hearing has been completed; (B) The completion of briefing on a motion for a ruling on the pleadings or a motion for summary disposition pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250, where the Commission has determined that no public hearing is necessary; or (C) The determination 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 public hearing is necessary.

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.