

BEFORE THE DISCIPLINARY BOARD OF  
THE SUPREME COURT OF PENNSYLVANIA

OFFICE OF DISCIPLINARY COUNSEL, :  
Petitioner :  
: No. 36 DB 2025  
v. :  
: Atty. Reg. No. 60474  
JOHN W. PAUCIULO, :  
Respondent : (Chester County)

**ODC'S PETITION FOR DISCIPLINE WAS TIMELY AND IS NOT  
BARRED BY EITHER BOARD RULE 85.10 OR THE DOCTRINE OF  
LACHES.**

The following is submitted in response to the Chair's suggestion at the Pre-Hearing Conference that either party may submit a brief setting forth its position concerning whether this matter is time-barred by Rule or by laches. As a preliminary matter, ODC observes that although Respondent's counsel raised this issue at the Pre-Hearing, Respondent has not yet submitted a brief on his position. Consequently, ODC must argue in a vacuum. In the event that there is a substantive response from Respondent, ODC most respectfully requests that we be permitted to file a Reply Brief.

This disciplinary proceeding and the allegations in the Petition for Discipline are in **no way** time-barred, and ODC would like to dispense with this issue prior to the Hearing so that we can focus on

putting forth our overwhelming evidence of the serious and weighty misconduct in the Petition. In addition, we note that counsel at no time sought to “meet and confer” with Disciplinary Counsel prior to the Pre-Hearing to ascertain or confirm the central, necessary fact in the timeliness issue, namely, *when the disciplinary complaints were filed*, to determine if Rule 85.10 was even implicated in this disciplinary matter. Without this information, Respondent could not even begin to evaluate whether the matter was or was not timely.

**I. Timeliness of disciplinary proceedings is governed by the Board Rules.**

The timeliness of disciplinary proceedings is governed by the Pennsylvania Disciplinary Board Rules and Procedures (Pa.D.B.) Section 85.10 (“Stale matters”) which provides, in pertinent part:

- (a) *General rule.* The Office of Disciplinary Counsel or the Board shall not entertain any **complaint** arising out of acts or omissions occurring **more than four years** prior to the date of the complaint, except as provided in subsection (b).
- (b) *Exceptions.*
  - (1) The four year limitation in subsection (a) shall not apply in cases involving theft or misappropriation, conviction of a crime or a **knowing act of concealment.** (emphasis added).

Although the disciplinary proceeding need only fall under one of the subsections of Rule 85.10 to be timely, this matter is timely under both subpart (a), the general timeliness Rule, and the exception in subpart (b)(1) for “fraudulent concealment.”

The term “complaint” is defined in Board Rules Section 85.2 as “[a] grievance concerning an attorney communicated to the Office of Disciplinary Counsel or considered by the Office of Disciplinary Counsel on its own motion.” “Petition” is defined in the same section as, “[a] formal pleading filed by the Office of Disciplinary Counsel with the Board requesting action by the Board under the Disciplinary Rules, Enforcement Rules, or these rules.” Based on these definitions, the Board has explained Rule 85.10 thus:

The four-year limitation, therefore, runs from the date a complaint is lodged with the Office of Disciplinary Counsel, not the date Disciplinary Counsel files a Petition for Discipline with the Disciplinary Board. The Petition for Discipline is not the complaint, given the distinct definitions assigned to the two terms.

***ODC v. John J. Koresko, V.*** No. 119 DB 2013 at 30 (D.Bd.Rpt. 6/1/15) (S.Ct. Order 9/4/15).

**II. The Complaints in this Proceeding were Filed in 2020 and 2022 alleging Misconduct Continually From 2016 to 2020.**

After business hours on July 28, 2020, a member of the Pennsylvania Bar submitted an online complaint to ODC informing us that Respondent “knowingly assisted his clients with perpetrating securities fraud and selling unregistered securities. The attorney also engaged in a clear conflict of interest and provided false information to third parties....” (A true and correct copy of the disciplinary complaint is attached as Exhibit A). One day prior, the Securities and Exchange Commission (SEC) had filed an “Emergency *Ex Parte* Motion for Temporary Restraining Order and Other Relief,” *under seal*, in the United States District Court for the Southern District of Florida, (ODC-48), naming Respondent’s client Vagnozzi and several other clients of Respondent, as well as the individuals who controlled Par Funding whom Respondent had dealt with since 2016.

This was apparently the “unveiling” of the SEC’s investigation, with the SEC requesting the appointment of a Receiver for not only Par and its related businesses to which investors’ money was transferred and stolen, but also Vagnozzi’s Funds and the Agent Funds who were Respondent’s clients. The investigation had

proceeded undercover, as evidenced by a statement in the SEC’s Motion that “[i]n March 2020, Vagnozzi described the investment in Par Funding *to an individual posing as a potential investor* as ‘like the crack-cocaine’ of investments” that his company, A Better Financial Plan, offered. (emphasis added). Vagnozzi told the poser that the Par investment delivered “[a] check every month.” (ODC-48 at 41-42) (emphasis added). Since, as set forth in the Petition, the misconduct was committed from 2016 to 2020 when the SEC stepped in, if we track the language of Rule 85.10, ODC and the Board could “entertain any complaint” filed in 2020 “arising out of acts or omissions occurring” four years before the date of the complaint. Indeed, given the non-public nature of the SEC investigation, no complaint based on the SEC’s securities fraud charges could have been brought before July, 2020.

Importantly, it was not until *July 27, 2022*, that ODC received a letter complaint from Thomas J. Karr, Assistant General Counsel for Litigation and Professional Misconduct of the Securities and Exchange Commission, informing this Office of the July 7, 2022 Order “announcing settled charges” against Respondent “in connection with his role in the multi-million dollar unregistered,

fraudulent offering of securities issued by Complete Business Solutions Group Inc. d/b/a Par Funding,” and attaching the decision in *In the Matter of John W. Pauciulo, Esq.* (File No. 3-20926), which is marked as ODC-4 to the Petition for Discipline. It was at this juncture that ODC obtained the information from the Commission that, as Karr states:

Pauciulo made material misrepresentations and omissions in private placement memoranda he prepared for many investment funds that offered and sold securities to raise money for Par Funding’s unregistered securities offering. Pauciulo also made material misstatements and omissions to prospective investors and investors in in-person meetings and video presentations. Among other things, Pauciulo misrepresented that the securities offerings did not need to be registered with the SEC and complied with the securities laws and failed to disclose that Par Funding’s undisclosed control person had a criminal history. Pauciulo knew or was reckless in not knowing that there was no exemption from registration available. (Letter complaint at 1).

(A true and correct copy of the letter complaint from the SEC’s Karr is attached as Exhibit B hereto).

**III. The acts of misconduct all occurred from 2016 to 2020.**

As alleged in the “DB-7 Request for Statement of Respondent’s Position,” served on July 19, 2023 (ODC-66), and the Petition for Discipline filed on March 31, 2025, the acts of misconduct occurred

from and after 2016, and continued to 2020 when the SEC stepped in. Beginning in 2016, Respondent was engaged by Vagnozzi to perform “due diligence” on Par Funding. (Answer to Petition at paragraph 41). Having had years of contact with Vagnozzi as a client, Respondent knew that Vagnozzi would be soliciting middle class, retail investors, many retirees, and knew of Vagnozzi’s aggressive marketing tactics such as free dinners for investors and videos on his “A Better Financial Plan” website. (Answer to Petition at 30).

Nevertheless, Respondent recklessly accepted Par’s representations about the company, failing to do even the most basic independent research which would have disclosed that its founder was a twice-convicted felon. Respondent failed to require reliable financial information, which would have shown that Par was unprofitable. A look at the Court of Common Pleas’ dockets would have shown that Par was owed enormous amounts from small businesses to which it had made cash advances. (Petition at paragraphs 45-66 and citations therein). As the federal judge presiding over the criminal cases of Par’s executives found:

An earlier convicted felon and two other men admitted creating a fraudulent scheme to induce

hundreds of persons to lend their related companies approximately \$547 million from 2012 to 2020 secured by short term promissory notes and a security interest in the related companies' accounts receivable and cash. The three men sold their investors a 'merchant cash advance' business model through which the related companies purchased over \$1.3 billion of merchants' accounts receivable at a discount to provide the merchants with short term cash but also required the merchants repay the advance plus substantial interest a few months later. ***The three men did not tell the investors of their leader's felony conviction, nor did they tell the investors their companies had not returned a profit since 2016.*** The three men did not tell their investors of ***enriching themselves*** and other insiders by more than \$150 million in internal distributions while losing money on their merchant cash advance business and ***using the investor funds to pay distributions and make more merchant advances.*** (ODC-1 at 1) (emphasis added).

After the flawed and reckless due diligence of Par, in 2017, Vagnozzi acted as an agent finding investors for Par on a commission basis (a "Finder"). Pennsylvania securities regulators sanctioned both Par and Vagnozzi in 2018 and 2019 for using unregistered "Finders," followed by an action by New Jersey securities regulators. (Petition at paragraphs 74-84 and citations therein).

Unable to operate as before because the regulators were alerted, Vagnozzi and Respondent turned to a Fund "model" wherein Vagnozzi recruited individuals to set up "Agent Funds" and directed

them to Respondent for legal services. The Funds issued their own promissory notes in exchange for investor funds. The investor funds were funneled to Par, allegedly to make loans to merchants. Par, in exchange, when it received the investor monies, would issue Par promissory notes to the Agent Funds. Whether a “Finder” or an “Agent Fund” was used to obtain investor money, the result was that Par received investor money without the safeguards of a public offering through the SEC. In short, Respondent set up and immersed himself in an illegal public offering.

As Respondent explained to the SEC, the Agent Funds “were being compensated on the difference between the interest paid on the notes issued by Par Funding and the interest on the notes issued by” the fund, which Respondent labeled “the spread.” (Deposition of 4/9/21 at 234). In addition, Vagnozzi took a hefty management fee for funneling the investor money to Par on behalf of the Agent Funds. (Petition at paragraphs 85-93 and citations therein). Respondent drafted all the private placement memoranda for Vagnozzi’s Funds and the Agent Funds, omitting mention of the Pennsylvania and New Jersey securities matters, as well as a 2020 Texas Emergency Cease and Desist proceeding sanctioning Vagnozzi, Agent Fund owners and

their Funds, as well as Par. The private placement offering documents claimed the securities being offered were legal, which was manifestly incorrect as they were being sold pursuant to a general solicitation, which required registration. (Petition at paragraphs 101-110 and citations therein).

The scheme culminated in the “Exchange Offer” of April 2020 occasioned by Par’s informing the Agent Funds that they could no longer pay on the Par notes that Vagnozzi and the Agent Funds held, allegedly because of the pandemic. Since Vagnozzi and the Agent Funds were faced with greatly reduced payments from Par, Respondent and Vagnozzi set out to persuade the investors to exchange the Agent Funds notes that they had, for notes with a greatly reduced rate of interest, payable over a longer period (4% over a period of seven years as opposed to 14% over one year, as before). Respondent advised the investors, who were not his clients, to refrain from suing Vagnozzi and the Agent Funds, but instead, to restructure the notes so they would be paid at a lower rate of interest over a much longer period of time. (Petition at paragraphs 114-145 and citations therein).

In sum, under these facts, the time limit imposed in Rule 85.10 is satisfied and there is no bar to this disciplinary proceeding. Since the first complaint was filed in 2020, all of the “acts or omissions occurring more than four years prior to the date of the complaint” (*i.e.*, in 2015), would, under the terms of the Rule, be barred. Here, all of the acts or omissions occurred from 2016 forward, and continued until July, 2020, when the SEC filed for a temporary restraining order and the scheme was shut down by the appointment of a Receiver.

Furthermore, the way the Rule has been interpreted, where the conduct continues up to and including the filing of the disciplinary complaint, there is absolutely no issue of staleness. A similar situation was presented in ***ODC v. Janice Shelburne Haagensen*** No. 170 DB 2006 (D.Bd.Rpt. 8/7/2009) (S.Ct. Order 2/17/2010), where the respondent argued that Rule 85.10(a) acted as a “statutory bar” to the disciplinary action against her. However, the Board made short shrift of this, pointing out that,

The underlying record of these proceedings demonstrates that the complaint file was opened on December 3, 2004, and the misconduct complained of was found to have continued until at least March of 2003, well within the four year period. Disciplinary Board Rule 85.10(a) is not applicable in this situation. *Id.* at 3-4.

**VI. The Proceeding is also Timely under Section 85.10(b)(1) since Respondent Fraudulently Concealed his Misconduct.**

Disciplinary Board Rules Section 85.10(b) provides that the four-year limitation in subsection (a) does not apply in cases involving “a knowing act of concealment.” The exceptions set forth in subsection (b) are unqualified and allow prosecution at any time. The absolute nature of the exceptions is logical and appropriate because they represent the most extreme departure from acceptable conduct that any lawyer can commit. As in this matter, a knowing act of concealment of facts from a client is a serious breach of loyalty and fiduciary duty that the disciplinary system cannot leave unpunished.

This record is fraught with Respondent’s concealment. For four years, Respondent concealed that he knew next to nothing about the manner in which Par was operated and the state of its finances because of his reckless vetting. In fact, he not only concealed what he omitted to do for his client, he told restaurants-full of investors, potential investors, and his clients, just the opposite. As just one example, the Hearing Committee will see a video of Respondent at an investor dinner in which he tells investors and prospective investors that the offering documents he drafts for Vagnozzi’s

investments, including the “merchant cash” notes, contain “all the information that you need to make an informed investment decision...so if you read the [private placement memorandum]...everything is in there...[t]here’s a section on risk factors...[w]e talk about the nature of the investment....,” and “...it’s my job to make sure that you are informed for two reasons: [o]ne is, it’s to comply with the securities laws, but also **that you go into this with your eyes open. You know exactly what you’re getting into.**” (ODC-29 at 8-9) (emphasis added).

Respondent admits that as of 2017, at the latest, he knew Joseph LaForte, who founded and controlled Par, was a twice-convicted felon who in one conviction was ordered by the court to make restitution of over \$14 million. (Answer to Petition at 54). This was never disclosed in the allegedly complete and candid offering documents Respondent drafted for investors. He never told investors that Chief Financial Officer Perry Abbonizio was sanctioned by the Financial Industry Regulatory Authority (FINRA) in 2015, had his license suspended for four months and was fined \$10,000, based on allegations that without providing notice to his FINRA member firm, he solicited firm clients to purchase \$625,000 in outside private

placements and received compensation without his firm's knowledge or permission. (ODC-22). Respondent never included in the offering documents that Par and Vagnozzi had been sanctioned by the Pennsylvania securities regulators, that Par had been sanctioned by the New Jersey securities regulators, and that both Vagnozzi and Par had been the subject of an "Emergency Cease and Desist Order" by the Texas state securities regulators alleging, *inter alia*, that the notes were being unlawfully sold as a private offering when they should have been registered with the SEC. (ODC 24).

Concealment was the norm with Respondent. At the above-mentioned dinner for investors, Respondent touted his large law firm in 15 cities and added that, "I chair our financial transactions practice...So I lead a group of about 15 lawyers....," whereas he told the SEC under oath that the title was merely "a designation for marketing purposes." (ODC 29 at 9); (ODC-12, Respondent's Deposition 7/27/21 at 350). When he learned of LaForte's two convictions, he failed to disclose it because he said La Forte had done his time and had the right to own a business. (Petition at paragraph 73 and citations therein). This, of course, is beside the point, as the Committee will hear from ODC's expert that the

information is material and should have been disclosed. Among other pertinent and powerful evidence, the Committee will see two videos from April 2020 in which Respondent advises the investors, *who were not his clients*, to refrain from suing his clients, Vagnozzi and the Agent Funds. The investors are urged, indeed coerced, to accept reduced interest payments over a much longer period than Vagnozzi and the Agent Funds were obligated to pay, for absolutely no consideration in return, simply because Par stopped paying Vagnozzi and the Agent Funds. Respondent is not permitted to counsel non-clients because such is prohibited by Rule of Professional Conduct 4.3, "Dealing with Unrepresented Person," as charged.

Add to this the fraudulent, boilerplate private placement memoranda that Respondent drafted, which did not even refer to "Par," mentioning only "Merchant Cash Advance" businesses, and failed to disclose the rich fees paid to the Agent Funds and the Vagnozzi management company, which Respondent counseled did not have to be disclosed, and it becomes manifest that there was not even an attempt to supply material information that the reasonable investor would need and the securities laws require. (Petition at

paragraph 110 and citations therein). And it should not be forgotten that Respondent told the investors he would file a “first position lien,” but never did so. (Answer to Petition at paragraph 141). This disciplinary matter presents concealment of the highest order and because of this, there is no limitations period that is applicable. *Cf. ODC v. Willis W. Berry, Jr.* no. 94 DB 2012 at 18 (D.Bd.Rpt. 10/30/13) (S.Ct. Order 4/9/14) (“The Hearing Committee gave consideration to the ‘significant passage of time’ from when Respondent engaged in the misconduct in 1995 and when disciplinary charges were initiated in 2012. Again, this consideration is tempered by the fact that Ms. Jackson did not learn of Respondent’s fraudulent activities until 2007.”).

**IV. The Equitable Doctrine of Laches is Not Even Close to Application Here; in fact, Equity Requires that this Matter go Forward.**

Under Pennsylvania law, and in the disciplinary context as well, laches does not involve the issue of timeliness alone, but rather, whether the party/respondent has been prejudiced by the passage of time. The Pennsylvania Supreme Court has stated that “[l]aches is an equitable doctrine which precludes a party from pursuing a complaint when it is guilty of a lack of diligence in asserting its rights,

such that the passage of time has caused prejudice to the opposing party.” *In re Iulo*, 766 A.2d 335, 338 (Pa. 2001) (citation omitted) (disciplinary matter). The necessity for prejudice to the respondent is derived from the important mission of the disciplinary system. The Court has put it this way:

It ought to be made clear...that the primary purpose of professional disciplinary proceedings is to protect the public. The punishment of an offending member of the profession is indeed a serious matter, but it is incidental to the protection of the public. If the conduct of a member of the Bar disqualifies him from the practice of law, it would not be in the public interest to dismiss the disciplinary proceedings for no reason other than the Bar’s failure to prosecute them with proper dispatch. While due process may require dismissal of disciplinary charges if inordinate delay has caused substantial actual prejudice,...appellants, who at all times have retained the unlimited right to practice law, have proved no such thing.

*In re Oxman*, 437 A.2d 1169, 1171 (Pa. 1981) (citations omitted).

Even considering timeliness in a vacuum, not to mention that there is not a hint of prejudice, this matter is properly brought. The SEC proceeding against Respondent was concluded with the Cease and Desist settlement in 2022, followed by the Commission’s letter complaint to ODC on July 27, 2022. By email dated August 15, 2022, Disciplinary Counsel requested from the SEC a detailed description of documents to investigate the complaint. (Exhibit C). (It should be

mentioned that the 2020 complainant was a member of the Bar, and an earlier request to him yielded only what was publicly available.) It was not until the Commission's complaint that ODC had access to the numerous documents used in the Commission's civil securities fraud action against Respondent. It was only at this point that the matter could be properly investigated. Respondent answered ODC's DB-7 "Request for Statement of Respondent's Position" by letter dated August 14, 2023, and the case was further investigated, including a thorough review of the hundreds of documents produced by the SEC with the benefit of Respondent's version of the underlying events. The Petition for Discipline was filed in the first quarter of 2025, on March 31, 2025, and served on Respondent's counsel the next day. ODC extended the maximum extension of 40 days for Respondent to file an Answer.

Although Respondent has raised the timeliness issue, he has nowhere alleged that he has been prejudiced in any way by the timing here, nor could he. On the contrary, Respondent has benefited from the delay, by not having to litigate this case while his former law firm, Eckert Seamans, litigated and settled a malpractice action against Respondent and the firm filed by former client Dean

Vagnozzi, as well as defending other civil litigation. In any event, in the absence of articulable, genuine prejudice, the doctrine of laches has no application.

The prejudice requirement is illustrated by ***ODC v. H. Beatty Chadwick*** Nos. 3 DB 1997 and 72 DB 2003 (D.Bd.Rpt.8/7/2005) (S.Ct. Order 4/27/2005), where respondent Chadwick raised laches. The Supreme Court referred a Notice of Conviction for respondent to the Board by Order dated January 3, 1997. The respondent was convicted of an assault on two sheriffs attempting to serve an arrest warrant on him in the context of an acrimonious divorce. ODC did not file the Petition until 2003 because there was a civil contempt matter arising from the divorce ongoing in the intervening years. Although the two matters were not consolidated and separate hearings were held, the Board rejected the claim of laches as to the assault conviction:

The Committee concluded from the record that Respondent was not prejudiced by the delay. The Board concurs with this conclusion. While Respondent argues that he was prejudiced by the pendency of a proceeding which had the potential of impeding his ability to practice law, he presented no evidence that he was compelled to reject offers of legal employment. The inescapable fact is that Respondent has been incarcerated since April 1995 due to the civil contempt and the proceeding at No. 3 DB 1997 [*i.e.*, the assault conviction] did not cause a change

in his position. (*Id.* at 13).

Here, too, Respondent has continued to practice law at an office in Chester County, advertising his law firm online as the “Pauciulo Law Firm.” The events of his misconduct are recent, and the control person of Par, Joseph LaForte, was just sentenced on March 26, 2025, to more than 15 years in prison. Events in the Par Funding matter are ongoing with, for example, a June 2, 2025 article in the Inquirer online concerning the sentencing of another Par principal, Joseph Cole Barleta. (Exhibit D).

In sum, the issue raised at the Pre-Hearing is a non-issue. The proceedings are timely under the ordinary time limits imposed by the Board for all cases. The misconduct was concealed from ODC, the investor-victims, and Respondent’s clients, thereby negating any limitation on the disciplinary proceedings. Finally, no alleged prejudice was raised in the Petition or at the Pre-Hearing, and given the recency of these matters, none could be alleged. ODC most respectfully requests that the issue be determined in ODC’s favor.

Respectfully submitted,

OFFICE OF DISCIPLINARY COUNSEL

Thomas Farrell  
Chief Disciplinary Counsel

*Amelia C. Kittredge*

By \_\_\_\_\_  
Amelia C. Kittredge  
Disciplinary Counsel

BEFORE THE DISCIPLINARY BOARD OF  
THE SUPREME COURT OF PENNSYLVANIA

OFFICE OF DISCIPLINARY COUNSEL,:

Petitioner :

: No. 36 DB 2025

v.

:

: Atty. Reg. No. 60474

JOHN W. PAUCIULO,

:

Respondent : (Chester County)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served by email the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 204 Pa. Code §89.22.

Dated this 2nd day of July, 2025.



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Amelia C. Kittredge  
Disciplinary Counsel  
1601 Market Street, Suite 3320  
Philadelphia, PA 19103  
(215) 560-6296  
Counsel for ODC

**CERTIFICATE OF COMPLIANCE**

I certify that this filing complies with the provisions of the *Public Access Policy of the Unified Judicial System of Pennsylvania: Case Records of the Appellate and Trial Courts* that require filing confidential information and documents differently than non-confidential information and documents.

Submitted by: ODC

*Amelia C. Kittredge*

Signature: \_\_\_\_\_

Name: Amelia C. Kittredge

Attorney No.: 28760

**ONLINE COMPLAINT INFORMATION**

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|                            |                                       |
|----------------------------|---------------------------------------|
| <b>Confirmation Number</b> | <b>Date Submitted</b>                 |
| 20200728005                | 07/28/2020                            |
| <b>Previous Complaint</b>  | <b>Previous Complaint Description</b> |
| No                         |                                       |
| <b>Has Documents</b>       | <b>Doc. Submission Method</b>         |
| No                         |                                       |
|                            | <b>No Documentation Reason</b>        |

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**COMPLAINANT**

Picker, Benjamin R  
1401 CROSBY DRIVE  
FORT WASHINGTON, PENNSYLVANIA 19034

2152873698  
bpicker8@gmail.com

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**RESPONDENT**

Pauciulo, John W  
Office:  
ECKERT SEAMANS  
50 S 16TH ST., 22ND FLOOR  
PHILADELPHIA, PENNSYLVANIA 19102

Office:  
(215) 851-8480  
jpauciulo@eckertseamans.com

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**LITIGATION**

N/A

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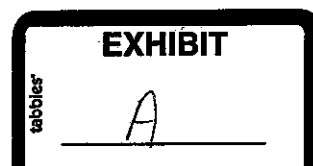
**STATEMENT OF COMPLAINT**

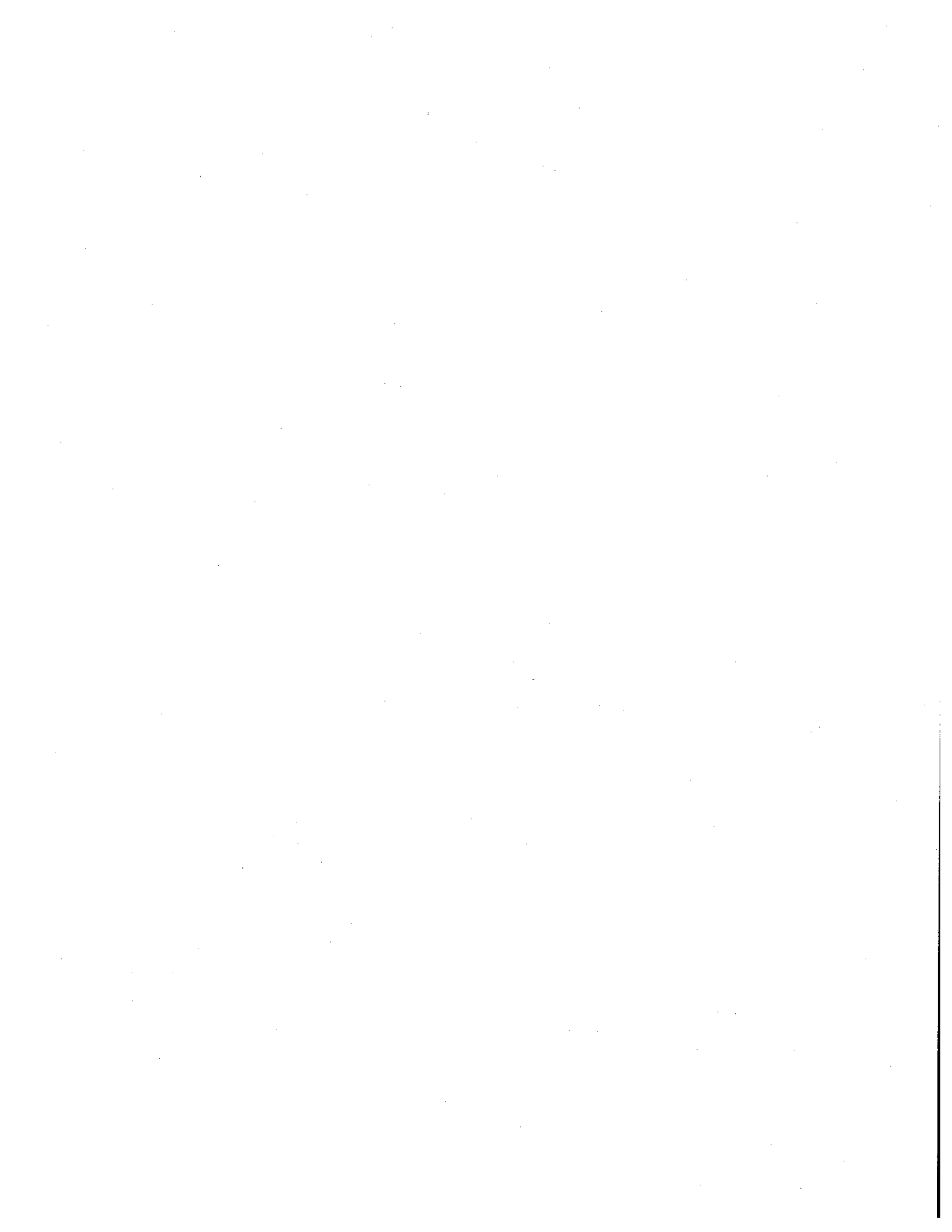
The attorney knowingly assisted his clients with perpetrating securities fraud and selling unregistered securities. See <https://www.courthousenews.com/wp-content/uploads/2020/07/Securities-Fraud-1.pdf>. The attorney also engaged in a clear conflict of interest and provided false information to third parties as explained in paragraphs 6, 74, 133, 134 and 139 of the foregoing (he is the "attorney" referenced therein).

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**NOTES**

| Entered    | Action   | Note  |
|------------|----------|---|
| 07/28/2020 | Created  | Complaint submitted online July 28, 2020 at 9:05 PM |
| 07/29/2020 |          | C is also an attorney. - JMP                        |
| 07/29/2020 | Referred | Referred to District 1                              |







UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
OFFICE OF THE GENERAL COUNSEL

July 27, 2022

Thomas J. Farrell, Esq.  
Chief Disciplinary Counsel  
Office of the Disciplinary Counsel  
601 Commonwealth Ave, Suite 2700  
P.O. Box 62485  
Harrisburg, PA 17106-2485

Re: John W. Pauciulo, Esq.

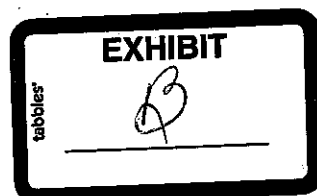
Dear Mr. Farrell:

We are writing to inform you of possible professional misconduct by a Pennsylvania Bar member, John W. Pauciulo ("Pauciulo"), and to refer this matter to you for consideration of whether Pauciulo's conduct warrants disciplinary action. Pauciulo was admitted to the Pennsylvania Bar in 1990, and remains an active member permitted to practice in Pennsylvania.

On July 7, 2022, the Securities and Exchange Commission ("SEC" or "Commission") issued an Order announcing settled charges against Pauciulo in connection with his role in the multi-million dollar unregistered, fraudulent offering of securities issued by Complete Business Solutions Group Inc. d/b/a Par Funding. Pauciulo made material misstatements and omissions in private placement memoranda he prepared for many investment funds that offered and sold securities to raise money for Par Funding's unregistered securities offering. Pauciulo also made material misstatements and omissions to prospective investors and investors in in-person meetings and video presentations. Among other things, Pauciulo misrepresented that the securities offerings did not need to be registered with the SEC and complied with the securities laws and failed to disclose that Par Funding's undisclosed control person had a criminal history. Pauciulo knew or was reckless in not knowing that there was no exemption from registration available.

The SEC's Order found that Pauciulo violated the registration and antifraud provisions of Sections 5 and 17(a) of the Securities Act of 1933, and the antifraud provisions of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Pauciulo also agreed to pay a \$125,000 civil penalty and consented to the imposition of a cease-and-desist order, and an order denying him the privilege of appearing or practicing before the SEC as an attorney, which includes the right to apply for reinstatement after five years.

We have enclosed: (1) a copy of the SEC's Order Instituting Public Administrative and Cease-And-Desist Proceedings Pursuant to 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



Pauciulo Referral  
Page 2

Remedial Sanctions and a Cease-And-Desist Order, Administrative Proceeding File No. 3-20926 (July 7, 2022); and (2) an Administrative Summary on the matter.

We have also enclosed an access request form that you may use as a model to request access to the SEC's files regarding Pauciulo. If you wish to request access, please mail (or email) a copy of the request to the following address:

Linda Schmidt  
US Securities and Exchange Commission  
Miami Regional Office  
801 Brickell Avenue, Suite 1950  
Miami, FL 33131  
schmidtls@sec.gov

We ask to be kept apprised of the progress of this matter. If you have any questions, please contact me at 202-551-5163 or karrt@sec.gov or Philip J. Holmes at 202-551-5173 or holmesp@sec.gov.

Very truly yours,



Thomas J. Karr  
Assistant General Counsel for  
Litigation and Professional Misconduct

**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 4C<sup>1</sup> and 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.<sup>2</sup>

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<sup>1</sup> 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.

<sup>2</sup> 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 finds<sup>3</sup> 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.

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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.

<sup>3</sup> 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

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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

# SEC Charges Philadelphia Lawyer with Fraud

## ADMINISTRATIVE PROCEEDING

File No. 3-20926

**July 7, 2022** - The Securities and Exchange Commission today announced settled charges against Philadelphia attorney John W. Pauciulo in connection with his role in the multi-million dollar unregistered, fraudulent offering of securities issued by Complete Business Solutions Group Inc. d/b/a Par Funding. The SEC previously charged Par Funding and others with operating a fraudulent scheme that raised nearly half a billion dollars from investors nationwide.

According to the SEC's order, Pauciulo made material misstatements and omissions in private placement memoranda he prepared for many investment funds that offered and sold securities to raise money for Par Funding's unregistered securities offering. The order alleges that Pauciulo also made material misstatements and omissions to prospective investors and investors in in-person meetings and video presentations. Among other things, Pauciulo misrepresented that the securities offerings did not need to be registered with the SEC and complied with the securities laws and failed to disclose that Par Funding's undisclosed control person had a criminal history. According to the order, Pauciulo knew or was reckless in not knowing that there was no exemption from registration available.

Without admitting or denying the SEC's findings, Pauciulo consented to an order finding that he violated the registration and antifraud provisions of Sections 5 and 17(a) of the Securities Act of 1933, and the antifraud provisions of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Pauciulo also agreed to pay a \$125,000 civil penalty and consented to the imposition of a cease-and-desist order, and an order denying him the privilege of appearing or practicing before the SEC as an attorney, which includes the right to apply for reinstatement after five years.

The SEC's investigation was conducted by Linda S. Schmidt, Amie R. Berlin, and Crystal C. Ivory of the Miami Regional Office, and was supervised by Elisha L. Frank, Teresa Verges, Fernando Torres, and Glenn S. Gordon.

## Related Materials

- Order - John W. Pauciulo, Esq.

*Modified: July 7, 2022*

## ACCESS REQUEST BY STATE OR MUNICIPAL GOVERNMENT AGENCY

*This form letter should be addressed to the Commission by non-federal governmental entities seeking access to nonpublic files, and should be signed or ratified by an official in a sufficiently senior or supervisory position to enforce the representations made. The form is intended for use solely in connection with access requests to be processed by the Division of Enforcement.*

Re: [Name of Investigation]

Dear :

We request access to the investigative and other non-public files of the U.S. Securities and Exchange Commission (the "Commission") related to the captioned matter. This request is made in connection with an ongoing lawful investigation or official proceeding inquiring into a violation of, or failure to comply with, a criminal or civil statute or regulation, rule or order issued pursuant thereto, being conducted by [name of requesting agency].

We will establish and maintain such safeguards as are necessary or appropriate to protect the confidentiality of files to which access is granted and information derived therefrom, including reasonable measures to protect the processing, storage, and transfer of electronic data and information. These measures will include maintaining reasonable access controls, system activity logging, information security policies and procedures (such as those that cover security training, incident response, and personnel security protocols), inventories of and standardized configurations for operating systems and applications, mechanisms to provide for secure authentication of users, patch and update levels of operating systems and applications, and other data protection capabilities (such as system and file-level encryption).<sup>1</sup> We may use the files and information for the purpose of our investigation and/or proceedings. We also may transfer the files and information to criminal law enforcement authorities of the Federal government or our state. We shall notify you of any such transfer and obtain assurances that such authorities will comply with the standards and agreements set forth in this letter.

We shall, as permitted by law, take reasonable steps to promptly notify the Commission of any unauthorized access or disclosure, data security incident, or (as defined by relevant state law) data breach of the files or information provided pursuant to this access request. We will reasonably cooperate and consult with the Commission in any resulting review of such access or disclosure, incident, or breach, including through providing notice to affected individuals in accordance with relevant state law.

Other than as set forth above, we will:

make no public use of the files or information without prior approval of your staff;

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<sup>1</sup> For additional information and examples please refer to standards issued by recognized entities such as NIST, the Center for Information Security (CIS), and the International Organization for Standardization (ISO) as well as best practices issued by technology product vendors.

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notify you of any legally enforceable demand for the files or information prior to complying with the demand, and assert such legal exemptions or privileges on your behalf as you may request; and

not grant any other demand or request for the files or information without prior notice to and lack of objection by your staff.

*We recognize that until this matter has been closed, the Commission continues to have an interest and will take further investigatory or other steps as it considers necessary in the discharge of its duties and responsibilities.*

Should you have any questions, please contact

OFFICIAL BUSINESS

P. Holmes

United States

Securities and Exchange Commission

Mail stop 906

Washington, D.C. 20549

Official business

Thomas J. Farrell, ESQ.

Chief Disiplinary Counsel

Office of the Disiplinary Counsel

661 Constitution Ave, Suite 2760

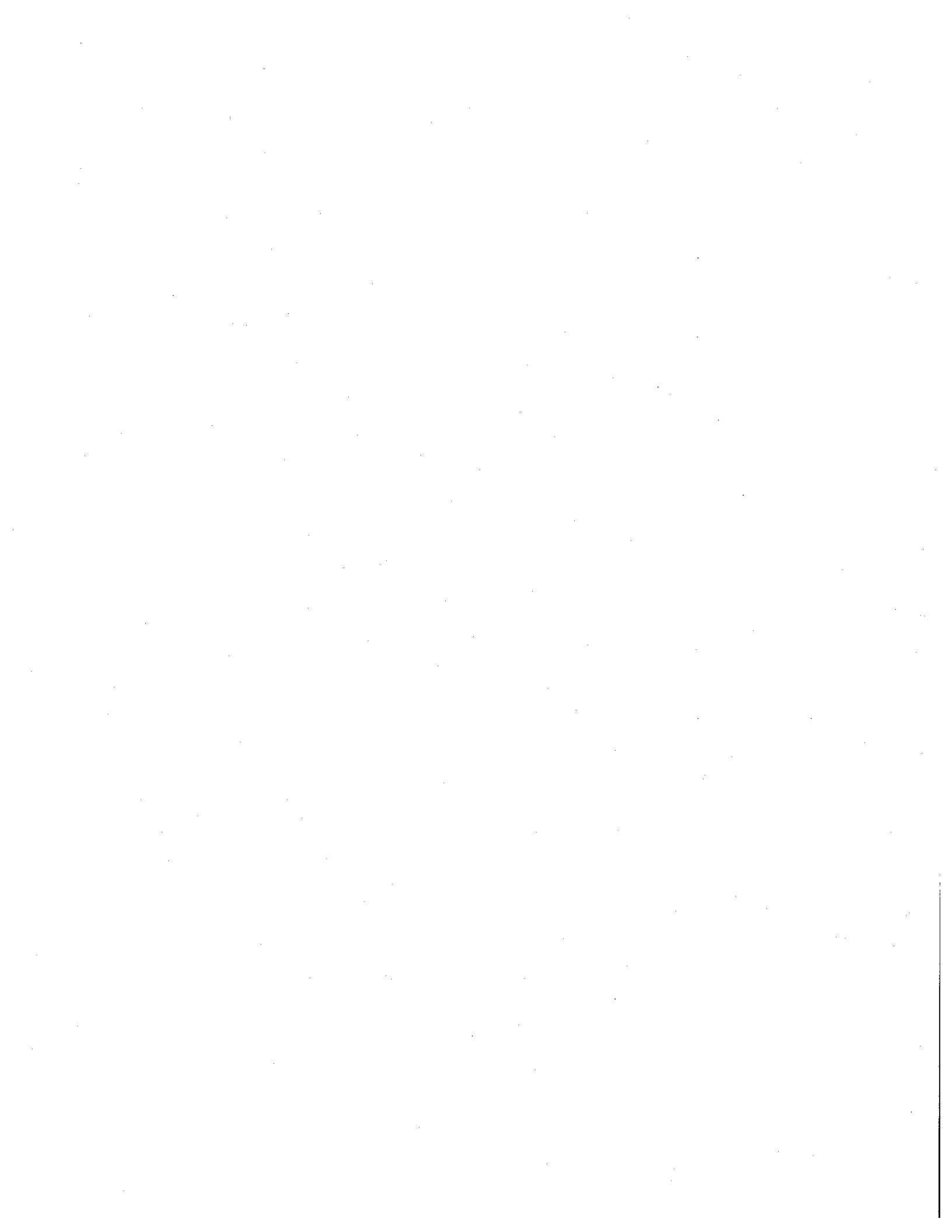
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Thomas J. Farrell  
Chief Disciplinary Counsel

Raymond S. Wierciszewski  
Deputy Chief Disciplinary Counsel

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Disciplinary Counsel-In-Charge,  
Special Projects

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FAX (215) 560-4528

THE DISCIPLINARY BOARD  
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SUPREME COURT OF PENNSYLVANIA



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August 15, 2022

**PERSONAL AND CONFIDENTIAL**

**BY EMAIL**

Linda Schmidt, Esquire  
US Securities and Exchange Commission  
Miami Regional Office  
801 Brickell Avenue, Suite 1950  
Miami, FL 33131

RE: Complaint against  
John W. Pauciulo, Esquire  
Administrative Proceeding File No. 3-20926  
(Our File No. C1-22-613)

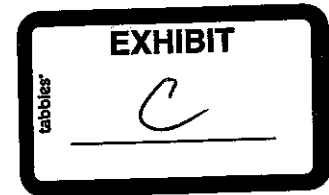
Dear Ms. Schmidt:

We request access to the investigative and other non-public files of the U.S. Securities and Exchange Commission (the "Commission") related to the captioned matter. This request is made in connection with an ongoing lawful investigation or official proceeding inquiring into a violation of, or failure to comply with, a criminal or civil statute or regulation, rule or order issued pursuant thereto, being conducted by the Office of Disciplinary Counsel.

We will establish and maintain such safeguards as are necessary or appropriate to protect the confidentiality of files to which access is granted and information derived therefrom, including reasonable measures to protect the processing, storage, and transfer of electronic data and information. These measures will include maintaining reasonable access controls, system activity logging, information security policies and procedures (such as those that cover security training, incident response, and personnel security protocols), inventories of and standardized configurations for operating systems and applications, mechanisms

Disciplinary Counsel-In-Charge  
Ramona M. Mariani

Disciplinary Counsel  
Richard Hernandez  
Gloria Randall Ammons  
Harriet R. Brumberg  
Michael D. Gottsch  
Jeffrey M. Krulik  
Mark F. Gilson



Ms. Linda Schmidt  
August 15, 2022  
Page 2

to provide for secure authentication of users, patch and update levels of operating systems and applications, and other data protection capabilities (such as system and file-level encryption). We may use the files and information for the purpose of our investigation and/or proceedings. We also may transfer the files and information to criminal law enforcement authorities of the Federal government or our state. We shall notify you of any such transfer and obtain assurances that such authorities will comply with the standards and agreements set forth in this letter.

We shall, as permitted by law, take reasonable steps to promptly notify the Commission of any unauthorized access or disclosure, data security incident, or (as defined by relevant state law) data breach of the files or information provided pursuant to this access request. We will reasonably cooperate and consult with the Commission in any resulting review of such access or disclosure, incident, or breach, including through providing notice to affected individuals in accordance with relevant state law.

Other than as set forth above, we will:

make no public use of the files or information without prior approval of your staff;

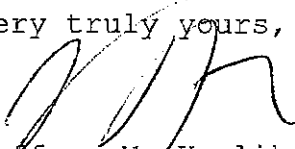
notify you of any legally enforceable demand for the files or information prior to complying with the demand, and assert such legal exemptions or privileges on your behalf as you may request; and

not grant any other demand or request for the files or information without prior notice to and lack of objection by your staff.

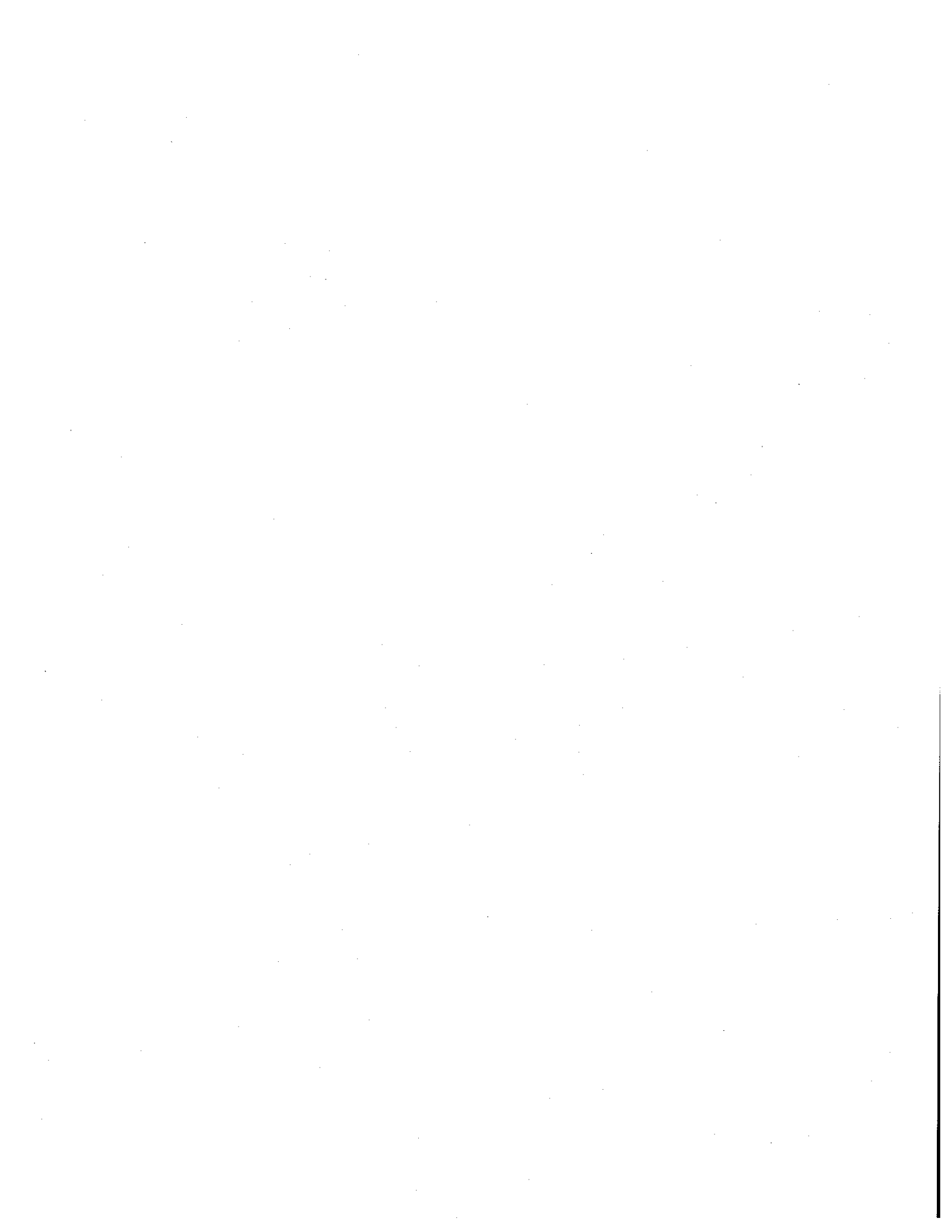
We recognize that until this matter has been closed, the Commission continues to have an interest and will take further investigatory or other steps as it considers necessary in the discharge of its duties and responsibilities.

Should you have any questions, please contact me at the above telephone number.

Very truly yours,

  
Jeffrey M. Krulik  
Disciplinary Counsel

JMK/jw





CRIME & JUSTICE



## Par Funding's ex-CFO was sentenced to more than 5 years in prison for helping to deceive investors

Joseph Cole Barleta created bogus financial statements and concealed important metrics to hide the firm's perilous financial health, prosecutors said.



The outside of the Federal Courthouse in Philadelphia, Pa., along Sixth and Market Street on Tuesday, Nov. 10, 2020.

TYGER WILLIAMS / Staff Photographer



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by Chris Palmer

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 This article was a gift from an Inquirer subscriber.

The former chief financial officer of a now-defunct Philadelphia-based lending company was sentenced Monday to 5½ years in prison — a penalty that a federal judge said was reflective of the man’s role in helping perpetuate one of the biggest frauds in Pennsylvania history.

Joseph Cole Barleta, formerly a top official at Par Funding, was a key player in helping the cash advance business run for years as a criminal enterprise. He created bogus financial statements and concealed important metrics to hide the firm’s perilous financial health, prosecutors said, acts that allowed Par to deceive investors and raise more than \$500 million based on false promises of lucrative returns.

Barleta was not accused of some of the more brutish crimes committed by other Par executives, including those who resorted to loan shark-style tactics to collect on debts or those who threatened to kill borrowers who fell into default.

Still, prosecutors said Barleta was a crucial part of ensuring that Par could continue raising money even as the business was suffering massive losses — and he was paid more than \$8 million over the years to do so.

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U.S. District Judge Mark Kearney told Barleta that even though he wasn't the type of "old-fashioned criminal" who might shake down borrowers or threaten people who posed a risk to the conspiracy, Par's fraud could not have continued without him.

"You put the holy oil on what they were doing," Kearney said.

Barleta, who pleaded guilty last year to racketeering, said he was remorseful and ashamed by his actions. He was 29 years old and without a college degree when he was hired, he said, and he was eager to please Par's founder, Joseph LaForte, thinking that doing so could help him secure his family's financial future.

Instead, Barleta said, he failed his family and abandoned the ideals he learned from his mother, who was a working single parent and raised Barleta and his sister.

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"I dishonored myself, my family," Barleta said. "There's no justification for it."

Barleta, who became a naturalized citizen after emigrating from the Philippines with his family as a child, joined Par in 2012 after replying to an employment ad on Craigslist. He had some previous accounting experience but was perhaps better known for his exploits in the unrelated world of competitive eating, where he went by the moniker “Johnnie Excel.”

Par had been founded by LaForte to offer quick loans at high interest rates to borrowers deemed too risky to secure financing from traditional banks. The firm ran radio ads and staged elaborate solicitation events to attract investors who would provide funds it could lend out to borrowers. And it would go on to portray itself as unusually successful, promising yearly returns of 10% or more.

Behind the scenes, however, prosecutors said the business was a sham. LaForte was legally barred from selling securities because of previous felony convictions, and he had listed his wife, Lisa McElhone, as the company’s CEO, even though she had little to do with its day-to-day operations.

LaForte and Barleta also lied to investors about Par Funding’s profitability and the default rate on its loans to try and secure additional funding. Between 2016 and 2020, prosecutors said, the business was operating with yearly deficits as high as \$70 million — details Barleta helped hide from lawyers, auditors, and financial regulators.

Prosecutors said he also worked with accountants on a complex payment structure that obscured how much money he and the LaFortes were collecting personally. And although Barleta did not rake in the tens of millions that LaForte used to buy luxury houses, boats, watches, jewelry, and other items, prosecutors said Barleta did use his \$8 million in compensation to pay for things like a personal concierge and travel arrangements.

The conspiracy began falling apart in 2020 when Par was unable to pay investors' monthly dividends. The company was ultimately put under the control of a court-appointed receiver, and federal prosecutors in Philadelphia pursued a criminal case against the company's leaders.

Three years later, the U.S. Attorney's Office filed conspiracy, extortion, and wire fraud charges against Par executives including LaForte, McElhone, and Barleta. All have since pleaded guilty, and most of the key players have been sentenced, including LaForte, who in March was ordered to serve 15½ years behind bars.

Barleta said Monday that he could not explain why he ignored the "red flags" about the business or the way it operated, beyond saying he wanted to prove to LaForte that he could help the firm succeed.

Kearney, the judge who has overseen the criminal cases against Par executives, told Barleta that although his crimes may not have been as brazen as LaForte's, he nonetheless was responsible for failing to recognize the harm he was continuing to cause to himself and others.

"You are the perfect vehicle for LaForte," he said, "because you're just gonna run through a wall and you're not going to consider how hard that wall's going to hurt."

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