

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-21231

In the Matter of

PAUL GERACI,

Respondent.

**DIVISION OF ENFORCEMENT’S MOTION FOR ENTRY OF
AN ORDER OF DEFAULT AND REMEDIAL SANCTIONS**

I. Introduction

The Division of Enforcement (the “Division”), pursuant to the Commission’s December 7, 2023, Order to Show Cause, and Rules 155(a) and 220(f) of the Commission’s Rules of Practice, 17 C.F.R. §§ 201.155(a) and 201.220(f), moves for entry of an Order finding Respondent Paul Geraci (“Respondent” or “Geraci”) in default and determining this administrative proceeding against him upon consideration of the record. The Division sets forth the grounds below.

II. History of the Case

The Commission issued the Order Instituting Proceedings (“OIP”) against Respondent on November 4, 2022, pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”). In summary, the OIP alleges that between the fall of 2016 and December 2018, Geraci worked for Internet Marketing Distribution LLC d/b/a Pinnacle Atlantic (“Pinnacle Atlantic”), a boiler room that solicited investors for Social Voucher and Stocket stock. [OIP, at ¶¶ 1, 3]. The OIP further alleges that while associated with Pinnacle Atlantic, Geraci himself solicited investors for Social Voucher and Stocket, and received commissions. [*Id.*]. At all relevant times, Geraci acted as a broker but was not registered with the Commission in any capacity. [*Id.* ¶ 1].

As further discussed below, these facts also led to Geraci's guilty plea in the criminal case against him. Geraci pled guilty to one count of conspiracy to commit mail and wire fraud in violation of 18 U.S.C. §1349. *United States v. Paul Geraci*, Case No. 0:21-cr-60101-SMITH/VALEE (S.D. Fla).

On August 29, 2023, the Division filed its Second Amended Notice of Filing Proof of Service ("Second Amended Notice"), confirming that Geraci had been personally served with the OIP and other pleadings on August 18, 2023. The Second Amended Notice attached the affidavit of Landon McKinnon, a process server who attested to personally serving Respondent at the Federal Prisoner Camp in Pensacola, Florida, where Respondent is imprisoned. As of this date, Geraci has not filed an answer or any other response to the OIP.

III. Memorandum of Law

A. Geraci's Criminal Case

On March 25, 2021, a federal grand jury in the Southern District of Florida returned an indictment against Geraci, charging him with among other things, conspiracy to commit mail and wire fraud in violation of 18 U.S.C. §1349.¹ [See Indictment, attached as Exhibit 1]. On August 17, 2022, Geraci entered into a plea agreement resolving the criminal case against him. [See Plea Agreement and Factual Proffer, attached as Exhibits 2 and 3, respectively]. Geraci pled guilty to one count of conspiracy to commit mail and wire fraud in violation of 18 U.S.C. §134. [Exh. 2, ¶ 1]. On January 12, 2023, Geraci was sentenced to 57 months of imprisonment, and ordered to pay restitution of \$2,540,146. [See Amended Judgment in a Criminal Case, attached hereto as Exhibit 4, at pp. 2, 7].

¹ The Indictment also charged Geraci and his co-conspirators with wire fraud in violation of 18 U.S.C. §1343, money laundering and conspiracy to commit money laundering in violation of 18 U.S.C. §1956(a) and 1956(h), and engaging in monetary transactions using proceeds of a crime in violation of 18 U.S.C. §1957(a). *Id.*

B. Facts

Based on Geraci's default, the allegations of the OIP "may be deemed to be true." 17 C.F.R. § 201.155(a). Moreover, Geraci's guilty plea binds him to the facts he admitted. See *Gary L. McDuff*, Exch. Act Rel. No. 74803, at 5 & n.18, 2015 WL 1873119, at n.18 (Apr. 23, 2015); see also *Don Warner Reinhard*, Exch. Act Rel. No. 63720, at 11-12, 2011 WL 121451, at *7 (Jan. 14, 2011) (respondent who pleaded guilty "cannot now dispute the accuracy of the findings set out in the Factual Basis for Plea Agreement"); *Gary M. Kornman*, Exch. Act Rel. No. 59403, at 12, 2009 WL 367635, at *8 (Feb. 13, 2009) (criminal conviction based on guilty plea precludes litigation of issues in Commission proceedings), aff'd, 592 F.3d 173 (D.C. Cir. 2010).

The OIP and the facts admitted as part of Geraci's guilty plea establish the following:

Between the fall of 2016 through December 2018, Geraci conspired with others to defraud investors in a Florida corporation named Social Voucher.com, Inc. ("Social Voucher") and a Delaware company named Stocket, Inc. ("Stocket"). [OIP ¶ 3; Exh. 3, ¶ 2]. Geraci admitted in his factual proffer that he was the owner of Pinnacle Atlantic, a boiler room that employed a number of "fronters" and "closers" that pitched, among other things, Social Voucher and Stocket stock to investors. [Exh. 3, ¶¶ 3, 4]. Geraci and others told investors that their money would be used to develop a mobile gaming application combining gaming with online shopping but did not disclose that Geraci and other co-conspirators received exorbitant commissions in connection with those sales. [OIP ¶ 3; Exh. ¶¶ 5, 7-8].

Geraci admitted that that Pinnacle Atlantic was not registered with the state of Florida or the Securities and Exchange Commission as a broker or dealer. [Exh. 3, ¶ 1]. Moreover, although Geraci solicited prospective investors to invest in Social Voucher and Stocket stock, Geraci was not associated with a registered broker or dealer during the relevant time. [*Id.*; OIP ¶ 1].

C. Entry of Default is Appropriate

Under Rule 155(a) of the Commission’s Rules of Practice, a party who fails to file a timely answer “may be deemed to be in default” and the Commission “may determine the proceeding against that party upon consideration of the record, including the order instituting proceedings, the allegations of which may be deemed to be true” 17 C.F.R. § 201.155(a). Here, Geraci has not filed an answer, and therefore the proceeding should be determined against him based on the record.

The facts established by Geraci’s default and his guilty plea show that the Division is entitled to the relief it seeks under Exchange Act Section 15(b)(6)(A), which provides in relevant part:

With respect to any person . . . at the time of the alleged misconduct, who was associated or was seeking to become associated with a broker . . . the Commission, by order, shall censure, place limitations on the activities or functions of such person, or suspend for a period not exceeding 12 months, or bar any such person from being associated with a broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, or from participating in an offering of penny stock, if the Commission finds, on the record after notice and opportunity for a hearing, that such censure, placing of limitations, suspension, or bar is in the public interest and that such person—

* * * *

(ii) has been convicted of any offense specified in [Exchange Act Section 15(b)(4)(B)] within 10 years of the commencement of the proceedings under this paragraph

Each of the requirements of these provisions—timely issuance of the OIP, conviction under a qualifying statute, and misconduct committed while Geraci was associated with a broker-dealer—are satisfied here.

1) *The Division Timely Filed This Action*

The Division must commence a proceeding under Section 15(b)(6)(A)(ii) within “10 years” of the criminal conviction. *See Joseph Contorinis*, Exch. Act Release No. 72031, at 4-6, 2014 WL 1665995, at 3 (Apr. 25, 2014) (10-year limitations period governs Section 15(b)(6)(A)(ii) proceeding; limitations period runs from date of conviction, not underlying conduct). Here, Geraci pled guilty and submitted a factual proffer admitting the relevant facts alleged above on August 17, 2022, and the OIP was issued in November 2022. Therefore, this matter was timely filed.

2) *Geraci Was Convicted of a Qualifying Offense*

Under the Exchange Act, the Commission may sanction Geraci for an offense that “involves” wire fraud. *See* Exchange Act Section 15(b)(4)(B)(iv). Here, Geraci was convicted of one count of conspiracy to commit mail and wire fraud in violation of 18 U.S.C. §1349, and the underlying conduct involved his operation of a boiler room to solicit investments for Social Voucher and Stocket stock, and Geraci’s failure to disclose, among other things, his receipt of exorbitant commissions in connection with that activity. Therefore, this condition is satisfied.

3) *Geraci Was Associated with a Broker at the Time of the Misconduct*

Exchange Act Section 15(b)(6) requires that Geraci have been associated with a broker or dealer at the time of the misconduct. The broker in question need not have been a registered broker. *Tzemach David Netzer Korem*, Exch. Act Rel. No. 70044, at 12 and n.68, 2013 WL 3864511 (July 26, 2013).

Exchange Act Section 3(a)(4) defines “broker” as “any person engaged in the business of effecting transactions in securities for the account of others.” A person engages in the business of effecting securities by “participate[ing] in purchasing and selling securities involving more than a

few isolated transactions; there is no requirement that such activity be a person’s principal business or the principal source of income.” *Anthony Fields*, Securities Act Rel. No. 9727, at 30, 2015 WL 728005 (Feb. 20, 2015) (quotations and alternations omitted). Indications of broker activity “include holding oneself out as a broker-dealer, recruiting or soliciting potential investors, handling client funds and securities, negotiating with issuers, and receiving transaction-based compensation.” *Id.*; *James S. Tagliarferri*, Securities Act Rel. No. 10308, at 6-7, 2017 WL 632134 (respondent acted as a broker by actively finding investors, being closely involved in negotiations, and receiving transaction based compensation).

Here, the facts alleged in the OIP, which may be deemed true under Rule 155(a), 17 C.F.R. § 201.155(a), establish that Geraci acted as a broker while offering and selling Social Voucher and Stocket stock, and received transaction-based compensation. [OIP ¶ 3]. As part of his guilty plea, Geraci admitted that he conspired with others to solicit investors to purchase Social Voucher and Stocket stock, and that he personally spoke with prospective investors. [Exh. 3, ¶¶ 2, 5]. He further admitted that he received exorbitant commissions in connection with his sales of Social Voucher and Stocket stock. [*Id.* ¶ 8].

Thus, the jurisdictional requirement for remedial relief, that Vandivier acted as a broker while committing her misconduct, has been met.

4) *An Industry Bar is an Appropriate Sanction*

In determining whether an industry bar is in the “public interest,” the Commission considers

the egregiousness of the respondent’s actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent’s assurances against future violations, the respondent’s recognition of the wrongful nature of his conduct, and the likelihood that the respondent’s occupation will present opportunities for future violations.

Lawrence Dehetler, Advisers Act Rel. No. 5411, at 4, 2019 WL 6221492, at *2 (Nov. 21, 2019). “Absent extraordinary mitigating circumstances, an individual who has been convicted cannot be permitted to remain in the securities industry.” *Frederick W. Wall*, Exch. Act Rel. No. 52467, at 8, 2005 WL 2291407, at *4 (Sept. 19, 2005) (quotation omitted); *accord Shreyans Desai*, Exch. Act Rel. No. 80129, at 6, 2017 WL 782152, at *4 (Mar. 1, 2017).

Here, these factors weigh in favor of an industry bar. As to the first, second and third factors, Geraci’s actions were egregious, recurrent, and involved a high degree of scienter: he has admitted that Pinnacle Atlantic was a boiler room and that he conspired with others “to defraud a number of investors in [Social Voucher] and [Stocket].” [Exh. 3 ¶¶ 1, 2]. Geraci admitted to speaking directly to prospective investors and receiving large commissions for soliciting investments in Social Voucher and Stocket. [Exh. 3 ¶¶ 5, 8]. He further admitted that Pinnacle Atlantic was not registered with the Commission as a broker or dealer, and that he was not associated with a registered broker or dealer during the relevant time. [Exh. 3 ¶ 3]. Finally, Geraci’s conviction for conspiracy to commit wire fraud “requires a specific intent to defraud.” *Dehetler*, Advisers Act Rel. No. 5411, at 4, 2019 WL 6221492, at *3.

With respect to the fourth and fifth factors, notwithstanding his guilty plea, Geraci has not participated in this matter, thus providing no assurances that he will avoid future violations of the law. *Kimm Hannan*, Advisers Act Rel. No. 5906, at 4, 2021 WL 5161855, *3 (Nov. 5, 2021) (“Because Hannan failed to answer the OIP or respond to the order to show cause or to the Division’s motion, he has made no assurances to us that he will not commit future violations or that he recognizes the wrongful nature of her conduct.”); *Oscar Ferrer Rivera*, Advisers Act Rel. No. 5759, at 6, 2021 WL 2593642, *4 (June 24, 2021) (“Although his guilty plea indicates that Ferrer might have some appreciation for the wrongfulness of her conduct, it does not outweigh the


evidence that he poses a risk to the investing public.”). While “[c]ourts have held that the existence of a past violation, without more, is not a sufficient basis for imposing a bar . . . the existence of a violation raises an inference that it will be repeated.” *Tzemach David Netzer Korem*, Exchange Act Rel. No. 70044, at 10 n.50, 2013 WL 3864511, at n.50 (July 26, 2013) (quotation and alternations omitted). Geraci has offered no evidence to rebut that inference.

Sixth, although Geraci is currently in custody, he will be released in 2027, and unless he is barred from the securities industry, he will have the chance to again harm investors. *Hannan*, Advisers Act Rel. No. 5906, at 4, 2021 WL 5161855, *3 (“Although Hannan is currently incarcerated, absent a bar, he would have the opportunity to re-enter the securities industry and commit further violations upon her release.”).

IV. Conclusion

For the reasons discussed above, the Division asks the Commission to sanction Geraci by barring him from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and by imposing a penny stock bar.

Respectfully submitted,


Teresa J. Verges
Regional Trial Counsel
Florida Bar No. 997651
Direct Dial: (305) 982-6376
E-mail: vergest@sec.gov

Magaly Ordaz (Paralegal)
ordazm@sec.gov

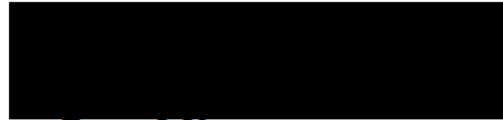
DIVISION OF ENFORCEMENT

SECURITIES AND EXCHANGE
COMMISSION
801 Brickell Avenue, Suite 1950
Miami, FL 33131
Phone: (305) 982-6300
Fax: (305) 536-4154

CERTIFICATE OF SERVICE

Pursuant to Rule 150 of the Commission's Rules of Practice, I hereby certify that on February 5, 2024, the foregoing document was filed using the eFAP system and that a true and correct copy of the Division's Notice of Filing Proof of Service has been served by USPS Priority Mail, on the following person entitled to notice:

PAUL GERACI RN# 38483-509



Teresa J. Verges
Regional Trial Counsel