

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11317 / October 11, 2024

SECURITIES EXCHANGE ACT OF 1934
Release No. 101308 / October 11, 2024

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4533 / October 11, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22238

In the Matter of

Robert H. Turner,

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Robert H. Turner (“Turner” or “Respondent”).

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 Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. This proceeding concerns Turner's role in connection with accounting and disclosure fraud by Pareteum Corporation ("Pareteum" or the "Company"), a telecommunications company, spanning from 2018 through mid-2019 (the "Relevant Period"). During this time, Pareteum's public filings materially overstated revenue by approximately \$12 million for fiscal year 2018 (60% of the ultimately restated revenue), and by approximately \$30 million for the first and second quarters of 2019 (91% of the ultimately restated revenue). Ultimately, Pareteum restated its financial results for fiscal year 2018 on December 14, 2020, and restated its quarterly financial results for the first half of 2019 on March 12, 2021.

2. Pareteum's overstated revenue resulted from improper accounting practices, whereby Pareteum's finance department recognized revenue based on non-binding purchase orders and prior to product shipment, contrary to generally accepted accounting principles ("GAAP"). During the Relevant Period, Turner negligently reviewed, signed and certified Pareteum's false financial statements as Pareteum's Principal Executive Officer.

3. Turner received a bonus during the 12-month period following the filings of the financial results that were ultimately restated. Turner did not, however, reimburse Pareteum for his bonus as required under Section 304(a) of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), which mandates that the chief executive of a public company reimburse the company for any bonus paid to him in the twelve month period following a financial report that ultimately requires restatement due to misconduct, regardless of whether that bonus was causally related to the misconduct.

4. As a result of the conduct described herein, Turner violated Sections 17(a)(2) and 17(a)(3) of the Securities Act and Section 304(a) of the Sarbanes-Oxley Act.

Respondent

5. **Robert H. Turner**, age 76, is a resident of Columbia, South Carolina. From 2015 to November 2019, Turner served as the Executive Chairman of Pareteum and during the Relevant Period, as its Principal Executive Officer. From May 2019 to November 2019, Turner also held the title of Chief Executive Officer ("CEO"). Turner signed Pareteum's financial filings as the Principal Executive Officer throughout the Relevant Period.

¹ 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.

Other Relevant Entity

6. **Pareteum Corporation** was incorporated in Delaware with a principal place of business in New York, New York. Until November 2020, Pareteum's common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act, and prior to November 12, 2020, traded on the NASDAQ exchange under the symbol "TEUM." It then traded under the same symbol on the OTC Markets Group Inc.'s Pink Open Market until filing for bankruptcy on May 15, 2022.

7. At all relevant times, Pareteum was a telecommunications and cloud software company that offered various services such as SIM card services, Wi-Fi service, and a Cloud platform. Pareteum's customers were telecommunications businesses that contracted with Pareteum for these services and related materials (such as SIM cards), and then marketed and sold the services directly to downstream customers.

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

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

9. At all relevant times, in Pareteum's Form 10-K and Form 10-Q reports filed with the Commission, Pareteum represented that the financial statements included in those forms were prepared in accordance with GAAP. As such, revenue from Pareteum's contracts with customers was to be recognized in accordance with ASC Topic 606 ("Revenues from Contracts with Customers") as of January 1, 2018, when Pareteum adopted the new revenue recognition requirements that superseded the former ASC Topic 605 ("Revenue Recognition"). ASC 606 requires that recognized revenue depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

11. Although Turner is not an accountant, he was aware of the general requirements of ASC 606 and that it would need to be implemented in 2018. Turner understood that Pareteum must have policies and procedures in place to ensure that revenue was recognized in accordance with those requirements. In preparation for the Company's implementation of ASC 606, in late 2017

and early 2018, Turner directed senior management to work with the Company's outside auditors to develop appropriate policies.

12. In practice, however, during the Relevant Period, Pareteum's finance department recognized revenue based on non-binding purchase orders and without regard to whether the requirements of ASC 606 had been satisfied. Specifically, while Pareteum's senior management had confirmed with outside auditors that ASC 606 had been properly implemented as to some forms of contracts, the non-binding purchase orders were not assessed as part of that preparation. Pareteum did not establish a process to verify that Pareteum's performance obligations under these purchase orders had been satisfied, as required by ASC 606, before the associated revenue was recognized.

13. As such, for numerous customers, instead of recognizing revenue in accordance with GAAP, Pareteum's finance department recognized the entire amount of the customer's initial purchase order signed with Pareteum, even though these purchase orders included non-binding forecasts of the customer's purchases. Under GAAP, revenue should have been recognized only when all revenue recognition criteria were met, including all of Pareteum's performance obligations and any contingencies in the purchase order (such as sales to an end customer).

14. As a result of this improper accounting practice, from 2018 through the first half of 2019, millions of dollars in revenue were prematurely and improperly recognized and Pareteum's accounts receivable balance ballooned. By August 2019, Pareteum had only collected a fraction of these tens of millions in revenue. Turner was aware of these collection issues and Pareteum's rapidly increasing accounts receivable balance.

Turner's Awareness of Warning Signs that Pareteum was Improperly Recognizing Revenue

15. Beginning in mid-2018, Pareteum's accounts receivable balance increased exponentially, and Turner became aware of the collection issues and the rapidly increasing accounts receivable balance. In February 2019, Turner created a team to try to reduce the accounts receivable balance, focusing on collection efforts. In the following months, the team was not successful in collecting any significant amount of cash related to these accounts receivable. Indeed, Pareteum's accounts receivable balance continued to increase following the creation of this team.

16. As 2019's second quarter was coming to a close in late June 2019, despite being aware of the increasing accounts receivable and lack of collectability, Turner focused on pushing Pareteum's management team to achieve revenue amounts that would exceed analyst expectations for the quarter, which resulted in millions of dollars of revenue being added in the final days before the quarter closed.

17. In July and August 2019, after the second quarter closed and Pareteum reported that it had met these aggressive revenue growth goals, Turner refocused on collecting the now-\$45 million in outstanding accounts receivable. He noted that in investor meetings the increasing accounts receivable was the "single most focused on item."

18. At the same time, Turner knew that Pareteum executives had been failing to collect the millions of dollars in accounts receivable since at least February 2019. Turner also knew that

Pareteum's accounts receivable balance was continuing to grow. Despite this, Turner did not take reasonable steps to determine whether the uncollected accounts receivable was due to revenue being improperly recognized.

Pareteum's Misleading Filings

19. Pareteum's 2018 Form 10-K, filed on March 18, 2019, was materially misleading as it overstated 2018 revenue by 60% (\$12 million). Pareteum's 2018 and 2019 Form 10-Q quarterly reports were also materially misleading from at least November 14, 2018 through August 9, 2019, as these filings also overstated revenue by up to 102% per quarter. As Executive Chairman and the Principal Executive Officer of Pareteum during the Relevant Period, Turner reviewed, signed and certified these filings.

20. Before each filing during the Relevant Period, Turner saw PowerPoint presentations from Pareteum's outside auditors relaying that they had done some review prior to Pareteum's Audit Committee meetings ahead of the filing, and that they did not have any proposed adjustments to the financial statements. However, increasingly over the Relevant Period, Turner was aware of signs that Pareteum's revenue may be improperly recognized. Despite these signs, he did not take reasonable steps to determine whether the uncollected accounts receivable was due to revenue being improperly recognized.

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

22. Pareteum offered and sold securities during the Relevant Period, including a \$40 million registered direct offering of Pareteum stock led by Turner in September 2019.

Turner's Bonus Payment

23. During the 12-month periods that followed the filings of the financial statements in Pareteum's Form 10-Q for the third quarter of 2018, filed November 14, 2018, and Pareteum's 2018 Form 10-K, filed March 18, 2019, which both required a restatement, Turner received a performance-based bonus in the amount of \$267,118. Turner has not reimbursed this amount to Pareteum.

Violations

24. As a result of the conduct described above, Turner violated Section 17(a)(2) of the Securities Act, which prohibits, in the offer or sale of a security, the receipt of "money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading."

25. As a result of the conduct described above, Turner violated Section 17(a)(3) of the Securities Act, which prohibits, in the offer or sale of a security, engaging “in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.”

26. As a result of the conduct described above, Turner violated Section 304 of the Sarbanes-Oxley Act, which requires the chief executive officer or chief financial officer of any issuer required to prepare an accounting restatement due to material noncompliance with the securities laws as a result of misconduct to reimburse the issuer for (1) any bonus or other incentive-based or equity-based compensation received by that person from the issuer during the 12-month periods following the false filings, and (2) any profits realized from the sale of securities of the issuer during those 12-month periods.

IV.

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondent Turner cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act and Section 304 of the Sarbanes-Oxley Act.

B. Respondent Turner shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$75,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier’s check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

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

Payments by check or money order must be accompanied by a cover letter identifying the Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Scott A. Thompson, Securities and Exchange Commission, Philadelphia Regional Office, One Penn Center, 1617 John F. Kennedy Boulevard, Suite 520, Philadelphia, PA 19103.

C. 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.

D. Respondent Turner shall, within 365 days of the entry of the Order, reimburse Pareteum or its successor in interest for a total of \$267,118 pursuant to Section 304(a) of the Sarbanes-Oxley Act of 2002. Payment of the reimbursement shall be made in the following installments: (1) a payment of \$50,000 within 60 days of the entry of this Order; (2) a payment of \$50,000 within 90 days of the entry of this Order; (3) a payment of \$50,000 within 180 days of the entry of this Order; and (4) a payment of \$117,118 due within 365 days of the entry of this Order. Payments shall be deemed made on the date they are received by Pareteum or its successor in interest. 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, 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. Payments made pursuant to this payment schedule shall be sent to Pareteum or its successor in interest. Respondent shall simultaneously deliver proof of satisfying this reimbursement obligation to Scott A. Thompson, Securities and Exchange Commission, Philadelphia Regional Office, 1617 John F. Kennedy Boulevard, Suite 520, Philadelphia, PA 19103.

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