

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION**

IN THE MATTER OF:

St. John International University

Respondent

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) **FINDINGS, RULINGS AND ORDER**
) **COM2012-0010**
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Procedural History

On June 26, 2014, the Bureau of Securities Regulation (hereinafter referred to as “the Bureau”) filed a Staff Petition for Relief against the above-captioned Respondent alleging violations of New Hampshire RSA 421-B and requesting relief, including issuance of a cease and desist and a show cause order, license revocation, fines, costs of investigation, and rescission or restitution. The Bureau alleged that the Respondent offered and sold securities pursuant to Federal Regulation 230.506 as a New Hampshire-licensed issuer-dealer without providing to an investor the offering documents, disclosure documents, or financial information required in Federal Regulation 230.502(b)(2). According to the Bureau, the investor moved to rescind the sale in writing, but the Respondent stated the sale could not be rescinded. Officers of the Respondent did, however, agree in writing to return the investor’s money invested in exchange for his shares. This, according to the Bureau, was never done. Lastly, the Bureau alleges that since the securities sold to the investor did not qualify for the federal Regulation D safe harbor nor any exemption under N.H. RSA 421-B, the securities were sold in violation of N.H. RSA 421-B:11, which requires that a security offered or sold in this state must be registered, exempt, or properly notice filed as a federal covered security.

A Cease and Desist Order was issued on June 26, 2014, commencing the adjudicative proceeding in this matter. The Respondent, through Lorenzina Zampedria, Chair of the Board and Major Shareholder of the Respondent, requested a hearing on July 25, 2014. On August 1, 2014, this presiding officer issued an Order Regarding Hearing and Other Scheduling Matters, and instructed the parties to attempt to reach agreement on proposed scheduling in the hearing process. On August 25, 2014, the Bureau submitted a Proposed Structuring

Order to which the Respondent assented. A Scheduling Order was then issued on August 29, 2014 which set the following deadlines:

1. August 29, 2014 for preliminary witness lists.
2. September 26, 2014 for conclusion of all discovery and submission of all motions.
3. October 10, 2014 for submission of all responses to motion to the presiding officer.
4. October 22, 2014 for submission of final witness lists and final exhibit lists by all parties.
5. October 22, 2014 for a prehearing conference and any hearings on motions or other preliminary matters.
6. October 27, 2014 at 10:00 a.m. for the final hearing on the merits.

On October 1, 2014, the Bureau submitted an Objection to Motion to Extend Deadline. However, no such Motion was submitted to this presiding officer, and, as a result, an Order on the Motion was issued on October 14, 2014 affirming the discovery deadline of September 26, 2014 set in the Scheduling Order of August 29, 2014. On September 18, 2014, the Bureau submitted a Motion for Discovery Sanctions requesting imposition of sanctions on the Respondent for failure to comply with requests for documents and other information, including the exclusion of such documentary evidence and related testimony. On September 24, 2014, the Bureau submitted a Motion for Procedural Ruling requesting this presiding officer order that the burden of proof was on the Respondent to show that it was entitled to any exemption, exception, or preemption from the securities registration requirements. On September 25, 2014, the Bureau submitted a Motion in Limine requesting the exclusion of testimony related to the conviction or incarceration of the investor complainant and the Bureau's primary witness in this matter. Lastly, on September 25, 2014, the Bureau submitted a Motion to Allow Testimony Telephonically, requesting that the Bureau's main witness be able to testify telephonically and through introduction of the witness's affidavit. The Respondent never submitted any objections or other responses to these motions.

On October 14, 2014, an order was issued directing the parties to attend a prehearing conference October 22, 2014. At the prehearing conference, the presiding officer was informed by the Bureau that a settlement-in-principle had been reached and that the parties were asking for a short delay for any prehearing conference and subsequent hearing, if needed. The parties agreed that, if a resolution had not been negotiated, the prehearing conference would be held on November 5, 2014 and a subsequent hearing on the merits on November 12, 2014, if needed. The rescheduled prehearing conference was held on November 5, 2014. The presiding officer was told that a final agreement had not been reached because of concerns the Respondent had over the timing of payments to the Bureau. Counsel for Respondent represented to this presiding officer and the Bureau that the first of three payments to the Bureau under a proposed consent order was expected to be wired from the Respondent's main office in Italy on November 10, 2014 and that it would take approximately two to three business days for the money to be received in counsel's account. Counsel for Respondent also stated that Respondent had no objections to the Bureau's Motion to Allow Testimony Telephonically, and the Bureau's Motion was granted. The parties discussed and reached agreement on an appropriate day to hold a hearing if the matter was not resolved, and this presiding officer ordered the hearing set for November 17, 2014 at 10:00 a.m. at the Bureau's offices. Since a resolution between the parties was not reached, the hearing occurred as scheduled. Prior to addressing the merits, the presiding officer heard from the parties regarding the Bureau's Motion for Procedural Ruling and Motion in Limine.

The Respondent had no objection to the motions and, therefore, the presiding officer granted both of these motions.

Findings of Fact

The Bureau presented several allegations of fact in its Staff Petition for Relief, notably that:

1. St. John International University, Inc. (hereinafter referred to as "SJIU") is a post-secondary educational institution located in Vinovo, Italy.
2. SJIU is a New Hampshire corporation in good standing incorporated in 2008.
3. SJIU has been registered as a New Hampshire issuer-dealer since 2010.
4. SJIU has an office address listed at 35-A Pleasant Street, Concord, New Hampshire 03301.
5. SJIU's authorized issuer-dealer agent is JoAnn Actis-Grande with a listed address of 35-A Pleasant Street, Concord, New Hampshire 03301 and PO Box 874, Portsmouth, New Hampshire 03802.
6. JoAnn Actis-Grande has received commissions from SJIU for acting as an issuer-dealer agent for the sale of SJIU shares.
7. In June 2010, SJIU filed a Federal Regulation 230.506 Form D with the Bureau indicating that an offer of equity shares in SJIU of up to \$2,250,000 would be made to accredited investors.
8. According to SJIU's Articles of Incorporation, SJIU is authorized to issue up to one million shares of stock.
9. The Regulation D offering by SJIU had been continued until the time of filing of the Staff Petition with approximately nine sales being made to seven investors totaling \$6,934,282.50 of investment and 924,571 shares issued.
10. In 2012, the Bureau received a complaint from Investor #1 regarding SJIU.
11. According to Investor #1, in November 2011 Investor #1 invested \$99,997.50 into SJIU for 13,333 shares. According to Investor #1, no offering documents, disclosure documents, or financial information was delivered to him at the time of sale.
12. According to Investor #1, after making his investment, he discovered that SJIU was operating in a substantial deficit and had a going concern finding, after which he moved in writing to officers of SJIU to rescind his investment.
13. Officers of SJIU stated to Investor #1 that SJIU accepted his investment and could not rescind it, but agreed in writing to return Investor #1's investment money in exchange for his shares. Despite this agreement, SJIU has not returned Investor #1's money in exchange for his shares.
14. Investor #1 asserts that he is not an accredited investor, that he never was, and that he should have been told about the SJIU deficit and going concern finding before he invested his money.
15. Investor #1 contends that SJIU did not provide any financial information to him prior to sale and that when he found out about the deficit he moved to rescind his offer to buy in February 2012.
16. On June 12, 2014, the Bureau wrote to SJIU and formally required SJIU to engage in an undertaking to supply the required information and disclosure to any future unaccredited investors and that SJIU comply by June 22, 2014. Up until the time of the filing of the Staff Petition, SJIU had not responded to the Bureau letter other

than to say that SJIU provides any information to potential investors at their request.

17. The SJIU offering is not registered with the Bureau.

On November 14, 2014, prior to the hearing on the merits, the Bureau submitted a Motion for Finding of Facts and Rulings of Law and requested the following findings of fact and rulings of law:

1. That SJIU is a post-secondary educational institution located in Vinovo, Italy, and was incorporated in the State of New Hampshire in 2008.
2. That SJIU filed for and received New Hampshire issuer-dealer licensure in 2010 and is a licensed issuer-dealer with a listed address of 35-A Pleasant Street, Concord, New Hampshire 03301.
3. That in June 2010, SJIU filed for and received effectiveness for a Federal Regulation 230.506(b), Form D equity offering of shares of SJIU to only accredited investors with an offering amount of up to \$2,250,000 and that the Form D filed with the Bureau indicates that the offering was not intended for unaccredited investors.
4. That in October 2011, Dr. Philip Lyon (hereinafter referred to as "Lyon") agreed, for a fee, to work for SJIU, and to solicit his contacts in Asia for student enrollment for SJIU.
5. That in October 2011, following a presentation and solicitation at SJIU in Vinovo, Italy to invest, presented by the Chair of the Board of Directors of SJIU, Lorenzina Zampedri, Lyon agreed to invest \$99,997.50 to purchase 13,333 shares of SJIU and the money was wired to SJIU on November 7, 2011 and November 21, 2011.
6. That in January 2012, after learning that SJIU was in deep financial trouble and was not paying its bills or employees, Lyon requested in an email to Lorenzina Zampedri to rescind his investment and get his money back and that, in response, in June 2013 SJIU signed a written agreement with Lyon to return his investment money, but never fulfilled the agreement.
7. That in "a reasonable time prior to the sale" being made, Lyon was not given an offering document required by Regulation D, Rule 230.502(b)(2) and financial statements as required by that rule, that Federal Regulation 230.502(b)(2) requires that if the issuer offers and sells securities to an unaccredited investor pursuant to Rule 230.506(b), the issuer shall comply with the informational requirements contained in Rule 230.502(b)(2) a reasonable time prior to sale, and that Lyon should have received, but did not receive from SJIU, an offering document that satisfied the disclosure requirements in part II of Securities and Exchange Commission Form 1-A, and the financial information requirements in Securities and Exchange Commission Form S-1, which must be audited.
8. That the missing disclosure to Lyon was material and would have affected his investment decision.

9. That Lyon is not an accredited investor and has never been an accredited investor, and SJIU did not comply with the information requirements of Regulation D, Rule 502(b)(2), and therefore Lyon is entitled to full restitution according to N.H. RSA 421-B:26, and the Bureau is entitled to a fine plus the costs of this proceeding.

On the day of the hearing on the merits, Attorney Michael B. King, Esquire, attorney for JoAnn Actis-Grande, made the following requests, in writing, for findings of fact and rulings of law:

1. The Bureau issued a Petition for Relief against the Respondent on June 26, 2014.
2. In the Petition, the Bureau, in its Statement of Law, paragraph 3, stated that "JoAnn Actis-Grande is an issuer-dealer agent with the meaning of N.H. RSA 421-B:2."
3. Ms. Actis-Grande never consented to being named as an issuer-dealer agent of SJIU, nor acted as one, despite filings to the contrary by SJIU.
4. Ms. Actis-Grande, at the request of her employer (SJIU), merely referred her employer to a potential investor – unrelated to the Bureau's Petition, and received a bonus for the referral.

The request on behalf of Ms. Actis-Grande further requested as relief that the presiding officer:

1. Strike the allegation in the Bureau's petition at paragraph 3.
2. Make an affirmative declaration in any Bureau decision or consent decree that Ms. Actis-Grande was not an issuer-dealer agent on behalf of SJIU within the meaning of N.H. RSA 421-B:2.

At the hearing on the merits, there was extensive discussion among the parties regarding the two requests for findings of fact and rulings of law. As a result, counsel for Respondent agreed to accept, in substance, the Bureau's and Ms. Actis-Grande's findings of fact and rulings of law. The only change requested by the Respondent and agreed to by the Bureau was to change the Bureau's requested Finding #6 to read as follows:

That in January 2012, Lyon requested in an email to Lorenzina Zampedri to rescind his investment and get his money back. That, in response, in June 2013 SJIU signed a written agreement with Lyon to return his investment money, but never fulfilled this agreement.

As part of these discussions, the Bureau entered into evidence several documents. Included was a sworn affidavit of Philip E. Lyon dated August 23, 2014, in which Dr. Lyon attested to the fact that his net worth in 2011 was less than \$1,000,000, that he did not act as an agent for any person, and that he had total assets of between \$630,000 and \$650,000. (Bureau Exhibit 18). In support of Dr. Lyon's financial standing, the Bureau entered into evidence copies of Dr. Lyon's federal income tax records for the period from 2009 through 2011. (Bureau Exhibit 19) The Bureau also entered into evidence a copy of the SJIU's initial Form D filing and issuer-dealer license application in support of related facts, including that SJIU represented that it would be offering securities to accredited investors only. (Bureau Exhibit

21) The Bureau also entered a copy of an email from Dr. Lyon to Ms. Zampedri stating that he was misled regarding the financial condition of SJIU and that he was withdrawing his offer to buy stock in SJIU. (Bureau Exhibit 13). The presiding officer finds this evidence to be relevant, material, and reliable. In addition, given the Respondent's acceptance of proposed findings of fact and rulings of law of both the Bureau and Ms. Actis-Grande, the presiding officer finds as fact the facts presented in the both the Bureau's and Ms. Actis-Grande's requests, except for the change to the Bureau's proposed Finding #6 noted above.

Rulings of Law

In accordance with the Bureau's Staff Petition for Relief, as well as the proposed findings of fact and rulings of law presented by the Bureau and Ms. Actis-Grande and accepted by the Respondent, the presiding officer makes the following rulings of law relative to the Bureau's factual allegations:

1. The Respondent is a "person" within the meaning of N.H. RSA 421-B:2.
2. The Respondent is a New Hampshire "issuer-dealer" within the meaning of N.H. RSA 421-B:2.
3. The Respondent's equity shares are "securities" within the meaning of N.H. RSA 421-B:2.
4. The offer and distribution of the securities listed above constitute "sales" within the meaning of N.H. RSA 421-B:2.
5. The Respondent failed to deliver to Dr. Lyon the disclosure documents required by Federal Regulation 230.502(b)(2), which would have fully disclosed the details of the offering and the Respondent's financial condition to Dr. Lyon, including a going concern finding and substantial operating deficit. This is a violation of N.H. RSA 421-B:3.
6. Pursuant to N.H. RSA 421-B:10, the Respondent failed to show cause why its issuer-dealer license should not be suspended or revoked.
7. The Respondent offered or sold securities from or in New Hampshire that were not registered or exempt from registration. Nor were the securities in question federal covered securities, since the Respondent did not comply with material conditions of Regulation D, Federal Rules 230.501 et seq. This is a violation of N.H. RSA 421-B:11, I.
8. Pursuant to N.H. RSA 421-B:17, V and N.H. RSA 421-B:11, I-b(a) and (c), the burden of proving an exemption, preemption, or an exception was upon the Respondent in this case and the Respondent was not able to meet its burden.
9. Having found that the Respondent violated N.H. RSA 421-B, the Order to Cease and Desist issued on June 26, 2014 should be made permanent.
10. Respondent is subject to suspension or revocation of its issuer-dealer license and to a penalty of \$2,500 for each violation of N.H. RSA 421-B pursuant to N.H. RSA 421-B:26, III.
11. Respondent is subject to an order of rescission, restitution, or disgorgement pursuant to N.H. RSA 421-B:26, V.

12. The Bureau having prevailed in this matter, the Respondent is required to pay the Bureau's costs for its investigation of this matter and any related proceedings, including reasonable attorney's fees pursuant to N.H. RSA 421-B:22, IV.

Discussion

As noted in detail above, the Respondent substantially accepted the proposed findings of fact and rulings of law of the Bureau and of counsel for JoAnn Actis-Grande. Therefore, the only issue in dispute in the hearing was the appropriate sanctions against the Respondent. The parties represented that they had previously agreed in principle that restitution should be paid to the investor in the amount of \$99,997.50. There was no dispute as to the amount of money due back to the investor. Neither was there dispute over the amount of the fine (\$2500) and the amount of costs due (\$5000). Both parties represented that the Respondent had already commenced the process of obtaining funds to pay a first installment of restitution to the investor. Counsel for Respondent represented that he was still waiting for the wiring of the first payment by the Respondent and expected that to happen within approximately three to five business days after the hearing. He also stated that the remaining money should be available within four to six months. The Bureau suggested and the presiding officer agreed to the payment of monetary sanctions subject to petition for review by the Bureau. The parties agreed and the presiding officer ordered that, along with the payment of restitution by the Respondent in three tranches, the investor should release a proportional amount of shares back to the Respondent until all share are returned to the Respondent. The only areas of dispute with regard to sanctions was whether the Respondent should have its issuer-dealer license revoked and whether the Respondent's ability to offer shares of its stock in New Hampshire should be suspended with the future ability of the Respondent to seek termination of the suspension by the presiding officer upon a showing of improved financial condition and compliance with applicable laws, as requested by the Bureau. The Respondent seeks to maintain its issuer-dealer license, at least to the extent that it could continue to offer previously authorized shares.

The presiding officer finds that the facts as presented in the Bureau's staff petition and as agreed to by the parties at hearing support, by a preponderance of the evidence, the Statement of Law enumerated in the Bureau's Staff Petition for Relief and the proposed findings of fact and rulings of law submitted by the Bureau and Ms. Actis-Grande.

Order

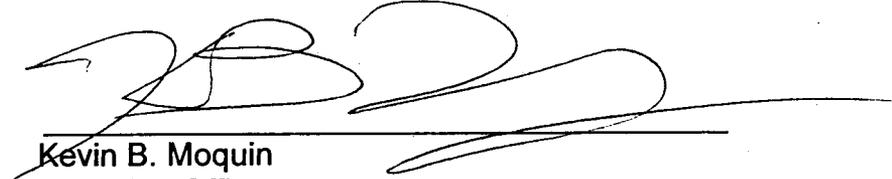
Finding it necessary and appropriate and in the public interest and for the protection of investors and consistent with the intent and purpose of the New Hampshire Securities Act, R.S.A. 421-B, it is hereby **ORDERED**, that:

1. The Respondent shall cease and desist from further violations of N.H. RSA 421-B pursuant to N.H. RSA 421-B:23.

2. The Respondent's issuer-dealer license is hereby revoked pursuant to N.H. RSA 421-B:26, III.
3. Pursuant to N.H. RSA 421-B:16, the Respondent's authority to offer or sell securities in New Hampshire is hereby suspended and shall remain suspended until such time as the presiding officer or a successor appointed by the Secretary of State, upon application by the Respondent, determines that that the conditions which prompted entry of this order have changed or that it is otherwise in the public interest to vacate or modify this order.
4. Pursuant to N.H. RSA 421-B:26, V, the Respondent shall, subject to petition for review by the Bureau, pay restitution of \$99,997.50, for which, in exchange, Dr. Lyon shall return to Respondent the shares he purchased; provided that if restitution is paid in two or more tranches, Dr. Lyon shall return shares proportional to the amount of payment in each tranche.
5. The Respondent shall, subject to petition for review by the Bureau, pay the Bureau's costs of investigation in the amount of \$5,000 pursuant to N.H. RSA 421-B:22, IV.
6. The Respondent shall, subject to petition for review by the Bureau, pay an administrative fine in the amount of \$2,500 pursuant to N.H. RSA 421-B:26, III.
7. Paragraph 3 of the Statement of Law in the Bureau's Staff Petition for Relief regarding the legal status of JoAnn Actis-Grande as an issuer-dealer agent is hereby struck, as it has been determined that Ms. Actis-Grande was not an issuer-dealer agent for the Respondent within the meaning of N.H. RSA 421-B:2.

SIGNED,
William M. Gardner
Secretary of State
By His Designee:

Date: 1/8/15


Kevin B. Moquin
Presiding Officer
N.H. Bureau of Securities Regulation