

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES**

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND
SECURITIES, BUREAU OF SECURITIES
COMPLIANCE AND EXAMINATIONS**

Docket No. : 24 0016 (SEC-OSC)

v.

**CAPITAL SOURCE 2000, INC.
CS2K, LLC
WILLIAM BROMLEY
JOSEPH COLE BARLETA**

NOTICE TO ANSWER AND REQUEST A HEARING

You have the right to challenge the attached Order to Show Cause (“Order”) by filing an Answer, in writing, with the Docket Clerk **within 30 days** of the date of this Order as required by 1 Pa. Code § 35.37. **If you do not file an Answer within 30 days, then you will waive your right to a hearing and the Banking and Securities Commission (“Commission”) may enter a final order against you.**

Your Answer must be in writing. Your Answer must specifically admit or deny the allegations in this Order, set forth the facts you rely upon, and state concisely the law upon which you rely. General denials of the allegations set forth in the Order are not sufficient; you must support your denials with specific facts. Failure to support your denials with specific facts may cause the Commission to deem the facts in the Order as admitted and to enter a final order against you, without a hearing.

The Answer and any other documents must be filed via first-class mail and electronic mail with the Docket Clerk:

Docket Clerk
Pennsylvania Department of Banking and Securities
17 North Second Street, Suite 1300
Harrisburg, Pennsylvania 17101
Email: RA-BNDOCKETCLERK@pa.gov

Further, you must serve a copy of the Answer and any other documents on the person who signed the Order by providing a hard and electronic copy to his or her counsel indicated below:

Office of Chief Counsel
Pennsylvania Department of Banking and Securities
17 North Second Street, Suite 1300
Harrisburg, Pennsylvania 17101
Email: RA-BNChiefCounsel@pa.gov

Once you file your Answer, you will be notified of pertinent information such as the name of the presiding officer designated by the Commission to hear this matter and, if a hearing is scheduled, the date, time, and location of the hearing. You have the right to be represented by an attorney.

The hearing and all other procedural matters will be governed by the Pennsylvania Administrative Agency Law, 2 Pa.C.S. §§ 501-508, 701-704, and the General Rules of Administrative Practice and Procedure, 1 Pa. Code §§ 31.1-35.251.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND
SECURITIES, BUREAU OF SECURITIES
COMPLIANCE AND EXAMINATIONS

Docket No. : 24 0016 (SEC-OSC)

v.

CAPITAL SOURCE 2000, INC.
CS2K, LLC
WILLIAM BROMLEY
JOSEPH COLE BARLETA

ORDER TO SHOW CAUSE

You, Capital Source 2000, Inc. (“Respondent Capital Source”), CS2K, LLC (“Respondent CS2K”), William Bromley (“Respondent Bromley”), and Joseph Cole Barleta (“Respondent Barleta”) (collectively, the “Respondents”), are notified that the Department of Banking and Securities (“Department”), through the Bureau of Securities Compliance and Examinations (“Bureau”) hereby **ORDERS YOU TO SHOW CAUSE** why the Banking and Securities Commission (“Commission”) should not impose the sanctions and remedies described below. Specifically, this proceeding is instituted pursuant to 1 Pa. Code § 35.14 to determine:

- (1) whether the allegations set forth below are true; and
- (2) if these allegations are true, whether there has been a violation of the Pennsylvania Securities Act of 1972 (“1972 Act”) or of the regulations promulgated thereunder;
and
- (3) if so, whether the sanctions and remedies proposed by the Bureau should be imposed by the Commission.

The Bureau alleges the following facts and violations of law for the purpose of tentatively framing the issues for consideration by the Commission. The Commission may consider this matter directly or may designate a hearing officer to issue a recommended decision prior to the Commission issuing a final order.

STATEMENT OF THE PARTICULARS AND MATTERS
CONCERNING WHICH THE BUREAU IS INQUIRING

PARTIES

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the 1972 Act.

2. The Bureau is primarily responsible for administering and enforcing the 1972 Act for the Department.

3. The Bureau operates from the Department's main office located at 17 North Second Street, Suite 1300, Harrisburg, Pennsylvania 17101.

4. Respondent Capital Source was, at all times material herein, a Delaware corporation with an address at Redacted

5. Respondent CS2K was, at all times material herein, a Delaware limited liability company with an address at Redacted

6. Respondent Bromley was, at all times material herein, an individual with an address at Redacted At all times material herein, Respondent Bromley was the president and co-owner of Respondent Capital Source. At

all times material herein, Respondent Bromley was the president and manager of Respondent CS2K.

7. Respondent Barleta was, at all times material herein, an individual with an address at Redacted. At all times material herein, Respondent Barleta was an executive officer and co-owner of Respondent Capital Source. At all times material herein, Respondent Barleta was the Chief Financial Officer of Respondent CS2K.

FACTUAL ALLEGATIONS

8. As the president and co-owner of Respondent Capital Source, Respondent Bromley acted as an "affiliate" of Respondent Capital Source within the meaning of Section 102(b) of the 1972 Act, 70 P.S. § 1-102(b), and, as such, caused Respondent Capital Source to commit the herein stated acts which violated the 1972 Act.

9. As the president and manager of Respondent CS2K, Respondent Bromley acted as an "affiliate" of Respondent CS2K within the meaning of Section 102(b) of the 1972 Act, 70 P.S. § 1-102(b), and, as such, caused Respondent CS2K to commit the herein stated acts which violated the 1972 Act.

10. As an executive officer and co-owner of Respondent Capital Source, Respondent Barleta acted as an "affiliate" of Respondent Capital Source within the meaning of Section 102(b) of the 1972 Act, 70 P.S. § 1-102(b), and, as such, caused Respondent Capital Source to commit the herein stated acts which violated the 1972 Act.

11. As the chief financial officer of Respondent CS2K, Respondent Barleta acted as an "affiliate" of Respondent CS2K within the meaning of Section 102(b) of the 1972 Act, 70 P.S. § 1-102(b), and, as such, caused Respondent CS2K to commit the herein stated acts which violated the 1972 Act.

12. As Respondent Bromley is the president and co-owner of Respondent Capital Source and the president and manager of Respondent CS2K, Respondent Capital Source and Respondent CS2K acted as “affiliates” of each other within the meaning of Section 102(b) of the 1972 Act, 70 P.S. § 1-102(b), and, as such, caused each other to commit the herein stated acts which violated the 1972 Act.

Capital Source

13. From in or about December 2015 through February 2020, Respondent Capital Source offered for sale promissory notes (“Capital Source Notes”) to investors throughout the United States.

14. Respondent Capital Source engaged in the business of providing short-term loans to merchants via what Respondent Capital Source termed “merchant cash advances” (“MCAs”) secured by an interest in a designated portion of the merchant’s future accounts and receivables.

15. Complete Business Solutions Group, Inc. d/b/a PAR Funding (“CBSG”) was, at all times material herein, a Delaware corporation with an address at 141 N. Second Street, Philadelphia, PA 19106.

16. Respondent Barleta was an executive officer and chief financial officer for CBSG

17. Respondent Capital Source contracted with CBSG to “manage” funds provided by the Capital Source Notes to engage in the business of providing working capital to merchants via MCAs.

18. The contract between Respondent Capital Source and CBSG, titled “MCA Receivables Operating Agreement” sets forth the agreement of the parties:

- a. [Capital Source] desires to utilize [CBSG]'s expertise and business infrastructure in creating and managing portfolio(s) of future Merchant Cash Advance "MCA"

receivables ("MCA Receivables") purchased by [Capital Source] from business entities ("Clients"). [CBSG] will source, underwrite, collect payments from, maintain records of, communicate with, and otherwise service the Clients that [Capital Source] provides working capital to in the form of the purchase of MCA Receivables. [CBSG] desires to provide the aforementioned services to [Capital Source] while protecting [CBSG]'s trade secrets and business systems.

- b. [Capital Source] hereby retains [CBSG] to act as Manager on behalf of [Capital Source] with regard to the acquisition, management, and general transactional and all financial operations related to portfolios of MCA Receivables to be purchased from Clients by [Capital Source].

19. From in or about December 2015 through February 2020, Respondent Capital Source offered and sold at least ninety-eight (98) Capital Source Notes to at least fifty-three (53) investors ("Capital Source Investors") within the United States for an aggregate amount of at least \$30,448,430.

20. From in or about December 2015 through February 2020, Respondent Capital Source offered and sold at least sixty (60) Capital Source Notes to at least thirty-nine (39) investors who were Pennsylvania residents ("PA Capital Source Investors") for an aggregate amount of at least \$19,344,480.

21. The term of the Capital Source Notes ranged from one (1) year to three (3) years.

22. The rate of return for the Capital Source Notes ranged from twelve percent (12%) to thirty-five percent (35%).

23. The Capital Source Notes described above are "securities" within the meaning of Section 102(t) of the 1972 Act, 70 P.S. § 1-102(t).

24. Respondent Capital Source is the “issuer” of the Capital Source Notes within the meaning of Section 102(l) of the 1972 Act, 70 P.S. § 1-102(l).

25. The records of the Department disclose that the Capital Source Notes are: (a) not registered under Section 201 of the 1972 Act, 70 P.S. §1-201; (b) not exempt from registration under Section 202 of the 1972 Act, 70 P.S. §1-202; (c) not federally covered securities under Section 211 of the 1972 Act, 70 P.S. §1-211; and (d) that the offering relating to the Capital Source Notes was not exempt under Section 203 of the 1972 Act, 70 P.S. §1-203.

26. Respondent Capital Source failed to provide some or all of the Capital Source Investors with financial statements regarding Respondent Capital Source, which disclosure would have been material for a reasonable investor to make an informed decision. To the extent that Respondent Capital Source did not have disclosure documents, Respondent Capital Source failed to disclose their nonexistence, which would have been material for a reasonable investor to make an informed investment decision.

27. Respondent Capital Source failed to disclose the following material information concerning some or all of the following to some or all of the Capital Source Investors:

- a. The financial condition of Respondent Capital Source;
- b. The financial risk of investing in the Respondent Capital Source Notes;
- c. The identity and background of the corporate officers of Respondent Capital Source; and
- d. Respondent Capital Source’s affiliation with CBSG and the following enforcement actions brought against CBSG:
 - i. On or about November 28, 2018, the Department entered into a Consent Agreement and Order (“CAO”), Docket Number 180098 (SEC-CAO) with

CBSG which found that CBSG engaged unregistered agents in connection with the offer and sale of CBSG Notes which funded the MCAs and ordered CBSG to pay an administrative assessment; and

- ii. On or about December 27, 2018, the New Jersey Bureau of Securities (“NJBS”) entered a Summary Order to Cease and Desist (“C&D”) against CBSG which found that CBSG offered and sold unregistered securities through unregistered agents and ordered that CBSG cease the above activity.

28. To date, Respondent Capital Source has been unable to fulfill its financial obligations to some or all of the Capitol Source Investors, and Respondent Capital Source has consequently defaulted on payments to some or all of the Capitol Source Investors.

CS2K

29. Respondent CS2K is a Pennsylvania entity registered as a Delaware Limited Liability Company on July 2, 2018.

30. Respondent CS2K raised funds to invest in Respondent Capital Source through the sale of promissory notes (“CS2K Notes”) to investors.

31. From in or about September 2018 through January 2020, Respondent CS2K offered and sold at least eighteen (18) CS2K Notes to at least eighteen investors (“CS2K Investors”) within the United States for an aggregate amount of at least \$2,177,500.

32. From in or about September 2018 through January 2020, Respondent CS2K offered and sold at least ten (10) CS2K Notes to at least ten (10) investors who were Pennsylvania residents (“PA CS2K Investors”) for an aggregate amount of at least \$1,412,500.

33. The term of the CS2K Notes ranged from one (1) year to three (3) years.

34. The rate of return for the CS2K notes ranged from five percent (5%) to fifteen percent (15%).

35. The CS2K Notes described above are "securities" within the meaning of Section 102(t) of the 1972 Act, 70 P.S. § 1-102(t).

36. Respondent CS2K is the "issuer" of the CS2K Notes within the meaning of Section 102(l) of the 1972 Act, 70 P.S. § 1-102(l).

37. The terms of the Capital Source Notes were two (2) years and three (3) years.

38. The rate of return of the Capital Source Notes ranged from eighteen percent (18%) to thirty five percent (35%).

39. The records of the Department disclose that the CS2K Notes are: (a) not registered under Section 201 of the 1972 Act, 70 P.S. §1-201; (b) not exempt from registration under Section 202 of the 1972 Act, 70 P.S. §1-202; (c) not federally covered securities under Section 211 of the 1972 Act, 70 P.S. §1-211; and (d) that the offering relating to the CS2K Notes was not exempt under Section 203 of the 1972 Act, 70 P.S. §1-203

40. Respondent CS2K failed to provide some or all of the CS2K Investors with financial statements regarding Respondent CS2K, which disclosure would have been material for a reasonable investor to make an informed decision. To the extent that Respondent CS2K did not have disclosure documents, Respondent CS2K failed to disclose their nonexistence, which would have been material for a reasonable investor to make an informed investment decision.

41. Respondent CS2K failed to disclose the following material information concerning some or all of the following to some or all of the CS2K Investors:

- a. The financial condition of Respondent CS2K and Respondent Capital Source;
- b. The financial risk of investing in CS2K Notes and Capital Source Notes;

- c. The identity and background of the corporate officers of Respondent CS2K and Respondent Capital Source; and
- d. Respondent CS2K's affiliation with CBSG and the enforcement actions brought against CBSG.

42. To date, Respondent CS2K has been unable to fulfill its financial obligations to some or all of the CS2K Investors and Respondent CS2K has consequently defaulted on payments to some or all of the CS2K Investors.

COUNTS

Violation of Section 201 of the 1972 Act, 70 P.S. § 1-201

70 Counts

43. Paragraphs 1 through 42 are incorporated herein by reference as if set forth in their entirety.

44. By engaging in the acts and conduct set forth in paragraphs 8 through 25, and paragraphs 29 through 39 above, Respondent Bromley and Respondent Barleta offered and sold the Capital Source Notes and CS2K Notes to CS2K Investors in violation of Section 201 of the 1972 Act, 70 P.S. § 1-201.

Violation of Section 401(b) of the 1972 Act, 70 P.S. § 1-401(b)

116 Counts

45. Paragraphs 1 through 44 are incorporated herein by reference as if set forth in their entirety.

46. By engaging in the acts and conduct set forth in paragraphs 8 through 12, paragraphs 26 through 27, and paragraphs 40 through 41 above, Respondent Bromley and Respondent Barleta, in connection with the offer, sale, or purchase of the Capital Source Notes and CS2K Notes, omitted to state material facts necessary in order to make the statements made,

in light of the circumstances under which they were made, not misleading, in willful violation of Section 401(b) of the 1972 Act, 70 P.S. § 1-401(b).

Violation of Section 401(c) of the 1972 Act, 70 P.S. § 1-401(c)

116 Counts

47. Paragraphs 1 through 46 are incorporated herein by reference as if set forth in their entirety.

48. By engaging in the acts and conduct set forth in paragraphs 8 through 42 above, Respondent Bromley and Respondent Barleta, in connection with the offer, sale, or purchase of the Capital Source Notes and CS2K Notes, engaged in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in willful violation of Section 401(c) of the 1972 Act, 70 P.S. § 1-401(c).

SANCTIONS AND REMEDIES

WHEREAS, the Bureau respectfully requests the penalties and relief pursuant to its authority under the 1972 Act:

1. That an order be issued pursuant to Section 305 of the 1972 Act, 70 P.S. § 1-305, that the registration of Respondent Capital Source, Respondent CS2K, Respondent Bromley and Respondent Barleta be suspended, revoked, or conditioned, or that Respondent Capital Source, Respondent CS2K, Respondent Bromley, and Respondent Barleta be censured.

2. That an order be issued pursuant to Section 512 of the 1972 Act, 70 P.S. § 1-512, which bars, conditionally or unconditionally, and either permanently or for such period of time as may be determined, Respondent Capital Source, Respondent CS2K, Respondent Bromley, and Respondent Barleta from:

- a. Representing an issuer offering or selling securities in this State;

- b. Acting as a promoter, officer, director or partner of an issuer (or an individual occupying a similar status or performing similar functions) offering or selling securities in this State or of a person who controls or is controlled by such issuer;
- c. Being registered as a broker-dealer, agent, investment adviser or investment adviser representative under Section 301 of the 1972 Act;
- d. Being an affiliate of any person registered under Section 301 of the 1972 Act; or
- e. Relying upon an exemption from registration contained in Section 202, 203 or 302 of the 1972 Act.

3. That Respondent Capital Source, Respondent CS2K, Respondent Bromley, and Respondent Barleta be ordered to pay the costs of the investigation pursuant to Section 602.1(b) of the 1972 Act, 70 P.S. § 1-602.1(b).

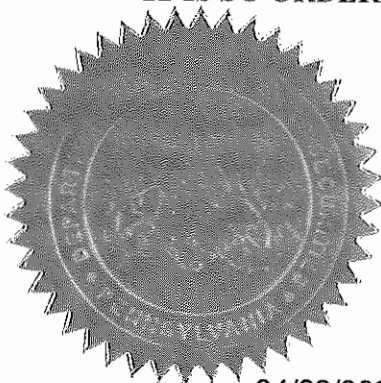
4. That Respondent Capital Source, Respondent CS2K, Respondent Bromley, and Respondent Barleta be ordered to pay an administrative assessment for each act or omission constituting a willful violation of the 1972 Act, pursuant to Section 602.1(c) of the 1972 Act, 70 P.S. § 1-602.1(c).

IT IS SO ORDERED.

FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
BUREAU OF SECURITIES COMPLIANCE AND
EXAMINATIONS

Redacted

Eric Pistilli
Deputy Secretary of Securities



Dated: 04/22/2024

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND
SECURITIES, BUREAU OF SECURITIES
COMPLIANCE AND EXAMINATIONS

Docket No. : 24 0016 (SEC-OSC)

v.

CAPITAL SOURCE 2000, INC.
CS2K, LLC
WILLIAM BROMLEY
JOSEPH COLE BARLETA

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing *Order to Show Cause* upon the parties below, who constitute the only parties of record in this proceeding, in accordance with the requirements of 1 Pa. Code §§ 33.35, 33.36 and 33.37:

BY CERTIFIED AND FIRST-CLASS MAIL

Capital Source 2000, Inc.

CS2K, LLC

Redacted

Redacted

William Bromley

Joseph Cole Barleta

Redacted

Redacted

Dated: 4/23/24

Redacted

Eileen Smith
Legal Office Administrator
Office of Chief Counsel
FOR: Commonwealth of Pennsylvania
Department of Banking and Securities
Market Square Plaza
17 North Second Street, Suite 1300
Harrisburg, PA 17101
(717) 787-1471