

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

**PHILIP VERGES, JAMES D. TILTON, JR.,
ROBERT F. MALIN, LINDA MALIN, and
BLUE CITI, LLC,**

Defendants,

**SMEA2Z, LLC, 143 PARTNERS LLC, WEST
CUCHARRAS, LLC, and JDT TRADING, LLC,**

Relief Defendants.

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Case No.: 3:23:cv-02146

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission” or “Plaintiff”) files this Complaint against Defendants Philip Verges (“Verges”), James D. Tilton, Jr. (“Tilton”), Robert F. Malin (“R. Malin”), Linda Malin (“L. Malin”), and Blue Citi, LLC (“Blue Citi”) (collectively, “Defendants”), and Relief Defendants SMEA2Z, LLC (“SMEA2Z”), 143 Partners LLC (“143 Partners”), West Cucharras, LLC (“West Cucharras”), and JDT Trading, LLC (“JDT”) (collectively, “Relief Defendants”), and alleges as follows:

**I.
SUMMARY**

1. From at least June 2017 to June 2022, Defendants—led by Verges—perpetrated a scheme to pump and dump into the market more than \$112 million of stock in certain penny stock companies. Verges designed the scheme so that Blue Citi (owned by R. Malin and L.

Malin), Tilton (in his individual capacity), JDT (owned by Tilton), and other accomplices that Verges nominated (the “Other Nominees”; collectively with Blue Citi, Tilton, and JDT, the “Nominees”) received heavily discounted shares in five penny stock companies: Alternet Systems, Inc. (“ALYI”), Priority Aviation, Inc. (“PJET”), Puration, Inc. (“PURA”), Vaycaychella, Inc. (“VAYK”), and WaterPure International, Inc. (“WPUR”) (collectively, the “PSCs” and individually, a “PSC”). The Nominees ultimately received at least 5.2 billion shares of stock in the PSCs at an 86.64% discount and then proceeded to dump those shares into the market. Blue Citi, Tilton, and JDT alone generated more than \$52 million in trading proceeds.

2. Defendants carried out Verges’s scheme in multiple phases. First, Verges obtained *de facto* control over the PSCs, which he concealed by installing figurehead CEOs for each PSC. Verges then caused the PSCs to issue convertible promissory notes and debt settlements (together “debt instruments”) in exchange for, among other things, payments on sham consulting service contracts that Verges and his companies entered into with the PSCs. Next, Verges sold the debt instruments to the Nominees and then directed the PSCs to issue illicitly obtained and significantly discounted unrestricted shares of PSC stock to the Nominees to satisfy their conversions of their debt instruments. R. Malin and L. Malin (collectively, the “Malins”) through Blue Citi, and Tilton, individually and through JDT, proceeded to offload the discounted shares and collectively received more than \$52 million in trading proceeds. Finally, the Malins, Tilton, and the Nominees kicked back a significant portion of those trading proceeds to Verges-controlled companies: SMEA2Z, 143 Partners, and West Cucharras (collectively, the “Verges Companies”). As a result of the scheme, the Verges Companies received more than \$19 million from the Nominees, including at least \$12.5 million from Blue Citi and \$475,000 from Tilton and JDT.

3. In order to effect the scheme, Verges needed to ensure that there was sufficient trading volume in the market for the Nominees to sell the PSCs shares. Therefore, Verges directed Tilton to prepare and publish materially misleading OTC Disclosure Statements and Financial Reports that omitted or concealed the PSCs' promissory notes, stock issuances to the Nominees, the PSCs' true financial conditions, and Verges's control of the PSCs. Verges also authored and posted more than **1,400 press releases** promoting the PSCs in an attempt to increase the trading volume in their stock. The daily trading volume in each PSC was significantly higher on days when Verges posted press releases. Furthermore, some ALYI press releases that Verges authored were false and misleading because, *inter alia*, they announced fictitious business partnerships between ALYI and companies controlled by Verges.

4. By committing the acts alleged in this Complaint, Verges directly or indirectly engaged in, and unless restrained and enjoined by the Court will continue to engage in, acts, transactions, practices, and/or courses of business that violate the antifraud provisions of the federal securities laws; specifically, Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

5. By committing the acts alleged in this Complaint, Tilton, R. Malin, L. Malin, and Blue Citi directly or indirectly engaged in, and unless restrained and enjoined by the Court will continue to engage in, acts, transactions, practices, and/or courses of business that violate (or aid and abet violations of) the antifraud provisions of the federal securities laws; specifically, Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(1), (3)], and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a), (c)]. Furthermore, pursuant to Section 20(a) of the Exchange Act [15 U.S.C. §

78t(a)], the Malins are liable as control persons for Blue Citi's violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a), (c)].

6. In the interest of protecting the public from any further fraudulent activity and harm, the Commission brings this action against Defendants seeking: (a) permanent injunctive relief; (b) disgorgement of ill-gotten gains; (c) accrued prejudgment interest on those ill-gotten gains; (d) civil penalties; and (e) all other equitable and ancillary relief to which the Court determines that the Commission is entitled. The Commission also brings this action to recover the Relief Defendants' ill-gotten gains along with prejudgment interest thereon.

II. JURISDICTION AND VENUE

7. The Commission brings this action under Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], seeking to permanently restrain and enjoin the Defendants from engaging in the acts and practices alleged herein.

8. The Court has jurisdiction over this action under Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(d) and 77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

9. Venue is proper because the Dallas Division of the Northern District of Texas is where Verges resides and where a substantial part of the acts, omissions, transactions, practices, and/or courses of business giving rise to the claims occurred.

10. Defendants, directly and indirectly, made use of the mails or of the means and instrumentalities of interstate commerce in connection with the acts, omissions, transactions, practices, and/or courses of business described in this complaint.

11. Defendants engaged in the acts, omissions, transactions, practices, and/or courses of business described in this complaint in connection with the offer, purchase, and/or sale of securities.

III. DEFENDANTS AND RELIEF DEFENDANTS

A. Defendants

12. Verges, age 58, resides in Dallas, Texas. Verges maintained undisclosed control over each of the five PSCs. Verges is also the owner and control person of each of the Verges Companies. As discussed below, at times, Verges used the aliases Tom Faye and Mike Murphy in furtherance of his scheme.

13. Tilton, age 62, resides in Tampa, Florida. Tilton owns and controls JDT, an entity that he has used to liquidate his stock holdings. Tilton participated in Verges's scheme as discussed herein in his individual capacity and through JDT upon its formation in 2019.

14. R. Malin, age 58, resides in San Juan, Puerto Rico and New York, New York. R. Malin is a managing member and control person of Blue Citi. In October 2010, the Commission obtained a final judgment against R. Malin for his role in a fraudulent “front running” scheme. *See SEC v. A.B. Watley Group, Inc., et al.*, No. 1:06-cv-01274-ILG-SMG (E.D.N.Y. 2006). The final judgment in that matter enjoined R. Malin from future violations of various federal securities laws and imposed an officer-and-director bar against him. *See id.* at Final J. as to Def. Robert F. Malin [Dkt. No. 98] dated Oct. 5, 2010.

15. L. Malin, age 62, resides in Southampton, New York and is R. Malin’s sister. L. Malin is a managing member and control person of Blue Citi. L. Malin has been licensed to practice law in the state of New York since 1987.

16. Blue Citi is a New York limited liability company (“LLC”) founded in 2013 with

its principal place of business in New York, New York. Blue Citi is primarily in the business of buying and selling convertible promissory notes of penny stock companies. The Malins are managing members and control persons of Blue Citi.

B. Relief Defendants

17. SMEA2Z is a Wyoming LLC formed in 2018 with its principal place of business in Dallas, Texas. SMEA2Z purportedly provides consulting services to microcap issuers. SMEA2Z was administratively dissolved on July 9, 2023, due to delinquent taxes. Verges is the sole member, owner, and control person of SMEA2Z.

18. 143 Partners is a Wyoming LLC formed in 2016 with its principal place of business in Dallas, Texas. 143 Partners purportedly provides consulting services regarding sales, marketing, and merger and acquisition fundraising, among other services, to microcap companies. 143 Partners was administratively dissolved on July 9, 2023, due to delinquent taxes. Verges is the sole member, owner, and control person of 143 Partners.

19. West Cucharras is a Wyoming LLC formed in 2017 with its principal place of business in Dallas, Texas. West purportedly provides consulting services to companies related to purchasing distressed debt. West was administratively dissolved on October 9, 2019, due to its failure to file a required annual report with the Wyoming Secretary of State. Verges is the sole member, owner, and control person of West.

20. JDT is a Wyoming LLC formed in 2019 with its principal place of business in Babcock Ranch, Florida. JDT is the entity that Tilton used to liquidate the stock of penny stock companies, including, but not limited to, ALYI, PURA, and VAYK. Tilton is the sole member, owner, and control person of JDT.

IV. STATEMENT OF FACTS

A. Overview of Verges's Scheme.

21. Verges controlled all five PSCs, who by and large had no actual or substantial business operations, no employees, and little or no revenue. He concealed his control of the PSCs by installing figurehead CEOs and purportedly providing “consulting services” to them through the Verges Companies. These figurehead CEOs were mostly Verges’s trusted friends—none of whom had any experience managing or running a publicly traded company. From at least January 2017 through June 2022, Verges orchestrated a multi-faceted scheme to enrich himself by fraudulently directing the PSCs to issue free-trading shares of stock in the PSCs to Blue Citi, Tilton, JDT, and the Other Nominees. At Verges’s direction, the Nominees subsequently sold the shares into the market or to other purchasers and then kicked back a portion of the trading proceeds to Verges.

22. As part of the scheme, the Verges Companies obtained debt instruments issued by the PSCs as: (a) purported compensation on sham consulting agreements between the PSCs and the Verges Companies; and (b) reimbursements to the Verges Companies for purportedly fronting some of the PSCs’ expenses. Verges then had the Nominees—particularly Blue Citi—purchase interests in these debt instruments. The Nominees also obtained these convertible debt instruments by purchasing them from third parties, exchanging them for consulting work, and exchanging them for purported investments in the PSCs. Verges then allowed the Nominees to convert their interests in the convertible debt instruments to stock in the PSCs at prices far below market value.

23. From at least June 2017 to June 2022, Verges directed the issuance of approximately 5.2 billion shares of stock in the PSCs to the Nominees at an aggregate conversion

price of approximately \$15 million. These shares had an aggregate market value of over \$112 million at the time of issuance. Once the Nominees obtained stock in the PSCs, Verges facilitated transactions for the Nominees to transfer their shares to third parties for sale into the market. Those open-market sales occurred at prices substantially higher than their acquisition costs, in part, because of the conversion discounts that Verges provided. Verges also ensured that the Nominees could dump their shares into the market, and sustained market interest and trading volume in PSCs' stocks, by posting more than 1,400 press releases that he drafted, including some that were false and misleading. In return, Verges, through the Verges Companies, received more than \$19 million in payments and kickbacks for his efforts.

24. In addition, Verges surreptitiously executed the aforementioned debt instruments. Verges used Tilton to hide his control of the PSCs and his involvement in the promissory note conversions, and to simultaneously manipulate the market to increase the trading volume of the PSCs' stocks. At Verges's direction and with his approval, Tilton drafted and published OTC Disclosure Statements that Tilton knew concealed: (1) Verges's role in converting the notes and transferring the shares to the Nominees; (2) Verges's use of the aliases "Mike Murphy" and "Tim Faye" in communications with transfer agents to facilitate the transfer of PSC stock to the Nominees; (3) Verges's role in preparing portions of the PSCs' OTC Financial Reports; and (4) the accurate number of outstanding PSC convertible promissory notes.

25. The Nominees sold their PSC shares at a substantial profit. Blue Citi, Tilton, and JDT alone received more than \$52 million in trading proceeds from their sales of stock in the PSCs beginning in at least December 2017. The Nominees paid Verges more than \$19 million, which included payments for the initial debt instruments and kickbacks from the trading proceeds.

B. Verges Used Sham Consulting Agreements to Facilitate Issuances of PSC Stock to the Nominees and Scheme Participants

26. Verges directed the PSCs—through the figurehead CEOs that he installed—to enter into sham consulting agreements with the Verges Companies for amounts that exceeded the yearly revenues that the PSCs earned (if any). These were sham agreements because Verges knew that the PSCs could not afford to pay his companies’ purported consulting fees. Moreover, by and large, the PSCs had no actual or substantial business operations, no employees beyond figurehead CEOs, and little or no revenue. Verges and the PSCs’ CEOs executed these agreements—at Verges’s direction—for the primary purpose of procuring convertible debt instruments for Verges that he could sell to the Nominees, who would then: (i) convert the debt instruments to shares of the PSCs’ stock; (ii) sell/dump the shares into the market or to third parties; and (iii) pay Verges kickbacks from their trading proceeds. In a typical transaction, once a PSC executed a consulting agreement with a Verges Company, Verges directed that PSC to either execute a debt settlement with the Verges Company or issue a convertible promissory note to the Verges Company. Verges then assigned or sold portions of these debt instruments to the Nominees, who in turn executed conversion notices enabling the holders to convert the debt instruments to stock (which Verges granted at deep discounts under the terms of each debt instrument). The Nominees received unrestricted shares from the PSCs’ transfer agents and either sold, or transferred those shares to third parties for sale, into the market.

27. For example, in January 2018, ALYI and SMEA2Z executed a consulting agreement whereby ALYI agreed to pay \$400,000 to SMEA2Z. Verges controlled ALYI’s bank accounts and had direct knowledge of ALYI’s financial condition. When he executed the consulting agreement, he knew that ALYI had no revenue and reported a net loss of over \$700,000 for 2017. On February 24, 2020, ALYI and SMEA2Z executed a Debt Settlement

Agreement where SMEA2Z agreed to accept common shares of ALYI stock as payment for the \$400,000 owed under the consulting agreement. On February 24, 2021, SMEA2Z and Blue Citi executed a Securities Purchase Agreement that assigned SMEA2Z's rights in the Debt Settlement Agreement to Blue Citi. On March 3, 2021, Blue Citi executed a notice of conversion for 20 million shares of ALYI stock and was issued 20 million unrestricted ALYI shares that same day. On March 5, 2021, Blue Citi sold its ALYI shares to a third party. Verges and R. Malin had an agreement that Blue Citi would pay Verges a portion of Blue Citi's trading proceeds. Bank records show that Blue Citi has paid SMEA2Z more than \$12 million, some of which may have included payment for this assignment and the balance a kickback from Blue Citi's sale of ALYI stock.

28. For a second example, in April 2018, PURA and SMEA2Z executed a consulting agreement whereby PURA agreed to pay \$350,000 annually to SMEA2Z. Verges controlled PURA's bank accounts, giving him direct knowledge of PURA's financial condition. As a result, he knew that PURA could not afford to pay SMEA2Z's consulting fee. PURA issued a \$350,000 convertible promissory note to SMEA2Z the same day that it executed the consulting services agreement. On June 21, 2018, SMEA2Z assigned the entire note to one of the Nominees for purported consideration of \$350,000. The Nominee executed notices of conversion on July 15, 2020 and October 12, 2020 and, in turn, was issued 104 million discounted shares of PURA stock. This Nominee subsequently sold these shares on the OTC market. Bank records show that this particular Nominee has paid SMEA2Z at least \$500,000, some of which may have included payment for this assignment and the balance a kickback from the sale of the stock.

29. For a third example, in January 2019, ALYI and SMEA2Z executed a consulting

agreement whereby ALYI agreed to pay \$400,000 annually to SMEA2Z. Verges controlled ALYI's bank accounts and had direct knowledge of ALYI's financial condition. When Verges executed the agreement, he knew that ALYI had reported revenue of \$240,000 and a net loss of over \$600,000 for 2018, and thus could not afford to pay \$400,000 to SMEA2Z. On February 25, 2021, SMEA2Z executed a Debt Settlement Agreement, agreeing to accept common shares of ALYI stock as payment for the \$400,000 owed pursuant to the consulting agreement. SMEA2Z assigned \$200,000 of the Debt Settlement Agreement to one of the Nominees for purported consideration of \$200,000. On March 1, 2021, the Nominee executed a notice of conversion to convert the \$200,000 interest in the Debt Settlement Agreement for 10 million shares. On March 17, 2021, ALYI issued 10 million discounted ALYI shares to the Nominee. Transfer agent records show that these 10 million ALYI shares were transferred to an entity associated with this Nominee on March 26, 2021, and the Nominee's entity subsequently transferred the shares to a foreign broker-dealer on March 29, 2021, for sale into the market. Bank records show that this Nominee has paid SMEA2Z more than \$1.3 million, some of which may include payment for the assignment and the balance kickback payments.

C. The Malins and Tilton Knowingly Participated in Verges's Scheme

1. The Malins used Blue Citi to Obtain and Sell Discounted PSC Shares

30. Blue Citi purchased interests in PSC convertible debt instruments and also obtained interests in the PSC convertible debt instruments in exchange for Blue Citi's purported investments in the PSCs. At the Malins' direction, Blue Citi then exercised its conversion rights and, at Verges's direction, was issued discounted PSC stock. Blue Citi then entered into stock purchase agreements ("SPA") to sell its shares to third parties, who, in turn, sold the shares in the OTC markets using domestic and offshore brokers. These third parties typically paid Blue Citi for the PSC shares out of the proceeds from the ultimate sales of the PSC shares into the OTC

markets.

31. As managing members of Blue Citi, the Malins controlled the company and used it to participate in Verges’s fraud scheme to aid Verges in dumping PSC shares into the market. In particular, Verges and R. Malin agreed that Blue Citi would obtain interests in the Verges Companies’ debt instruments with the PSCs. They also agreed that Verges would direct issuances of the discounted stock to Blue Citi and that R. Malin would pay the Verges Companies a portion of Blue Citi’s trading proceeds. Both of the Malins executed notes, agreements, and conversion notices in their capacities as “Managers” of Blue Citi to obtain PSC shares. L. Malin also directly corresponded with at least one of the PSCs’ transfer agents regarding conversion and was included on multiple emails that Blue Citi’s attorney sent to the transfer agents for Blue Citi to receive stock in the PSCs.

32. Beginning in at least May 2018, Verges directed the issuance of discounted unrestricted shares of stock in the PSCs to Blue Citi in at least the following amounts:

PSC	Shares	Aggregate Conversion Price at Time of Issuance	Aggregate Market Value at Time of Issuance
ALYI	1,440,633,468	\$3,677,914.40	\$22,982,432.82
PJET	77,000,000	\$385,000.00	\$508,300.00
PURA	500,644,100	\$1,770,645.00	\$10,568,145.30
VAYK	505,870,000	\$820,330.00	\$12,152,780.00
WPUR	41,129,441	\$173,000.00	\$963,497.83
TOTAL	2,565,277,009	\$6,826,889.40	\$47,175,155.96

In total, Blue Citi received over 2.5 billion shares of stock in the PSCs that had a market value of \$47 million at the time of issuance, for a total discount of almost \$41 million.

33. After the stock issuances, the Malins directed Blue Citi to sell its shares to third parties who, in turn, would sell the shares into the market at a substantial profit. Verges

facilitated many of these transactions by directly corresponding with the PSCs' transfer agents using one of his aliases (as described below), and indirectly by instructing the PSCs' figurehead CEOs to approve share issuances to Blue Citi.

2. *Tilton Worked for Verges and Used JDT to Obtain and Sell Discounted PSC Shares*

34. All PSCs published Disclosure Statements and Financial Reports pursuant to the Pink Basic Disclosure Guidelines through a publicly available website maintained by OTC Markets Group, Inc. ("OTC Markets"). Verges hired Tilton as a consultant for ALYI, VAYK, and PURA, and Tilton's responsibilities primarily included assisting in preparing and publishing these OTC Disclosure Statements on the OTC Markets' publicly available website. Similar to Verges, Tilton executed consulting agreements with the three PSCs despite knowing, since he was provided with and published their financial documents, that these PSCs could not afford to pay his fee. Consequently, Tilton accepted convertible notes as compensation with the goal of converting the notes to stock, which he could then sell into the market via his entity, JDT.

35. Similar to his arrangement with Blue Citi, Verges directed stock issuances to JDT at significantly discounted prices. Beginning in at least December 2017, JDT received shares in the PSCs as follows:

PSC	Shares	Sum of Conversion Price at Time of Issuance	Sum of Market Value at Time of Issuance
ALYI	859,388,610	\$769,388.61	\$29,112,474.47
PURA	140,649,581	\$1,024,198.17	\$3,550,863.62
VAYK	163,368,000	\$163,368.00	\$4,503,150.50
TOTAL	1,163,406,191	\$1,956,954.78	\$37,166,488.58

In total, JDT received over 1.1 billion shares of ALYI, VAYK, and PURA stock, with a market value of over \$37 million at the time of issuance, at a total discount of more than \$35 million.

Between June 2018 and September 2022, JDT sold these shares of ALYI, VAYK, and PURA stock and received proceeds of more than \$16 million from the sales. Tilton and JDT then paid Verges, through the Verges Companies, at least \$475,000.

D. Verges and Tilton Published Materially False and Misleading Disclosures

36. Verges directed the preparation of and approved the OTC Disclosure Statements for ALYI, VAYK, and PURA. At Verges's direction, Tilton prepared the OTC Disclosure Statements using information he received from Verges, Verges's personal accountant (the "Accountant"), and the PSCs' transfer agents. Verges directed Tilton to prepare OTC Disclosure Statements that omitted information about promissory notes that the PSCs issued to the Verges Companies and to the Nominees. As one example, Verges directed Tilton to omit from PURA's March 2019 OTC Disclosure Statement a \$350,000 convertible promissory note issued to SMEA2Z in April 2018. As another example, Verges directed Tilton to omit from ALYI's OTC Disclosure Statement a \$1 million note issued to Blue Citi on April 8, 2021. Verges directed Tilton to hide this information, which concealed Verges's control of, and transactions with, the PSCs and resulted in materially misleading financials because ALYI failed to accurately disclose its debt obligations. Both Verges and Tilton knew that Verges controlled the PSCs, which should have been disclosed in the OTC Disclosure Statements.

37. Verges also directed Tilton to prepare and publish OTC Disclosure Statements that concealed the preparer of the OTC Financial Reports for ALYI, VAYK, and PURA. As examples, ALYI's OTC Disclosure Statement for the periods ended March 31, 2022 and June 30, 2022 stated that ALYI's OTC Financial Reports were prepared by ALYI's CEO. However, Verges and Tilton knew that these statements were false and that the Accountant, not ALYI's CEO, prepared these financials. Verges omitted the Accountant's role because he is a felon and was previously barred from appearing or practicing before the Commission. Additionally, none

of the aforementioned OTC Disclosure Statements (including those identified in paragraphs 35 and 37 above) disclosed Verges's control over the PSCs.

E. Verges Used Aliases to Hide His Role in the Scheme

38. When conducting business on behalf of the PSCs, Verges used the alias "Mike Murphy" from at least May 2018 through March 2020 and the alias "Tom Faye" from at least December 2020 through May 2021. Verges used these aliases to conceal his true identity and his control of the PSCs. As an example, in December 2020, Verges emailed VAYK's transfer agent using his alias "Faye" and posing as a VAYK employee to facilitate a transfer of shares from Blue Citi to a third party. In March 2021, Verges emailed ALYI's transfer agent using his "Murphy" alias to facilitate the issuance of 10 million ALYI shares to one of the Nominees. Verges was an undisclosed control person of the PSCs, a fact that he should have disclosed to the transfer agent. Instead, Verges went to great lengths to conceal his control of the PSCs by using these aliases in communications with the transfer agents. By using the "Faye" and "Murphy" aliases in these instances and others, Verges deceived the transfer agents and the investing public. Tilton knew that Verges used these aliases, and he was even included on emails with both ALYI's and VAYK's transfer agents when Verges used the aliases.

F. Verges Used a Press Release Campaign to Manipulate the PSCs' Trading Volume and Spread Misinformation

1. Verges's Press Release Campaign Artificially Increased the PSCs' Trading Volume

39. To allow the Nominees to dump shares into the market, Verges embarked on a promotional campaign to generate investor interest and increase trading volume in the stocks of the PSCs. From at least September 2017 to August 2022, Verges posted more than 1,400 press

releases to promote the PSCs on InvestorsHub (“iHub”).¹ Verges posted the high volume of releases on iHub to: (a) create and sustain investor interest in the PSCs; and (b) ultimately sustain sufficient trading volume to allow the Nominees to dump their shares of stock in the PSCs into the market.

40. As early as December 2014, Verges used his alias “Mike Murphy” to create an account with iHub under the username “4Weed.” Between September 2017 and August 2022, Verges, using the alias 4Weed, uploaded over 1,400 press releases to iHub relating to the PSCs during the following time periods as follows:

PSC	Date Range	Number of Press Releases
ALYI	9/12/17 – 8/9/22	512
PJET	10/12/17 – 8/12/22	87
PURA	12/11/17 – 8/11/22	762
VAYK	11/17/21 – 8/12/22	16
WPUR	12/17/21 – 8/16/22	42
	TOTAL	1419

Verges drafted, in whole or in part, the PSC press releases and had ultimate authority over their content. Verges paid iHub at least \$1,395,800 from SMEA2Z’s bank account to post these press releases.

41. Verges’s posting of these press releases caused artificial increases in the PSCs’ trading volume.

2. Verges’s Press Releases Contained Untrue Statements

42. Verges authored and posted at least four press releases that contained untrue statements about ALYI.

43. On August 26, 2020, Verges posted a press release he authored that stated,

¹ iHub is an online research forum community that centers around penny stocks and also allows users to upload press releases.

“[ALYI] has secured an initial \$25 million investment commitment that is part of a \$100 million cryptocurrency offering organized by the investor, RevoltTOKEN (www.revolttoken.com).”

This statement was false and misleading because ALYI never secured a \$25 million investment commitment. Also, Verges failed to disclose that he controlled RevoltTOKEN.

44. On August 27, 2020, Verges posted a press release he authored that stated, “ALYI currently has already entered into an initial \$20 million electric motorcycle order and an additional letter of intent for a \$30 million contract.” This statement was false and misleading, because there was no \$20 million order and no interest that would lead to such an order at that time.

45. On September 2, 2020, Verges posted a press release he authored that stated, “ALYI has entered into a comprehensive funding agreement with RevoltTOKEN that includes an existing \$25 million first tranche investment commitment at \$0.05 per share. ALYI has initiated a \$2.5 million draw down on the first \$25 million to begin construction on a 100-acre facility in Africa.” This statement was false and misleading because RevoltTOKEN never made a \$25 million commitment to ALYI and there was no \$2.5 million draw down. In fact, when the press release was issued, RevoltTOKEN did not exist, had not been incorporated, and did not even have a bank account. Therefore, the \$2.5 million draw down was impossible.

46. On April 16, 2021, Verges posted a press release he authored that stated, “[i]n April 2021, Alternet Systems, Inc. executed multiple business agreements in conjunction with a \$1 million investment in Zoomcar, Inc. [...] To provide the funds for Alternet’s investment, the Company issued a \$1 million convertible note with a \$0.10 conversion price.” This statement was false and misleading because the conversion price of the referenced note, which was issued to Blue Citi, was not \$0.10. ALYI’s discount price on convertible notes was \$0.001. Blue Citi

ended up receiving stock pursuant to the note at a conversion price of \$0.0032, enabling it to obtain ALYI stock at a price 96.8% lower than what Verges represented to the public.

47. In conjunction with the press releases identified in paragraphs 42 through 46, Verges directed ALYI to issue stock to the Nominees: (a) on the same day as the August 27, 2020 and September 2, 2020 press releases; (b) on the day following the August 26, 2020 press release; and (c) four stock issuances before the April 16, 2021 press release. As with the other press releases that Verges posted, ALYI’s trading volume was markedly higher on the days Verges posted the four press releases identified above.

G. Defendants Profited From the Scheme

48. Bank records show that from at least as early as January 2017, the Verges Companies received at least \$19,168,916.30 from Blue Citi, JDT, Tilton, and the Other Nominees:

	Funds Received By:			
	SMEA2Z	West Cucharras	143 Partners	TOTAL
Funds Received From:				
Blue Citi	\$12,307,287.00	\$50,000.00	\$225,000.00	\$12,582,287.00
JDT	\$450,000.00			\$450,000.00
Tilton		\$25,000.00		\$25,000.00
Other Nominees	\$4,659,929.30	\$560,000.00	\$891,700.00	\$6,111,629.30
TOTAL	\$17,417,216.30	\$635,000.00	\$1,116,700.00	\$19,168,916.30

49. Bank and trading records show that Blue Citi received at least \$35,946,798.92 in trading proceeds from selling the PSCs’ stock. R. Malin received at least \$11,877,763.24 from Blue Citi between May 2018 and the present, and L. Malin received at least \$533,750 from Blue Citi during the same period. Since December 2017, JDT received at least \$16,522,750 in trading proceeds from its sales of the PSCs’ stock.

**V.
CLAIMS FOR RELIEF**

FIRST CLAIM FOR RELIEF

**Violations of the Antifraud Provisions of the Exchange Act
Section 10(b) and Rule 10b-5**

Against All Defendants

50. Plaintiff re-alleges and incorporates paragraphs 1 through 49 of this Complaint by reference as if set forth verbatim in this Claim.

51. From at least June 2017 to June 2022, Defendants perpetrated a scheme to pump and dump stock in the PSCs to unsuspecting public investors in the OTC markets. Among other things, Verges caused the PSCs to enter into sham consulting agreements with companies that he controlled, and he then directed the companies to issue debt instruments to cover the fees that they would otherwise be unable to pay. In turn, Verges assigned those debt instruments to the Nominees, including Blue Citi and JDT. Verges then directed the PSCs to issue significantly discounted unrestricted shares of stock to the Nominees in order to satisfy the PSCs' bogus debts. The Nominees proceeded to offload the discounted shares into the OTC markets. Blue Citi and JDT alone received more than \$52 million in proceeds. The Nominees returned approximately \$19 million to Verges as kickbacks.

52. R. Malin, L. Malin, and Tilton played key active roles in the pump and dump scheme. R. Malin and L. Malin used Blue Citi to sell shares of the PSCs' stocks it received, through transactions with the Verges Companies and others, to third parties, who sold them into the OTC markets. Tilton owned JDT, another participant in the scheme, and transferred JDT's shares of the PSCs to third parties who sold them into the OTC markets. Blue Citi and JDT both paid the Verges Companies kickbacks out of the proceeds from their sales of the PSCs' stocks.

53. Furthermore, to ensure that the Nominees could sell the PSCs' shares into the market, Verges inflated the PSCs' trading volume by, directly or indirectly: (a) preparing and posting OTC Disclosure Statements and Financial Reports that were materially misleading; and (b) authoring and posting more than 1,400 press releases promoting the PSCs, including four press releases that included untrue statements of material fact.

54. By engaging in the acts and conduct alleged herein, Defendants, directly or indirectly, in connection with the purchase or sale of securities, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange, knowingly or with severe recklessness:

- a. employed a device, scheme, or artifice to defraud; and/or
- b. engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon any person.

55. By engaging in the acts and conduct alleged herein, Verges, directly or indirectly, in connection with the purchase or sale of securities, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange, knowingly or with severe recklessness made an untrue statement of material fact, or omitted 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.

56. By reason of the foregoing, Defendants violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a), (c)].

57. In addition, Verges also violated, and unless restrained and enjoined will continue to violate, Rule 10b-5(b) [17 C.F.R. § 240.10b-5(b)].

SECOND CLAIM FOR RELIEF

**Aiding and Abetting Violations of the Antifraud Provisions of the Exchange Act
Section 10(b) and Rules 10b-5(a) and 10b-5(c)**

Against Tilton, R. Malin, L. Malin, and Blue Citi

58. Plaintiff re-alleges and incorporates paragraphs 1 through 49 of this Complaint by reference as if set forth verbatim in this Claim.

59. R. Malin, L. Malin, and Tilton played key active roles in the pump and dump scheme. R. Malin and L. Malin used Blue Citi to sell shares of the PSCs' stocks it received, through transactions with the Verges Companies and others, to third parties, who sold them into the OTC markets. Tilton owned JDT, another participant in the scheme, and transferred JDT's shares of the PSCs to third parties who sold them into the OTC markets. Blue Citi and JDT both paid kickbacks to the Verges Companies out of the proceeds from their sales of the PSCs' stocks.

60. In addition, as more fully discussed in paragraphs 34 and 36-37 above, Tilton, at Verges's direction, prepared and posted to a publicly available website the OTC Disclosure Statements that concealed certain information such as the preparer of the Financial Reports for ALYI, VAYK, and PURA.

61. By engaging in the acts and conduct alleged herein, Blue Citi, R. Malin, L. Malin, and Tilton aided and abetted Verges's violations of Section 10(b) of the Exchange Act and Rules 10b-5(a) and 10b-5(c) thereunder by knowingly or recklessly providing substantial assistance to Verges who, directly or indirectly, singly or in concert with others, in the purchase and sale of a security, by use of the means or instrumentalities of interstate commerce or by use of the mails (i) employed a device, scheme, or artifice to defraud, and/or (ii) engaged in an act, practice, or course of business which operated as a fraud or deceit upon purchasers, prospective purchasers,

and other persons.

62. By reason of the foregoing, Blue Citi, R. Malin, L. Malin, and Tilton, directly or indirectly, aided and abetted, and unless enjoined will continue to aid and abet, violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and 10b-5(c) [17 C.F.R. §§ 240.10b-5(a) and 240.10b-5(c)] thereunder.

THIRD CLAIM FOR RELIEF

Violations of the Antifraud Provisions of the Securities Act Securities Act Section 17(a)

Against All Defendants

63. Plaintiff re-alleges and incorporates paragraphs 1 through 49 of this Complaint by reference as if set forth verbatim in this Claim.

64. From at least June 2017 to June 2022, Defendants perpetrated a scheme to pump and dump stock in the PSCs to unsuspecting public investors in the OTC markets. Among other things, Verges caused the PSCs to enter into sham consulting agreements with companies that he controlled, and he then directed the companies to issue debt instruments to cover the fees that they would otherwise be unable to pay. In turn, Verges assigned those debt instruments to the Nominees, including Blue Citi and JDT. Verges then directed the PSCs to issue significantly discounted unrestricted shares of stock to the Nominees in order to satisfy the PSCs' bogus debts. The Nominees proceeded to offload the discounted shares into the OTC markets. Blue Citi and JDT alone received more than \$52 million in proceeds. The Nominees returned approximately \$19 million to Verges as kickbacks.

65. R. Malin, L. Malin, and Tilton played key active roles in the pump and dump scheme. R. Malin and L. Malin used Blue Citi to sell shares of the PSCs' stocks it received,

through transactions with the Verges Companies and others, to third parties, who sold them into the OTC markets. Tilton owned JDT, another participant in the scheme, and transferred JDT's shares of the PSCs to third parties who sold them into the OTC markets. Blue Citi and JDT both paid kickbacks to the Verges Companies out of the proceeds from their sales of the PSCs' stocks.

66. Furthermore, to ensure that the Nominees could sell the PSCs' shares, Verges inflated the PSCs' trading volume by, directly or indirectly: (a) preparing and posting OTC Disclosure Statements and Financial Reports that were materially misleading; and (b) authoring and posting more than 1,400 press releases promoting the PSCs, including four press releases that included untrue statements of material fact.

67. By engaging in the acts and conduct alleged herein, Defendants, directly or indirectly, in the offer or sale of a security, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, have:

- a. knowingly or with severe recklessness employed a device, scheme, or artifice to defraud; and/or
- b. knowingly, recklessly, or negligently engaged in a transaction, practice, or course of business which operated or would operate as a fraud or deceit upon the purchaser.

68. In addition, by engaging in the acts and conduct alleged herein, Verges, directly or indirectly, in the offer or sale of a security, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, has knowingly, recklessly, or negligently obtained money or property by means of an untrue statement of a material fact or an 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.

69. By reason of the foregoing, Defendants have violated, and unless enjoined will continue to violate, Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(1), (3)].

70. In addition, Verges also violated, and unless restrained and enjoined will continue to violate, Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

FOURTH CLAIM FOR RELIEF

Aiding and Abetting Violations of the Antifraud Provisions of the Securities Act Sections 17(a)(1) and (3)

Against Tilton, R. Malin, L. Malin, and Blue Citi

71. Plaintiff re-alleges and incorporates paragraphs 1 through 49 of this Complaint by reference as if set forth verbatim in this Claim.

72. R. Malin, L. Malin, and Tilton played key active roles in the pump and dump scheme. R. Malin and L. Malin used Blue Citi to sell shares of the PSCs' stocks it received, through transactions with the Verges Companies and others, to third parties, who sold them into the OTC markets. Tilton owned JDT, another participant in the scheme, and transferred JDT's shares of the PSCs to third parties who sold them into the OTC markets. Blue Citi and JDT both paid kickbacks to the Verges Companies out of the proceeds from their sales of the PSCs' stocks.

73. In addition, as more fully discussed in paragraphs 34 and 36-37 above, Tilton, at Verges's direction, prepared and posted to a publicly available website the OTC Disclosure Statements that concealed certain information such as the preparer of the Financial Reports for ALYI, VAYK, and PURA.

74. By engaging in the acts and conduct alleged herein, Blue Citi, R. Malin, L. Malin, and Tilton aided and abetted Verges's violations of Section 17(a)(1) and (3) of the Securities Act by knowingly or recklessly providing substantial assistance to Verges who, directly or indirectly,

singly or in concert with others, in the offer or sale of a security, by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails (i) employed a device, scheme, or artifice to defraud, and/or (ii) engaged in a transaction, practice, or course of business which operated as a fraud or deceit upon purchasers.

75. By reason of the foregoing, Blue Citi, R. Malin, L. Malin, and Tilton, directly or indirectly, aided and abetted, and unless enjoined will continue to aid and abet, violations of Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(1) and (3)].

FIFTH CLAIM FOR RELIEF

Control Person Liability Under Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)] for Blue Citi's Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a), (c)]

Against R. Malin and L. Malin

76. Plaintiff re-alleges and incorporates paragraphs 1 through 49 of this Complaint by reference as if set forth verbatim in this Claim.

77. By virtue of the foregoing, Blue Citi has violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a), (c)] by directly or indirectly, in connection with the purchase or sale of securities, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange, knowingly or with severe recklessness employing a device, scheme, or artifice to defraud; and/or engaging in an act, practice, or course of business which operated or would operate as a fraud or deceit upon any person.

78. As Blue Citi's Managing Members, R. Malin and L. Malin exercised control over the general operations of Blue Citi and the specific activity upon which Blue Citi's violations are

based.

79. By reason of the foregoing, R. Malin and L. Malin are liable as control persons for Blue Citi's violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a), (c)] pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)].

SIXTH CLAIM FOR RELIEF

Disgorgement

Against All Relief Defendants

80. Plaintiff re-alleges and incorporates paragraphs 1 through 49 of this Complaint by reference as if set forth verbatim in this Claim.

81. Relief Defendants SMEA2Z, 143 Partners, West Cucharras, and JDT, directly or indirectly, received funds or benefitted from the use of funds, which are proceeds of the securities law violations described herein.

82. Relief Defendants SMEA2Z, 143 Partners, West Cucharras, and JDT have no legitimate claims to such funds received, or from which they otherwise benefitted from, directly or indirectly.

83. The Commission is entitled to an order, pursuant to common law equitable principles—such as disgorgement, unjust enrichment, and constructive trust—and pursuant to Sections 21(d)(3), (5), and (7) of the Exchange Act [15 U.S.C. §§ 78u(d)(3), (5), (7)], requiring Relief Defendants to disgorge all of the proceeds they received, either directly or indirectly, from Defendants that they derived from the securities law violations described herein.

84. As a result of the conduct described above, Relief Defendants should disgorge

their ill-gotten gains, plus prejudgment interest thereon.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a judgment:

1. Permanently enjoining Verges from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. § 77e] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

2. Permanently enjoining Tilton, R. Malin, L. Malin, and Blue Citi from violating, directly or indirectly, Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. §§ 77e(1), (3)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a), (c)], and from aiding and abetting future violations of Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. §§ 77e(1), (3)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a), (c)];

3. Permanently enjoining Verges, Tilton, R. Malin, L. Malin, and Blue Citi pursuant to Section 20(g)(1) of the Securities Act [15 U.S.C. § 77t(g)(1)] and Section 21(d)(6)(A) of the Exchange Act [15 U.S.C. § 78u(d)(6)(A)], from participating in an offering of penny stock, including engaging in activities with a broker, dealer, or issuer for purposes of issuing, trading, or inducing or attempting to induce the purchase or sale of any penny stock. A penny stock is any equity security that has a price of less than five dollars, except as provided in Rule 3a51-1 under the Exchange Act [17 C.F.R. § 240.3a51-1];

4. Permanently enjoining Verges, Tilton, R. Malin, and L. Malin, pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange

Act [15 U.S.C. § 78u(d)(2)], from serving as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l], or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)];

5. Ordering Defendants and Relief Defendants to disgorge all ill-gotten gains they received as a result of the conduct alleged herein, together with pre-judgment interest on those amounts, pursuant to the Court's equitable powers and Sections 21(d)(3), 21(d)(5), and 21(d)(7) of the Exchange Act [15 U.S.C. §§ 78u(d)(3), 78u(d)(5), and 78u(d)(7)];

6. Imposing civil penalties against Defendants pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] for violations of the federal securities laws as alleged herein;

7. Retaining jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court; and

8. Granting such other and further relief as this Court may determine to be just and necessary.

Dated: September 26, 2023

Respectfully submitted,

/s/ Jason P. Reinsch

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