



Hewlett Packard, IBM, and Dell for use in large data centers. Mapp had no reasonable basis for these claims and failed to disclose that, in reality, the CTS-1000 was based on outdated technology that was being phased out of the industry.

4. As part of its fundraising efforts, Servery paid Caleb J. White (“White”) and Warren K. Paxton, Jr. (“Paxton”) commissions to promote the company to potential investors. Neither White nor Paxton disclosed their arrangements to prospective investors.

### DEFENDANTS

5. **Servery, Inc.** is incorporated in Nevada. At all relevant times, Servery’s principal place of business was in McKinney, Texas. The company raised approximately \$26 million between its founding in August 2009 and September 2013. During that period, Servery claimed to be a computer hardware company with a single product, the CTS-1000. In 2014, Servery rebranded itself under the leadership of a new CEO and reconstituted board of directors and is now generating revenue using the CTS-1000 to sell secure, cloud-based data storage services.

6. **William E. Mapp, III**, age 56, resides in McKinney, Texas. Mapp co-founded Servery and served as its CEO from August 2009 to September 2014, its President from August 2009 to July 2014, and Chairman of its board of directors from April 2009 to May 2015. Mapp was responsible for Servery’s fundraising from August 2009 to February 2013 and had signatory authority over Servery’s bank accounts while CEO.

7. **Warren K. Paxton, Jr.**, age 53, resides in McKinney, Texas. Paxton has served as Texas’s Attorney General since January 2015. He was a Texas state senator from January 2013 to December 2014, and a Texas state representative from January 2003 to December 2012. Paxton received 100,000 shares of Servery stock for recruiting investors to Servery between

July 11, 2011 and July 31, 2011. Paxton was registered as an investment advisor representative of Mowery Capital Management (“MCM”) from December 2013 to November 2014, and MCM’s predecessor firm from July 2003 to December 2004. On May 2, 2014, the Texas State Securities Board (“TSSB”) fined Paxton \$1,000 after he admitted soliciting clients for MCM without being registered as an investment advisor representative of the firm. According to the TSSB’s disciplinary order, Paxton did not personally disclose to clients that he would be paid 30% of the asset management fees MCM collected. On July 28, 2015, a Collin County, Texas grand jury indicted Paxton on two counts of first degree state securities fraud and one third degree felony count for failing to register as an investment adviser representative for the same conduct underlying the TSSB’s disciplinary order. *State of Texas v. Warren Kenneth Paxton, Jr.* in the 416<sup>th</sup> Judicial District Court of Collin County, Texas, No. 416-81913-2015, 416-82148-2015, and 416-82149-2015.

8. **Caleb White**, age 36, resides in Tyler, Texas. White received approximately \$66,000 in commissions for recruiting investors to Servergy from April 2010 to April 2012. He also served as a purported independent director on Servergy’s board between September 2011 and September 2015. White owns an insurance sales firm focusing on Medicare, property and casualty insurance, and life insurance.

#### **JURISDICTION AND VENUE**

9. The SEC brings this action pursuant to authority conferred upon it by Section 20(b) and 20(d) of the Securities Act [15 U.S.C. §§ 77t(b) and 77t(d)] and Section 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78(u)(e)].

10. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), (e), and 78aa].

11. Venue is proper in this district because at all relevant times Servergy maintained an office here, all individual Defendants except White reside here, and the acts, transactions, and courses of business constituting violations of law alleged in this Complaint occurred here.

12. In connection with the conduct described in this Complaint, Defendants directly or indirectly made use of the mails or the means or instruments of transportation or communication in interstate commerce.

### **FACTUAL ALLEGATIONS**

#### **I. SERVERGY MADE MATERIAL MISREPRESENTATIONS AND OMISSIONS ABOUT THE CTS-1000 TO RAISE \$26 MILLION BETWEEN 2009 AND 2013 SELLING UNREGISTERED SECURITIES.**

13. Servergy funded its operations, namely development of the CTS-1000, by raising \$26 million between November 2009 and September 2013 without a registration statement being filed or in effect and when no exemption from registration applied.

##### **A. Mapp led Servergy's fundraising efforts between November 2009 and January 2013 and raised more than \$6 million.**

14. From November 2009 through January 2013, Mapp acted not only as Servergy's co-founder, CEO, and Chairman; he was also its primary fundraiser. During that time, he raised over \$6 million for Servergy through word-of-mouth referrals that led to sales of common stock to 135 investors across ten states.

15. Mapp identified prospective investors through referrals and offered to pay 10% commissions to individuals for introducing new investors to the company.

16. Once prospective investors were identified, Mapp hosted presentations, in person and virtually through webinars, pitching opportunities to invest in Servergy. During those presentations, he made materially misleading claims about the state of Servergy's technology and its business prospects, and conducted a live demonstration juxtaposing the CTS-1000's power efficiency with a Dell server that Mapp falsely claimed was a comparable product.

17. In addition to his in-person and virtual presentations, Mapp provided prospective investors offering documents including a Confidential Information Memorandum ("CIM") and subscription agreement. Mapp helped draft these documents and was ultimately responsible for their contents.

18. Mapp's investor presentations and Servergy's CIM contained material misrepresentations and omissions about the state of Servergy's technology and business prospects, as described below.

**B. WFG Investments, Inc. raised \$20 Million for Servergy between February and September 2013.**

19. Between February 2013 and September 2013, Servergy engaged broker-dealer WFG Investments, Inc. ("WFG") to raise an additional \$20 million for the company by offering up to 10,000,000 shares of Servergy common stock at a price of \$2.00 per share.

20. In connection with the WFG offering, Mapp conducted a live investor presentation on or about February 14, 2013 ("WFG Presentation"), which was audio recorded and later made available to prospective investors across the country via email.

21. In addition to Mapp's recorded presentation, prospective investors identified in connection with the WFG offering also received Servergy's private placement memorandum ("PPM"), a marketing PowerPoint presentation, an executive summary, and a subscription agreement. Mapp participated in drafting the PPM and was ultimately responsible for approving

the statements made in it, large portions of which were copied from Servergy's earlier CIM. According to the PPM, investment funds would be used to develop necessary software, manufacture the CTS-1000, and market the server to customers.

22. Both the investor presentation and PPM contained material misrepresentations and omissions about the state of Servergy's technology and business prospects, as described below.

## **II. MAPP AND SERVERGY MISLED INVESTORS WITH FALSE CLAIMS OF ALLEGED ORDERS.**

### **A. Servergy falsely claimed customers had committed to purchasing the CTS-1000.**

23. When soliciting investments throughout the Relevant Period, Servergy and Mapp knowingly misled investors to believe that customers were committed to purchasing the CTS-1000.

24. To demonstrate market demand for the CTS-1000, Mapp implemented a pre-order program in August 2012 requiring customers to pay a 50% deposit to pre-order the CTS-1000.

25. When no potential customers were willing to pay a deposit to reserve a CTS-1000, Mapp changed the program in October 2012, dropping the deposit requirement and merely calling for a customer to sign a non-binding pre-order form. Even though the new pre-order form was non-binding and required no financial deposit, only one potential customer, Koerr, Inc. ("Koerr") was willing to sign it.

26. In order to create the false appearance that Servergy had received more than one pre-order, Mapp's son, William E. Mapp, IV ("Will Mapp"), published a "pre-order" form on Servergy's website, which allowed visitors to the site to express interest in the CTS-1000 by

submitting basic information such as a name and company affiliation. Such pre-orders did not obligate website visitors to purchase Servergy's server.

27. By January 2013, in order to further falsely inflate the number of pre-orders, Mapp began to use the term pre-order to refer to *any* instance in which a prospective customer indicated, either orally, via email, or on Servergy's online pre-order form that it would *consider* buying the CTS-1000 when it ultimately became available in the market.

28. With Mapp's counterintuitive definition of "pre-order" as its basis, a section of Servergy's PPM titled "pre-orders" falsely claimed the company had received "25 orders totaling over 1,500 units with planned delivery in late 2013."

29. During the WFG Presentation, Mapp falsely claimed that Servergy had received pre-orders for over 2,000 CTS-1000 units and the company would begin to turn a profit after selling only 600 units. At that same gathering, Mapp failed to correct a WFG representative who claimed investors' money would be "protected in a very short fashion" because Servergy had "orders on the books."

30. Despite changing the meaning of the term "pre-order" to suit his needs over time, Mapp told investors that Servergy's pre-order program was the same model used by Tesla and Apple. This was untrue because, during the Relevant Period, Tesla and Apple each required customers to make cash deposits, or payment in full, when pre-ordering products.

31. When these statements were made in the PPM and orally by Mapp, he knew that Servergy had not received orders for the CTS-1000. Instead, Mapp had simply invented his own misleading definition for the term "pre-order" to disguise the fact that Servergy had neither actual product orders nor binding legal or financial commitments from customers to purchase the CTS-1000.

**B. Servergy maintained a pipeline report tracking supposed sales leads.**

32. Servergy utilized an Opportunity Pipeline Report (“Pipeline Report”) to internally track sales leads. Will Mapp, who generated potential customer leads at trade shows and monitored online pre-orders, was primarily responsible for maintaining and updating the Pipeline Report, which Bill Mapp received and discussed with other members of management.

33. The Pipeline Report (a) identified companies Servergy believed were interested in the CTS-1000; and (b) estimated the likelihood a sale would actually occur. For instance, Servergy’s Pipeline Report assigned a 50% likelihood that Disney and Netflix would each order the CTS-1000 despite no substantive discussions with those companies or indicia that the companies seriously considered purchasing Servergy’s server.

34. The Pipeline Report also continued to identify potential customer orders long after those supposed sales opportunities – to companies such as Freescale Semiconductor, Inc. (“Freescale”), discussed below – ceased to exist.

35. Hence, the Pipeline Report presented an overstated version of Servergy’s business prospects and consequent financial outlook and overall sustainability.

**C. Mapp touted orders that never existed.**

*1. The alleged Freescale order*

36. In late July 2012, when Servergy was low on operating funds, the company pitched a possible sale to Freescale. While Servergy’s management was optimistic about the opportunity, Mapp alone began falsely referring to it as an actual purchase order. Indeed, Mapp began touting an order from Freescale when soliciting prospective investors and communicating with Servergy’s promoters, including Paxton.



37. On July 26, 2012 and July 30, 2012, Mapp touted the alleged Freescale order in emails to an investor. In the emails, Mapp knowingly and falsely claimed that Servergy had received an order from Freescale with a potential value of \$34 million. Shortly after receiving Mapp's second email, the investor wired \$40,000 to Servergy. Before receiving the investment, Servergy had just over \$5,000 in its bank account but, after receiving the investor's \$40,000, was able to meet its rent and payroll obligations for the month.

38. Ultimately, Freescale never purchased or ordered a single CTS-1000.

2. *The alleged Amazon order*

39. When Servergy was again low on operating funds in early 2013, Mapp falsely told prospective investors that the company had received an order from Amazon. In reality, an employee of Amazon had merely contacted Servergy because he wanted to test the CTS-1000 in his free time and for his personal use.

40. On December 25, 2012, the Amazon employee filled out Servergy's online pre-order form and typed "Amazon" into the field requiring a company name. The following day, Will Mapp received the online pre-order and immediately forwarded it to Mapp. Without any additional information, and before contacting Amazon or the individual for verification, Mapp sent a congratulatory email to the Servergy executive team claiming the company had received an order from Amazon.

41. On December 31, 2012, the Amazon employee explained to Will Mapp that he was simply inquiring about the CTS-1000 in his personal capacity and did not act on behalf of Amazon.

42. By January 9, 2013, Servergy's engineers were aware there was no order from Amazon and the individual's pre-order never even appeared in the Pipeline Report.

43. Notwithstanding (a) the lack of indicia in the online pre-order form of an enterprise-level interest at Amazon in the CTS-1000; (b) the fact that the pre-order only indicated an interest in a single server; and (c) the individual's prompt clarification that he was not inquiring on behalf of Amazon, Mapp knowingly or recklessly represented to investors and promoters, including White and Paxton, that Servery had received an order from Amazon until at least February 4, 2013.

44. Indeed, on January 16, 2013, eleven months before Servery had commercial units of the CTS-1000 available for purchase, Mapp sent an email telling a prospective investor that Servery was preparing to ship its first unit to Amazon. At the time, Servery had just over \$1,000 in its bank accounts and no commercial units available to ship. On February 28, 2013, the investor wired Servery \$100,000.

3. *The alleged Koerr order*

45. Servery's PPM falsely claimed that the company had received "25 orders totaling over 1,500 units." Notwithstanding Servery's misleading use of the term "pre-order," this statement was false and Mapp knew it was false by at least March 10, 2013. Nonetheless, the claim remained in the PPM until the offering closed on September 30, 2013.

46. Servery attributed the bulk of the supposed 1,500 units ordered to a purported purchase order by Koerr.

47. In October 2012, Will Mapp met Koerr's then-Chief Technology Officer ("CTO"), at a trade show, where the CTO agreed to consider the CTS-1000 for Koerr's server-purchasing needs. Shortly thereafter, the CTO signed a Servery pre-order form for 1,000 units, but, as was the case with all Servery pre-orders, did not make any payment or obligate Koerr to purchase any units.

48. On November 21, 2012, Servergy agreed to send Koerr two CTS-1000 prototypes for evaluation free of charge. Although Koerr's CTO signed a "purchase" order covering those two units, Koerr returned the units to Servergy after completing its testing.

49. On March 10, 2013, Koerr's CTO informed Servergy that Koerr had purchased its servers from Dell because it needed a server with a 64-bit processor, not the 32-bit processor of the CTS-1000. Mapp was informed of this the same day.

50. Servergy's false claim that it had received "25 orders totaling over 1,500 units," based largely on the Koerr pre-order, remained in the company's PPM until the WFG offering closed in September 30, 2013. In fact, when Servergy supplemented the PPM in July 2013, Mapp knowingly or recklessly failed to remove the claim or otherwise inform investors that the claim was untrue, and instead distributed the material misrepresentation to additional prospective investors.

### **III. MAPP AND SERVERGY MISREPRESENTED THE CTS-1000's CAPABILITIES**

#### **A. Mapp and Servergy failed to disclose that the CTS-1000 utilized an obsolete 32-bit processor.**

51. Servergy's PPM claimed the CTS-1000 was a revolutionary new server that could replace the "power-hungry" servers found in top data centers. Mapp, who touted his technical savvy and invited investors to rely on his claimed expertise, made similar claims in oral and written communications with investors throughout the Relevant Period. In truth, Servergy's technology was outdated by the time the WFG offering launched in February 2013.

52. According to the PPM, the CTS-1000 was an enterprise-grade general purpose server that would directly compete with top server makers like IBM, Dell, and Hewlett Packard. However, neither Mapp nor Servergy informed investors that while those companies had moved to manufacturing high performance servers with 64-bit processors, the CTS-1000 had a less

powerful 32-bit processor, and, thus, the CTS-1000 would not directly compete with the servers listed in the PPM.

53. Neither Mapp nor Servery disclosed the differences between the CTS-1000's 32-bit and 64-bit servers and consequent discrepancies in the CTS-1000's performance capabilities in comparison to market leading 64-bit servers. For instance, Servery failed to inform investors that many software programs simply could not operate on the CTS-1000's 32-bit processor or that a 64-bit processor allows for more efficient computation of complex data than a 32-bit processor.

54. Mapp and Servery knew, or were severely reckless in failing to know, that the CTS-1000's technology was outdated, incomparable to other servers they claimed it could compete against, and undesirable to at least certain of its prospective customers. Indeed, after Mapp permitted Koerr to test the CTS-1000, Koerr reported in March 2013 – a mere two months into the WFG offering – that it was only interested in 64-bit servers. Facebook gave Servery the same feedback in the summer of 2013.

55. Notably, Servery no longer markets the CTS-1000 as a general purpose server intended to compete with servers manufactured by market leaders but rather is generating revenue using the device to offer secure, cloud-based data storage and other services.

**B. Mapp and Servery misrepresented the CTS-1000's power consumption and thermal output.**

56. Mapp and Servery claimed that CTS-1000s “literally help[ed] pay for themselves by consuming up to 80% less power [and] cooling” than other servers. An early iteration of this claim appeared in Servery's CIM in 2009 and was repeatedly asserted by Mapp in oral and written communications with investors and in Servery's PPM. However, as Mapp knew, Servery only tested the CTS-1000 against one other, non-comparable Dell server

released nearly four years before the WFG offering launched. Hence, there was no basis for the claim that the CTS-1000 consumed less power or produced less thermal output than other, comparable servers.

57. Not only were Mapp's and Servery's power and thermal output claims baseless and false, but they also falsely represented to investors that an independent lab confirmed the claims. In reality, the lab they touted did not conduct comparable testing pitting the CTS-1000 against other servers. Instead, in October 2010, the lab merely tested the power consumption and thermal output of an early CTS-1000 prototype board *in isolation* rather than in comparison to any other server.

58. To support the false claim that the CTS-1000 consumed up to 80% less power than other servers, Servery included the following deceptive chart in its PPM:

Model	Servery CTS100	IBM PS701	Cisco B200 M2	Dell PowerEdge M160X	HP ProLiant BL420
CPU	8-Core	8-Core	8-Core	8-Core	8-Core
Hard Drive	4 x 1TB	1 x 300GB	2 x 146GB	1 x 1TB	2 x 1TB
RAM	32GB	32GB	192GB	96GB	32GB
Power Supply Quantity x Watts / server(s) = Watts per server	130W for each server = 130W/server	4 x 2980W / 14 servers = 851W/server	4 x 2500W / 8 servers = 1250W/server	6 x 2700W / 16 servers = 1012W/server	6 x 2400W / 8 servers = 1800W/server
Dimensions	8.75 in W x 1.75 in H x 14.00 in D	9.65 in W x 1.14 in H x 17.55 in D	16.5 in W x 1.95 in H x 24.40 in D	15.2 in W x 2.00 in H x 19.20 in D	7.11 in W x 2.18 in H x 20.37 in D
U Size	1/4 of 1U	9U	6U	10U	10U
Weight	9.0lbs	9.6lbs	25.0lbs	24.5lbs	14.0lbs
Ethernet	2 x 10 Gb 2 x 1 Gb	Dual Port 1GbE	Dual Port 10GbE	Dual Port 1GbE	Dual Port 1GbE
Price	Up To \$9,500 no enclosure required	Up \$13,000 + enclosure	\$13,000 + enclosure	\$12,000 + enclosure	\$30,000 + Enclosure
Enclosure Price	Not required. \$0	Up To \$10,779	Up To \$8,000	Up To \$5,000	Up To \$30,517

59. Without any technical qualifications or a college degree, and having been most recently employed as a truck driver, Will Mapp – not Servery's engineers – created the chart at *SEC v. Mapp, et al.*

Mapp's direction. Mapp – again, not Servergy's engineers – reviewed and edited the chart and ultimately approved its inclusion in the PPM and investor presentations.

60. The chart was inherently misleading because it attempted to compare the CTS-1000, a 32-bit *rack* server, to 64-bit *blade* servers. Although not disclosed in the PPM or elsewhere, Servergy's comparisons were meaningless absent additional, material information identifying the differences in capabilities between the CTS-1000 and more powerful blade servers – differences Mapp and Servergy either knew or were reckless in not knowing but did not disclose.

61. Furthermore, Servergy had no way of knowing how much power the IBM, Cisco, Dell, or Hewlett-Packard blade servers actually consumed because Servergy had not (a) performed or commissioned testing required to determine power consumption under varied workload conditions; (b) made use of publicly available tools to estimate power consumption of such blade servers under varied software configurations and workloads; or (c) considered that the blade servers in the chart all featured redundant power supplies in case of power failure, while the CTS-1000 did not. Instead, Will Mapp prepared the chart simply by using the blade servers' power supply ratings to represent their power consumption even though a server's power supply rating is not a useful comparison metric because a server may operate at less than half of its maximum output capacity.

#### **IV. WHITE PROMOTED SERVERGY'S STOCK IN EXCHANGE FOR UNDISCLOSED COMMISSIONS, SOLICITED UNACCREDITED INVESTORS, AND ULTIMATELY JOINED THE COMPANY'S BOARD OF DIRECTORS**

62. From April 2010 through April 2012, White raised more than \$1.4 million from over 150 individuals who invested with Servergy, many of whom were unaccredited. In return, Mapp paid White approximately \$66,000 in commissions.

**A. White failed to disclose that he was being paid to recruit new investors.**

63. After meeting Mapp in November 2009, White agreed to solicit his friends, family, and insurance firm clients to invest in Servery through three joint ventures he formed and managed, Dominion Joint Venture Group 1, 2, and 3, respectively (collectively, “Dominion JVs”), in exchange for cash commissions Mapp offered him.

64. In hundreds of emails soliciting investors, White parroted many of Mapp’s false and misleading statements, such as claiming that Servery was on the cusp of taking orders and that Servery’s technology had been validated by an independent laboratory. Yet while he made material statements to prospective investors regarding investments with Servery, including distributing Mapp’s promotional materials, White failed to tell investors that he was being paid to promote Servery, despite an obligation to do so.

65. Although White regularly solicited over 150 investors to purchase Servery securities through the Dominion JVs from April 2010 through April 2012 for which Servery paid him approximately \$66,000 in commissions, White was not registered with the Commission as a broker.

**B. Mapp and White knew that Dominion JV investors were unaccredited.**

66. Certain securities that are exempt from registration with the Commission may only be offered to, or purchased by, persons who are accredited investors. Generally, an accredited investor is someone who meets certain thresholds of income or net worth such that he or she may be identified as a sophisticated person who can bear the economic risk of investing in unregistered securities.

67. Some Dominion JV investors were unaccredited and unsophisticated, as Mapp and White each knew. As a preliminary matter, White himself was unaccredited yet he invested his own money in a Dominion JV before he was appointed to Servergy's Board.

68. Further, White required investors to sign separate subscription agreements with the Dominion JVs, some of which indicated that investors were unaccredited and had never invested in a private company.

69. In addition, White's email communications with investors indicated that he knew they were unsophisticated and could not afford a risky investment. For example, he knew some investors had \$2,000 or less to invest, and he was explicitly informed that one nineteen-year old investor had no investment experience.

70. Based on communications with White, Mapp knew at least some Dominion JV investors were not accredited and that certain investors could only invest \$1,000 or \$2,000.

71. For instance, when White informed Mapp that he had recruited investors who wanted to invest directly in Servergy – as opposed to investing through the Dominion JVs – Mapp informed White that Servergy could only accept direct investments from accredited investors.

72. Similarly, an unaccredited investor from whom Servergy refused a direct investment informed Mapp via email that he intended to invest through a Dominion JV.

**C. White continued to recruit investors as an independent member of Servergy's board of directors.**

73. In addition to paying White to recruit new Servergy investors, Mapp enlisted him to join Servergy's board of directors. White accepted, and joined Servergy's board in September 2011. Yet, despite his new title as a purportedly independent director of the company, White



continued to recruit new investors in exchange for undisclosed commissions until April 2012. White resigned from Servergy's board in September 2015.

**V. PAXTON PROMOTED SERVERGY IN EXCHANGE FOR UNDISCLOSED COMMISSIONS**

74. In July 2011, Paxton raised \$840,000 for Servergy through his efforts to promote the company and recruit investors in exchange for an undisclosed payment of 100,000 shares of Servergy common stock.

75. On July 12, 2011, Mapp met Paxton – then a member of the Texas House of Representatives – for the first time to discuss Servergy. They met at Paxton's law office in McKinney, Texas and, during their meeting, Mapp offered to pay Paxton a 10% commission for any investors Paxton recruited to invest with Servergy.

76. Following their meeting, Mapp emailed Paxton and reiterated his offer to pay Paxton either with Servergy common stock or a combination of cash and stock. In his email response to Mapp's offer, Paxton confirmed "I will get to work."

77. Within ten days of his meeting with Mapp, Paxton organized and invited at least seven prospective investors to an investment pitch at Servergy's office that took place on July 22, 2011. Paxton attended that meeting and also introduced Mapp to at least five additional prospective investors by telephone and email the same day.

78. Among the people Paxton recruited were his friends, business associates, law firm clients, and members of an investment group to which he belonged. Despite a duty to do so, Paxton knowingly or recklessly failed to inform the individuals he recruited that he was being compensated to promote Servergy to investors.

79. Paxton told prospective investors that he had met with Servergy's management and determined that it was a great company and the investment presented an interesting

opportunity. He also forwarded, and was included on, correspondence advancing materially false claims regarding the nature of Servergy's technology and business prospects. While Paxton possessed no technical expertise and did not know whether any of Servergy's claims were true, he conducted no due diligence to confirm, clarify, or correct Servergy's claims.

80. On or around July 13, 2011, Paxton promoted Servergy to a fellow state representative who participated in the investment group with Paxton and others ("Investor 1").

81. Based on prior dealings in the group, members trusted each other to consider the interests of the group as a whole and not exploit one another for a member's personal benefit. Similarly, prior experiences in the group established that the member who recommended an investment would monitor the investment going forward and represent the group's interests. Despite a duty to do so, Paxton knowingly or recklessly failed to inform any member of the investment group that he was being compensated by Servergy for recruiting investors.

82. After initially recommending Servergy to Investor 1 and introducing him to Mapp on July 22, 2011, Paxton followed up with Investor 1 to further encourage his investment in Servergy. Investor 1 considered Paxton a personal friend and, based on their friendship and membership in the investment group, believed Paxton was also investing in Servergy. As time passed and Mapp's representations about product shipment failed to come to fruition, Investor 1 grew worried about his investment. In early 2013, Paxton organized and attended a meeting with Investor 1 and Mapp, at which Mapp lulled Investor 1 with false claims that the company was flush with purchase orders. Paxton did nothing to determine whether Mapp's claims were true. Investor 1 would not have invested in Servergy had he known Paxton was being paid to promote the company.

83. Paxton used pressure tactics to persuade another member of his investment group (“Investor 2”) to make a hasty decision to invest in Servery. Due to a travel-related scheduling conflict that prevented him from meeting the investment deadline, Investor 2 did not initially intend to invest with Servery. But when Paxton learned of Investor 2’s decision, he placed an unscheduled and unsolicited late night call to Investor 2 on July 22, 2011. During the call, Paxton persuaded Investor 2 to change his mind by claiming Servery presented a great investment opportunity for which the offering price would double if Investor 2 did not invest by July 30, 2011. Investor 2 did not know, however, that Paxton stood to personally benefit at all, and even more if Investor 2 immediately invested, because any stock Paxton earned as sales commission before Servery increased its share price would become more valuable with the price hike. Based on his conversation with Paxton, Investor 2 changed his mind and decided to immediately invest \$150,000 with Servery. Investor 2 would not have invested had he known Paxton was being paid to promote the company.

84. Paxton’s involvement did not end after he promoted Servery and introduced prospective investors to Mapp. He personally followed up with the people he introduced to Servery to ensure they invested. In addition, Mapp included Paxton on email communications soliciting the individuals Paxton recruited including, but not limited to, providing them the CIM and other materials.

85. On or about July 23, 2011, Paxton forwarded one of Mapp’s solicitation emails directly to a prospective investor and personally offered to answer any of the individual’s questions. In the underlying communication Paxton forwarded, Mapp pressured the prospective investor to purchase Servery common stock within a week and falsely claimed Servery’s technology was “3rd party validated by world class testing lab” and resulted in “80% savings for

power, cooling and space costs.” Paxton did nothing to determine whether Mapp’s claims were true.

86. By July 28, 2011, five of the twelve prospective investors Paxton had already recruited invested a total of \$840,000 in Servery. As payment for his successful efforts, Servery issued a stock certificate to Paxton for 100,000 shares on August 5, 2011.

87. During the Commission’s investigation, Paxton claimed the shares were a gift from Mapp. According to Paxton, he met Mapp at a Dairy Queen restaurant in McKinney, Texas in July or August 2011, intending to invest \$100,000 of his own money in Servery. But, according to Paxton, Mapp refused his investment and stated, “I can’t take your money. God doesn’t want me to take your money.” Consequently, Paxton claims, he later accepted the shares as a gift.

88. The shares were not a gift but, instead, a sales commission paid to compensate Paxton for the investors he recruited. Paxton knowingly or recklessly failed to disclose the commission to investors despite an obligation to do so.

89. Although never executed, Mapp asked Paxton to sign a subscription agreement indicating that the shares were given in exchange for services.

90. Servery recorded the stock issuance to Paxton as payment for “services.”

91. In multiple emails, Mapp and Paxton discussed payment in cash or stock as compensation for Paxton’s referrals that purchased Servery’s securities.

92. Servery issued Paxton a Form-1099 in the amount of \$100,000 for the 2011 tax year.

93. Following Paxton's success in helping Servergy raise \$840,000, Mapp emailed him on September 12, 2011, and again on October 4, 2011, to renew his offer to continue paying Paxton to recruit new investors.

94. Following Mapp's reiteration of his intent to pay Paxton commissions in exchange for his fundraising efforts, Paxton continued to market Servergy in both oral and written communications to prospective investors until at least September 27, 2011, including inviting at least three additional investors to attend a Servergy sales webinar and scheduling a lunch with at least one prospective investor for the express purpose of generating interest in Servergy.

95. Although Paxton regularly solicited investors on Servergy's behalf from at least July 12, 2011 to September 27, 2011 and was paid a commission in the form of 100,000 shares of Servergy's common stock for raising \$840,000, he was never registered with the Commission as a broker.

96. At no time did Paxton disclose his compensation agreement with Servergy to prospective investors, despite an obligation to do so.

### **CLAIMS FOR RELIEF**

#### **FIRST CLAIM FOR RELIEF Fraud in the Offer or Sale of Securities in Violation of Section 17(a) of the Securities Act (Against Mapp, Paxton, White and Servergy)**

97. The SEC incorporates the allegations in paragraphs 1-96 as if fully set forth herein.

98. Mapp, Paxton, White, and Servergy, in the offer or sale of securities, employed devices, schemes, or artifices to defraud, obtained money or property by means of untrue

statements or omissions, and engaged in transactions, practices, or courses of business which operate or would operate as a fraud or deceit, in violation of Section 17(a) of the Securities Act.

99. Mapp, Paxton, White, and Servery violated, and unless restrained and enjoined, they will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**SECOND CLAIM FOR RELIEF**  
**Fraud in Connection with the Purchase or Sale of Securities**  
**Violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder**  
**(Against Mapp, Paxton, White and Servery)**

100. The SEC incorporates the allegations in paragraphs 1-96 as if fully set forth herein.

101. Mapp, Paxton, White, and Servery employed a device, scheme, or artifice to defraud, made untrue statements or omissions of material facts, and engaged in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

102. Mapp, Paxton, White, and Servery violated, and unless restrained and enjoined, they will continue to violate 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].

**THIRD CLAIM FOR RELIEF**  
**Offers and Sales of Unregistered Securities**  
**Violation of Section 5(a) and (c) of the Securities Act**  
**(Against Mapp, White and Servery)**

103. The SEC incorporates the allegations in paragraphs 1-96 as if fully set forth herein.

104. Mapp, White, and Servery, directly or indirectly, sold securities when no registration statement was in effect with the SEC as to such securities, and offered to sell

securities when no registration statement had been filed with the SEC as to such securities. There were no applicable exemptions from registration with regard to Mapp's, White's, and Servergy's sales and offers to sell securities.

105. Mapp, White and Servergy have violated, and unless restrained and enjoined, they will continue to violate Section 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)].

**FOURTH CLAIM FOR RELIEF**  
**Anti-Touting Violation of Section 17(b) of the Securities Act**  
**(Against White and Paxton)**

106. The SEC incorporates the allegations in paragraphs 1-96 as if fully set forth herein.

107. White and Paxton, by use or means or instrumentalities of interstate commerce or of the mails, published, gave publicity to, and circulated communications describing a security for consideration received or to be received, directly or indirectly, from an issuer, without fully disclosing the receipt of such consideration and the amount thereof in violation of Section 17(b) of the Securities Act.

108. White and Paxton violated, and unless restrained and enjoined, will continue to violate Section 17(b) of the Securities Act [15 U.S.C. § 77q(b)].

**FIFTH CLAIM FOR RELIEF**  
**Offers and Sales of Securities by an Unregistered Broker**  
**Violation of Section 15(a)(1) of the Exchange Act**  
**(Against White and Paxton)**

109. The SEC incorporates the allegations in paragraphs 1-96 as if fully set forth herein.

110. White and Paxton while engaged in the business of effecting transactions in securities for the account of others, made use of the mails or the means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or

sale of, a security without being registered in accordance with Section 15(a)(1) of the Exchange Act.

111. White and Paxton violated, and unless restrained and enjoined will in the future violate, Section 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)].

**RELIEF REQUESTED**

WHEREFORE, the SEC respectfully requests that this Court enter a judgment:

I.

Finding that each of the Defendants committed the violations alleged in this Complaint;

II.

Permanently enjoining pursuant to Rule 65(d) of the Federal Rules of Civil Procedure the following Defendants, their agents, servants, employees, attorneys, and all persons in active concern or participation with them, from directly or indirectly violating the following laws:

A. Mapp from further violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], 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], and Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)];

B. White from further violations of Sections 17(a) and (b) of the Securities Act [15 U.S.C. § 77q(a) and (b)], 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], and Section 15(a) of the Exchange Act [15 U.S.C. § 78o(d)];

C. Paxton from further violations of Sections 17(a) and (b) of the Securities Act [15 U.S.C. § 77q(a) and (b)], 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], and Section 15(a) of the Exchange Act [15 U.S.C. § 78o(d)];

and



D. Servergy from further violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], 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], and Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)];

III.

Ordering Mapp, White, and Paxton to disgorge any ill-gotten gains or unjust enrichment realized by each of them resulting from the conduct alleged in this Complaint, plus prejudgment interest thereon;

IV.

Ordering each of the Defendants to pay an appropriate civil monetary penalty 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)];

V.

Retaining jurisdiction over this action 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

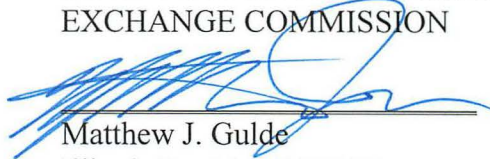
VI.

Granting such other and further relief as this Court deems just and appropriate.

Dated: April 11, 2016

Respectfully submitted,

UNITED STATES SECURITIES AND  
EXCHANGE COMMISSION



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