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CLERK, U.S. DISTRICT COURT
10/3/2018
CENTRAL DISTRICT OF CALIFORNIA
BY: DD DEPUTY

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CLERK, U.S. DISTRICT COURT
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CENTRAL DISTRICT OF CALIFORNIA
BY: DD DEPUTY

13 Attorneys for Plaintiff
14 Securities and Exchange Commission

15 UNITED STATES DISTRICT COURT
16 CENTRAL DISTRICT OF CALIFORNIA

17 SECURITIES AND EXCHANGE
18 COMMISSION,

19 Plaintiff,

20 vs.

21 ERIC J. "EJ" DALIUS, an individual,

22 PROFESSIONAL REALTY
23 ENTERPRISES, INC., a Corporation,

24 SAIVIAN LLC, a Limited Liability
25 Company,

26 SAVINGS NETWORK APP LLC, a
27 Limited Liability Company,
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Case No.
CV 18-8497-CJC(Ex)
COMPLAINT
JURY TRIAL REQUESTED
(FILED UNDER SEAL)

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SAVING NETWORK APP LIMITED, a Limited Company,

SAIVIAN INTERNATIONAL LIMITED, a Limited Company,

SAIVIAN INT LIMITED, a Private Company, and

REALTY SHARE NETWORK LLC, a Limited Liability Company.

DEFENDANTS.

KIMBERLY A. DALIUS, an individual,

MB HOMES LLC, a Limited Liability Company,

NYC HOMES LLC, a Limited Liability Company,

1300 HIGHLAND UNIT 111 LLC, a Limited Liability Company,

1300 HIGHLAND UNIT 112 LLC, a Limited Liability Company,

1300 HIGHLAND UNIT 211 LLC, a Limited Liability Company, and

1300 HIGHLAND UNIT 212 LLC, a Limited Liability Company.

RELIEF DEFENDANTS.

1 **COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF**

2 1. Plaintiff, Securities and Exchange Commission (the “Commission”)
3 alleges as follows:

4 **JURISDICTION AND VENUE**

5 2. This Court has subject matter jurisdiction by authority of Sections 20
6 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] and Sections 21 and
7 Section 27 of the Exchange Act [15 U.S.C. §§ 78u and 78aa] because Defendants,
8 directly and indirectly, singly and in concert, have made use of the means and
9 instrumentalities of interstate commerce and the mails in connection with the offer
10 and sale of securities and the acts and courses of business alleged herein.

11 3. Venue for this action is proper in the Central District of California
12 under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and under Section 27
13 of the Exchange Act [15 U.S.C. § 78aa] because certain of the transactions, acts,
14 practices and courses of business alleged in this Complaint, including, but not
15 limited to, the offers and sales of securities, took place in this district.

16 **INTRODUCTION**

17 4. The case seeks injunctive and other relief to enjoin a multi-million
18 dollar Ponzi and pyramid scheme and offering fraud operated by Defendants under
19 the general offering name “Saivian” that targeted investors in the United States and
20 around the world.

21 5. The Corporate Defendants, Professional Realty Enterprises, Inc.,
22 Saivian LLC, Savings Network App LLC, Saving Network App Limited, Saivian
23 International Limited, Saivian INT Limited, and Realty Share Network LLC, are
24 seven connected entities based in the United States, Hong Kong and the United
25 Kingdom that collectively operated under the business name Saivian. The
26 individual defendant, Eric J. “EJ” Dalius, controlled all the corporate entity
27 defendants and personally reaped substantial sums from Saivian investors.
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1 6. Billed as a successful company harvesting big data from point-of-sale
2 (“POS”) receipts that provided cashback benefits and multi-level marketing income
3 to its members, Saivian, in reality, was a Ponzi and pyramid scheme. Beginning on
4 October 26, 2015 and continuing through at least September 2017, Defendant
5 Dalius solicited persons in the United States and around the world to purchase
6 “Cashback Memberships” with Saivian. The Memberships, which cost \$125 every
7 28 calendar days, offered 20% cashback on Cashback Members’ shopping
8 purchases in exchange for submission of their POS receipts for those purchases to
9 Saivian.

10 7. Defendants employed shifting explanations for how Saivian funded the
11 promised cashback. Initially, Defendants explained that the revenue to satisfy its
12 cashback obligation was generated from the sale of Cashback Members’ POS
13 receipts to third parties who purchased either the receipts themselves or the data
14 embedded in the receipts (“marketing partners” or “advertising partners”). Later,
15 Saivian explained that the funds to pay the 20% cashback also was provided by
16 merchants who purchased a different Saivian membership that enabled them to
17 advertise on Saivian’s website and/or mobile application (the “MAP Program”).

18 8. Both of these explanations were false. Contrary to their claims,
19 Defendants did not generate any revenue from the sale of POS receipts. In fact,
20 Saivian never had any marketing partners (or advertising partners) and never made
21 any serious efforts to sell or otherwise monetize the data in its Cashback Members’
22 POS receipts. Moreover, while membership payments from the MAP Program
23 contributed some revenue to the enterprise— less than a hundred thousand
24 dollars— it was nowhere near sufficient to fund the cashback payments that Saivian
25 promised or made to its Cashback Members.

26 9. Instead, Saivian’s revenue was generated almost exclusively from
27 membership sales to Cashback Members themselves. Like a classic Ponzi scheme,
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1 Saivian satisfied promised returns to some investors—in the form of 20% cashback
2 on shopping purchases—through the investments of other investors rather than any
3 underlying, legitimate, commercial activity.

4 10. Saivian was also a pyramid scheme that required the constant influx of
5 new investors to remain solvent. To keep the scheme afloat, Defendants urged
6 Members to become “Affiliates” and sell Cashback Memberships to others, which
7 Defendants claim would provide the Affiliates with substantial financial benefits.
8 Between October 26, 2015 and September 1, 2017, Defendants raised millions of
9 dollars from Cashback Members in the United States and abroad. Most of this was
10 misappropriated by Dalius to support a lavish lifestyle for himself and his family.

11 11. As a result of this conduct, Defendants violated the antifraud
12 provisions of Sections 17(a) of the Securities Act of 1933 (“Securities Act”) and
13 Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), and Rule
14 10b-5 thereunder. Defendants’ offerings also violated the registration provisions of
15 Sections 5(a) and 5(c) of the Securities Act. Dalius is liable for all of these
16 violations directly and as a control person under Section 20(a) of the Exchange Act.

17 12. To prevent additional fraudulent activity and further dissipation of
18 investors’ funds, and to recover fraudulently obtained funds, the Commission seeks
19 a civil injunctive order against further violations of the federal securities laws, as
20 well as disgorgement, prejudgment interest and civil penalties from Defendants.
21 The Commission also seeks emergency relief in the form of a temporary restraining
22 order, a preliminary injunction, an asset freeze, and an order prohibiting the
23 destruction of documents, accelerating discovery, and requiring an accounting.

24 **DEFENDANTS**

25 13. **Eric J. “EJ” Dalius** (“Dalius”), age 47, is a United States citizen who
26 owns residences in New York, California, Florida and Pennsylvania. Dalius is the
27 founder, sole shareholder and sole director of Defendants Professional Realty
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1 Enterprises, Saving Network App Limited, Saivian International Limited, and
2 Saivian INT Limited. Dalius was indicted in the Eastern District of Pennsylvania in
3 January 2000 on mail fraud, wire fraud, and conspiracy charges in connection with
4 a long distance phone card scam. *United States v. Dalius*, 2:00-cr-00026-FVA-I
5 (E.D. Pa). He pleaded guilty to a conspiracy charge and was sentenced to 12
6 months and 2 days imprisonment, 3 years of supervised release, and restitution.

7 14. **Professional Reality Enterprises** (“PRE”) is a Pennsylvania
8 corporation that was registered to do business on January 2, 2003. PRE’s registered
9 office address is 51 Bushkill Court, Reading, Pennsylvania 19606. PRE registered
10 a website located at www.saivian.net that promoted the scheme and served as the
11 gateway for Cashback Members and Affiliates to manage their accounts. PRE
12 maintained bank accounts in the United States that were used to receive and transfer
13 funds from Saivian investors located in the United States and around the world.
14 Dalius was the authorized signatory for these accounts. PRE is not registered with
15 the SEC, and has not registered any offering or class of its securities with the SEC.

16 15. **Saivian LLC** is a Delaware limited liability company that was
17 registered to do business on November 2, 2015 by Dalius through Worldwide
18 Incorporators Ltd. Saivian LLC is wholly owned by PRE. Saivian LLC’s
19 registered office address is 58 Linree Avenue, Reading, Pennsylvania, 19606.
20 Saivian LLC maintained bank accounts in the United States that were used to
21 receive and transfer funds from Saivian investors located in the United States and
22 around the world. Dalius was the authorized signatory for these accounts. Saivian
23 LLC is not registered with the SEC, and has not registered any offering or class of
24 its securities with the SEC.

25 16. **Savings Network App LLC** (“Savings Network App”) is a Delaware
26 limited liability company that was registered to do business on April 20, 2016 by
27 Dalius. Savings Network App is wholly owned by PRE. Savings Network App’s
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1 registered office address is c/o Worldwide Incorporators LTD, as Statutory Agent,
2 Rodney Building, 3411 Silverside Rd., Ste 104, Wilmington, DE 19810. Savings
3 Network App maintained bank accounts in the United States that were used to
4 receive and transfer funds from Saivian investors located in the United States and
5 around the world. Dalius was the authorized signatory for these accounts. Savings
6 Network App LLC is not registered with the SEC, and has not registered any
7 offering or class of its securities with the SEC.

8 17. **Saving Network App Limited** is a limited company that was
9 registered to do business in Hong Kong on May 12, 2016. Saving Network App
10 Limited is wholly owned by Dalius. Savings Network App Limited's registered
11 office address is Room 1217, 12/F, International Commerce Center, 1 Austin Road
12 West, Kowloon, Hong Kong. Dalius, on behalf of Saving Network App Limited,
13 entered into a contract in California related to the design and production of the
14 Saivian mobile application. Saving Network App Limited is not registered with the
15 SEC, and has not registered any offering or class of its securities with the SEC.

16 18. **Saivian International Limited** ("Saivian International") is a limited
17 company that was registered to do business in Hong Kong on October 4, 2016.
18 Saivian International is owned entirely by Dalius. Saivian International's registered
19 office address is Room 1505, 15/F., Yu Sung Boon Building, 107-111 Des Voeux
20 Road Central, Hong Kong. Dalius, on behalf of Saivian International, entered into
21 a contract in California with a software and website developer related to the
22 maintenance of the database containing all of Saivian's Membership and Affiliate
23 records. Saivian International Limited is not registered with the SEC, and has not
24 registered any offering or class of its securities with the SEC.

25 19. **Saivian INT Limited** ("Saivian INT") is a private United Kingdom
26 company established on June 1, 2017. Saivian INT is owned entirely by Dalius.
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1 property in New York that was purchased with proceeds from the Saivian scheme.
2 It did not exchange anything of equivalent value for the funds it received from the
3 Saivian scheme.

4 24. **1300 Highland Unit 111 LLC** is a Nevada limited liability company
5 established on July 25, 2017. Its registered office address is Burnett & Associates,
6 Inc., 9441 Double Diamond Pkwy, STE 11, Reno, NV 89521. The company is
7 owned and/or controlled by Eric Dalius. 1300 Highland Unit 111 LLC is the owner
8 of certain real property in California that was purchased with proceeds from the
9 Saivian scheme. It did not exchange anything of equivalent value for the funds it
10 received from the Saivian scheme.

11 25. **1300 Highland Unit 112 LLC** is a Nevada limited liability company
12 established on July 25, 2017. The company is owned and/or controlled by Eric
13 Dalius. Its registered office address is Burnett & Associates, Inc., 9441 Double
14 Diamond Pkwy, STE 11, Reno, NV 89521. 1300 Highland Unit 112 LLC is the
15 owner of certain real property in California that was purchased with proceeds from
16 the Saivian scheme. It did not exchange anything of equivalent value for the funds
17 it received from the Saivian scheme.

18 26. **1300 Highland Unit 211 LLC** is a Nevada limited liability company
19 established on July 25, 2017. Its registered office address is Burnett & Associates,
20 Inc., 9441 Double Diamond Pkwy, STE 11, Reno, NV 89521. The company is
21 owned and/or controlled by Eric Dalius. 1300 Highland Unit 211 LLC is the owner
22 of certain real property in California that was purchased with proceeds from the
23 Saivian scheme. It did not exchange anything of equivalent value for the funds it
24 received from the Saivian scheme.

25 27. **1300 Highland Unit 212 LLC** is a Nevada limited liability company
26 established on July 25, 2017. Its registered office address is Burnett & Associates,
27 Inc., 9441 Double Diamond Pkwy, STE 11, Reno, NV 89521. The company is
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1 owned and/or controlled by Eric Dalius. 1300 Highland Unit 212 LLC is the owner
2 of certain real property in California that was purchased with proceeds from the
3 Saivian scheme. It did not exchange anything of equivalent value for the funds it
4 received from the Saivian scheme.

5 FACTS

6 **I. The Illegal Saivian Scheme**

7 28. Between October 2015 and September 2017, Dalius, individually and
8 through the entity Defendants (the “Corporate Defendants”), operated a Ponzi and
9 pyramid scheme in the form of the Saivian offering. In particular, Saivian’s
10 Cashback Membership program operated as a Ponzi scheme because the returns it
11 paid to investors were derived almost exclusively from other investors’ funds in the
12 form of Cashback Membership payments rather than any legitimate commercial
13 activity. Saivian’s Affiliate program operated as a pyramid scheme because its
14 Affiliates profited almost exclusively by recruiting new Affiliates for the program.

15 29. Dalius conceived of and orchestrated the Saivian scheme. He
16 exercised sole control over all Corporate Defendants from offices located first in
17 Pennsylvania and then in the Central District of California. He incorporated all
18 Corporate Defendants, entities through which the scheme was executed.

19 30. Dalius was the sole signatory of all agreements with third parties on
20 behalf of Saivian and the Corporate Defendants. He established and was sole
21 signatory on all Saivian related Corporate Defendant bank accounts. He established
22 and controlled digital asset (including Bitcoin) accounts through which Saivian-
23 related transactions occurred. He registered the Saivian-related website domains
24 and controlled all content that appeared on the sites. He personally made
25 misstatements to investors concerning the Saivian scheme. He wrote and approved
26 scripts for others to use in soliciting potential investors, including statements made
27 at teleconferences, webinars, and live events, and statements recorded on video and
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1 posted to Saivian’s website, YouTube and other sites on the internet.

2 **A. Saivian’s Cashback Membership Program was a Ponzi Scheme**

3 31. Dalius and Saivian promised investors that Cashback Members were
4 entitled to obtain 20% cashback on their retail purchases (subject to a host of rules
5 and restrictions). The Membership cost \$125 every 28 calendar days. In order to
6 obtain the 20% cashback, Cashback Members were required to maintain an active
7 Membership and submit their POS receipts to Saivian. The cashback payments to
8 Cashback Members were on sixty day delay from when POS receipts were
9 submitted. Cashback Members had to continue their Memberships during this
10 entire period in order to remain eligible to receive payments. Their investments
11 were pooled together and their expectation of profit was dependent on Saivian.

12 32. Dalius and Saivian promoted the Cashback Membership through
13 publicly available websites, recorded videos available on YouTube and other sites,
14 and through webinars, conference calls, social media posts, and live events.

15 33. Dalius and Saivian concocted vague, inconsistent, and ultimately false
16 explanations for how Saivian derived the funds necessary to pay the cashback that it
17 promised. The revenue that Saivian used to fund the cashback payments to its
18 Cashback Members were purportedly derived from two sources. Initially, Dalius
19 and Saivian claimed that Saivian worked with third parties to whom it sold either
20 the POS receipts that Cashback Members submitted or the data embedded in the
21 receipts. These third parties were called “marketing partners” or “advertising
22 partners” and were purposely never identified to investors.

23 34. Beginning in or around July 2016, Dalius and Saivian claimed that it
24 also obtained revenue to fund the cashback payments from merchants who
25 purchased a membership in a separate Saivian program, the Merchant Advertising
26 Platform (“MAP”).

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1 35. Under this MAP Program, merchants who made a \$125 membership
2 payment every 28 days were listed on the Saivian website and mobile app and
3 could offer the 20% cashback to certain Cashback Members for purchases at the
4 merchant's business. Merchants participating in the MAP Program ("MAP
5 Members") did not have access to the POS receipt data collected by Saivian, and
6 had no ability to target their advertising based on the POS receipt data that Saivian
7 claimed to be marketing.

8 36. Dalius and Saivian's claims about the sources of its revenue were false
9 and misleading. Saivian never generated any revenue from the sale of POS receipt
10 data to marketing partners (or advertising partners). Saivian did not have these
11 partners, nor the means to convert the POS receipts submitted by its Cashback
12 Members from their raw form into marketable data.

13 37. Dalius and Saivian's claims concerning the MAP Program funding the
14 Cashback Program were also false. That program, which was launched more than
15 eight months after the Cashback Membership, was never close to generating
16 sufficient revenues to fund cashback payments. Saivian earned less than a hundred
17 thousand dollars through the sale of MAP Memberships.

18 38. To limit the amount of cash paid to Cashback Members, Dalius and
19 Saivian encouraged them to redeem their compensation from the scheme in the
20 form of Saivian "passes." This was done to lull the investors into continuing their
21 investments with Saivian. A "pass" was an electronic code that could be entered on
22 the Saivian website to activate or renew a membership. Cashback Members who
23 received these "passes" could use them to renew their own memberships or sell
24 them to a prospective Saivian investor for cash.

25 **B. Saivian's Affiliate Program was a Pyramid Scheme**

26 39. Dalius and Saivian claimed to mirror the activity of legitimate multi-
27 level marketing ("MLM") companies, implying that Saivian was focused on the
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1 sale of products (in this case, Cashback Memberships) to non-Affiliates. However,
2 much of its promotional content was devoted to inspiring its Cashback Members to
3 become Affiliates and build their careers by selling Saivian memberships to others.
4 Dalius and Saivian promised Affiliates that once they qualified for commission
5 income by personally recruiting three Members (Cashback or MAP), they would
6 receive a daily residual income stream based on their membership sales—both
7 directly and indirectly through their “downline” recruits.

8 40. The promised residual income to Affiliates ranged from \$5 per day for
9 recruiting and maintaining three active, paying Members up to \$3,000 per day (or
10 \$1,095,000 annually) for recruiting 8,000 active Members.

11 41. As long as three Members remained active, the Affiliate was entitled
12 to \$5 per day or \$1,825 annually. Because this Affiliate compensation exceeded the
13 \$125 Cashback Membership fee due every 28 days, Saivian advertised this level of
14 the Affiliate Program as “bring 3 and it’s better than FREE!” and encouraged
15 Cashback Members to recruit at least three new Members as soon as possible.
16 Beyond this level, the Affiliate Program ranks generally progressed based on the
17 number of active Members “below” the Affiliate in his/her “downline.”

18 42. Dalius and Saivian represented the Affiliate program to be a life
19 changing entrepreneurial opportunity and a way to achieve significant income in a
20 short period of time. Dalius and Saivian repeatedly touted that selling
21 Memberships to others required little effort on the part of the Affiliates.

22 43. Most communications with Saivian’s members—through live events,
23 conference calls, and videos posted on the YouTube and various social media
24 sites—were exhortations to sell Saivian Memberships, employing generic
25 motivational content about building one’s own business and acquiring great wealth.

26 44. Cashback Members had to continue their Memberships during most of
27 this period in order to remain eligible to receive payments for recruiting Affiliates
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1 to Saivian. Cashback Members' investments were pooled together and their
2 expectation of profit was dependent on Saivian being a profitable endeavor.

3 45. Any prospective Saivian investor would have wanted to know that the
4 Saivian business model was a Ponzi and/or pyramid scheme.

5 **II. Dalius, PRE, Saivian LLC and Saivian International Made**
6 **Materially False Representations in Furtherance of the Illegal**
7 **Saivian Scheme**

8 46. Dalius, PRE, Saivian LLC and Saivian International repeatedly and
9 falsely represented that Saivian generated the revenue for cashback payments from
10 the sale of Cashback Members' POS receipts to marketing partners (and advertising
11 partners), or monetized the POS receipt data to sell targeted advertising. Dalius,
12 PRE, Saivian LLC and Saivian International claimed this was the same way that
13 Facebook and Google leverage the consumer preference data of their users to sell
14 targeted advertising on their websites. Dalius, PRE, Saivian LLC and Saivian
15 International also repeatedly and falsely represented that the revenue for cashback
16 payments came from the MAP Program. Typical examples of these Defendants'
17 repeated and false representations now follow.

18 **A. Dalius, PRE, Saivian LLC and Saivian International**
19 **Misrepresented That Cash Back Payments Were Funded by**
20 **the Sale of POS Receipts or Data to Third Parties**

21 47. In an October 26, 2015 conference call announcing the pre-launch of
22 Saivian, Dalius told the participants, for example:

23 [A]ll this registration and recording process allows the company to collect
24 the data for the marketing partners. . . . [B]ased on this data of the purchasing
25 pattern, the marketing partners can make a decision in regards to what level
26 of advertising they're going to purchase with the company. . . . [T]he goal of
27 the advertising revenue is to help subsidize the cashback model to our
28 members. Folks, this concept of generating revenue through the advertising
based on their members' interests, well guess what, that's similar to a billion
dollar brand that we all know called Facebook. . . . They're collecting all of
the data from all of the members' interests, all of the things that we like, and
they sell it to their advertisers and make billions of dollars a year. And so

1 instead of just keeping it all for themselves, here comes along this company
2 taking that revolutionary concept and now sharing it with the masses.

3 48. On a January 22, 2016 recorded phone call with a prospective investor,
4 Dalius said, for example:

5 Here is what Saivian does: they make that data available to the marketing
6 partners. Okay? And their marketing partners then can spend money on
7 advertising. But here's the deal, instead of the corporation, Saivian, keeping
8 all of the money like Facebook does . . . they take there [sic] money and
9 funnel it back in form of 20 percent cash back shopping to their members.

10 49. On the same January 22, 2016 conference, Dalius also represented, for
11 example:

12 If you understand what I just shared with you about Facebook, which they
13 already do, then you are going to understand exactly how Saivian makes their
14 money in a big way. . . . [H]ere is what we do, with Saivian, we – now,
15 instead of collecting likes of interests, what do we do, we're collecting what
16 they call "POS," point of sale data from our members, right, beause our
17 members are entering in where they're shopping, how much they're
18 spending, and how often they're going. Okay. And so they're getting all of
19 this information. And now point of sale data is about 10 to 100 times more
20 valuable than likes and interests, and everyone agrees with that. Makes
21 sense, right?

22 50. Beginning at least by February 3, 2016, Saivian's website
23 (www.saivian.net), in content drafted by Dalius, publicly proclaimed, for example:

24 The math is simple, keeping your Retail Shopping Membership active is
25 almost like DOUBLING your money in value every year; by easily
26 continuing to do something you always have and will continue to do in the
27 future. The registration and recording process allows us to collect the data
28 necessary for our marketing partners. Then, based on the data of the
purchasing patterns, the marketing partners can make a determined decision
regarding what monetary level, medium, and location of advertising to
purchase. The goal of the advertising revenue is to help subsidize the cash
back model to our active members. Generating revenue through advertising
based on their members' interests is similar to how billion dollar brands like
Facebook and Twitter work.

51. On an August 28, 2016 video posted to the official Saivian YouTube
page, a top Affiliate answered a question about how Saivian was able to pay

1 Cashback benefits by stating, for example:

2 We're selling these receipts okay? We have marketing partners that are
3 buying the receipt information because they want to know [about real
4 consumer behavior]. We've got to know what people are actually buying
5 so we can market the right things to them, okay? That's the second way,
6 each of these receipts is being bought at a fixed price. . . . The residual
7 income—all that stuff—is being paid by advertising dollars and not from
8 the \$125 that is coming in. That's what you need to explain to people,
9 and if you do that they are going to see that this is not a pyramid scheme.

10 52. Contrary to their claims, neither Dalius nor Saivian generated any
11 revenue from the sale of POS receipts. In fact, Saivian never had any marketing
12 partners (or advertising partners) and never made any serious efforts to sell or
13 otherwise monetize the data in its Cashback Members' POS receipts.

14 **B. Dalius, PRE, Saivian LLC and Saivian International**
15 **Misrepresented That the Cashback Payments Were Funded by**
16 **the MAP Program**

17 53. In April 2016, prior to the launch of the MAP Program, Dalius
18 responded indirectly (through Saivian's then-Marketing Director) to a Cashback
19 Member's question about the source of revenue to pay cashback payments by
20 falsely stating "[i]t's all about third party advertising which is being officially rolled
21 out through the MAP program."

22 54. Subsequently, during a December 28, 2016 Saivian Member webinar,
23 Saivian's Operations Director misrepresented that MAP Memberships—which he
24 claimed numbered 400 worldwide at the time—were fully funding cashback
25 payments at the time.

26 55. In reality, Saivian had sold very few MAP Memberships to retailers.
27 Saivian was only able to pay earlier investors their investment returns with funds
28 that Saivian obtained from later investors.

1 **C. The Misrepresentations Regarding the Source of Revenue to**
2 **Satisfy Saivian’s Cashback Obligations Were Material**

3 56. The truth regarding Saivian’s revenue source to fund its cashback
4 payments was material information to potential investors. Any prospective Saivian
5 investor would have wanted to know that the promised cashback payments were
6 almost entirely funded by Cashback Membership investments and not connected in
7 any way to the sale of POS receipts, data, or targeted advertising.

8 57. Dalius, PRE, Saivian LLC and Saivian International knew, or were
9 reckless in not knowing, that their statements were false and misleading when they
10 were made.

11 **D. Dalius, PRE, Saivian LLC and Saivian International Initially**
12 **Concealed Dalius’s Role in Saivian and Omitted to Disclose His**
13 **Criminal Conviction After Dalius’s Role Was Revealed**

14 58. Dalius was indicted in the Eastern District of Pennsylvania in January
15 2000 on mail fraud, wire fraud, and conspiracy charges in connection with a long
16 distance phone card scam. *United States v. Dalius*, 2:00-cr-00026-FVA-1 (E.D.
17 Pa).

18 59. The indictment alleged that Dalius and a co-defendant owned and
19 promoted a corporation, Telecom Solutions, Inc. (“Telecom Solutions”), which
20 marketed long distance debt calling cards and “One Plus” long distance service for
21 individual telephone lines through the use of a multi-level marketing scheme. As
22 alleged in the indictment, debit calling cards are prepaid to the long distance
23 company which supplies the calling cards. Credit calling cards are periodically
24 billed after the calls are made.

25 60. Both Dalius and his co-defendant began to market the debit cards and
26 accept money from customers before they contracted with any long distance carrier
27 to supply the debit calling cards.

28 61. The Indictment alleged that throughout the course of the conspiracy,
Dalius and his co-defendant diverted hundreds of thousands of dollars in company

1 dollars to personal use.

2 62. On January 18, 2001, Dalius pled guilty to conspiracy to commit mail
3 and wire fraud. He was sentenced to 12 months and 2 days imprisonment, 3 years
4 of supervised release and restitution. *United States v. Dalius*, 2:00-cr-00026-FVA-
5 1 (E.D. Pa) at Dkt. #17.

6 63. For the first year of Saivian's existence, the full scale of Dalius's
7 involvement in the Saivian enterprise was not disclosed to investors. At Dalius's
8 instruction, Saivian identified a person with no actual authority over its operations
9 or finances as Saivian's President. This figurehead President had no involvement
10 in the management of the scheme and participated principally by (1) allowing
11 himself to be identified on Saivian's website as the "President" and (2) reading
12 scripts that Dalius drafted for him on investor conference calls and at live events.
13 Meanwhile, Dalius, the true mastermind of the scheme, was identified by Saivian
14 (to the extent he was mentioned at all on marketing conference calls or videos) as
15 the "lead consultant."

16 64. When Dalius finally announced himself as the "new" Saivian President
17 in October 2016, no mention was made of his role in creating and administering the
18 scheme since its inception, nor was his past federal conviction in connection with a
19 prior fraudulent scheme disclosed. Instead, Saivian introduced Dalius as if he were
20 a new addition to the management team, and promoted Dalius' background, skills
21 and prior success. His biography posted to the Saivian website stated that:

22 Eric is a marketing professional with a Bachelor's Degree in
23 marketing from Penn State University. He has helped companies
24 generate over \$150 Million since 1990 in his career. With a
25 background in real estate investing and sales, he has directed those
26 skills to primarily focus on providing consulting in the MLM or
27 Network Mark[et]ing [sic] profession. He is now the President of
28 the fastest growing network market company in the world,
Saiv[i]an [sic] International!

1 65. Even after Dalius was introduced as President, and throughout the
2 remainder of the scheme, Defendants never disclosed that Dalius was a felon, or
3 that he created and exercised total control over the scheme from its inception.

4 66. The truth about Dalius's prior criminal conviction and the extent of his
5 control over the Saivian enterprise was material information to Saivian investors.

6 **III. Dalius Repeatedly Refused to Answer Questions About the Illegal**
7 **Scheme in His Investigative Testimony, Refused to Produce**
8 **Subpoenaed Documents and Tried to Block Others from Doing So**

9 67. In investigative testimony before the SEC, Dalius refused to answer
10 any substantive questions about the Saivian scheme on the grounds that his answers
11 may incriminate him. Significantly, he refused to answer whether he had spoken to
12 witnesses that testified before the SEC in its investigation and refused to answer
13 whether he had destroyed any documents that the SEC subpoenaed from him.

14 68. Dalius refused to produce records subpoenaed from him and Saivian
15 LLC that reflect the magnitude of his fraud, particularly documents related to
16 Defendants' sales to persons outside of the United States, and documents related to
17 Dalius's receipt and disposition of digital assets (primarily Bitcoin) through which
18 he received a significant portion of Members' investments.

19 69. Dalius also fought to block the SEC's access to relevant records,
20 including records that reflect the nature of the scheme and his role in it. For
21 example, Dalius attempted to pressure a third-party vendor who maintained the
22 database of the Saivian's transactions from producing the database to the SEC.
23 Ultimately, the effort to prevent the vendor from producing the database failed.

24 **IV. The Cashback Membership and Affiliate Program Constituted**
25 **the Unregistered Sale of Securities**

26 70. Saivian's Cashback Membership and Affiliate program are securities
27 under federal law, including as "investment contracts."

28 71. At the time of sales to the investing public, Saivian had not registered
either the Cashback Membership or Affiliate program with the Commission.

1 72. No exemption to registration applied to the sale of either type security.

2 **V. Dalius Has Dissipated and Is Continuing to Dissipate Millions**
3 **of Dollars of Investors' Funds**

4 73. Between October 26, 2015 and September 1, 2017, Dalius and
5 the Corporate Defendants collected millions of dollars from Saivian investors
6 in the United States and abroad.

7 74. Throughout the course of the Saivian scheme, and in the ensuing
8 months since its closure, Dalius comingled all of the funds obtained in the
9 course of the Saivian scheme — irrespective of corporate entity and country
10 of origin — with each other, and with his own personal funds.

11 75. Dalius used most of the Saivian victims' money to fund a lavish
12 and luxurious lifestyle for himself and his family. Dalius used approximately
13 70% of the \$10.7 million in revenue deposited in Saivian's domestic bank
14 accounts for his own benefit, including transferring approximately \$4.2
15 million to his personal bank accounts, using approximately \$2.4 million to
16 pay off credit card bills, and using half a million dollars to pay other assorted
17 personal expenses.

18 76. In addition to the approximately \$10.7 million less refunds
19 deposited directly into bank accounts by investors, Dalius converted enough
20 Bitcoin received from investors to realize with the \$10.7 million in bank
21 deposits more than \$165 million, most of which went to his personal benefit.

22 77. For example, Dalius converted over \$36 million of Bitcoin that
23 he collected from the scheme to purchase properties in California, New York,
24 and Florida. These purchases included a \$16.5 million mansion in Miami
25 Beach, and a \$10.3 million townhouse on the Upper East Side of Manhattan.

26 78. Dalius also converted \$31.1 million of Bitcoin that he collected
27 from the Saivian scheme and transferred it to brokerage trading accounts he
28 controlled to fund stock purchases.

1 allegations contained in Paragraphs 1 through 79, above.

2 84. Defendants Dalius, PRE, Saivian LLC and Saivian International,
3 by engaging in the conduct described above, directly or indirectly, in the
4 offer or sale of securities, by the use of the means or instruments of
5 transportation or communication in interstate commerce or by use of the
6 mails, with scienter, obtained money or property by means of untrue
7 statements of material facts and omissions of material facts necessary to
8 make the statement made not misleading.

9 85. By reason of the foregoing, Defendants Dalius, PRE, Saivian
10 LLC and Saivian International, directly or indirectly violated, and unless
11 enjoined will continue to violate, Sections 17(a)(2) of the Securities Act [15
12 U.S.C. § 77q(a)(2)].

13 **THIRD CAUSE OF ACTION**
14 **FRAUD IN THE OFFER OR SALE OF SECURITIES**
15 **Violation of Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)]**
16 **(ALL DEFENDANTS)**

17 86. The Commission realleges and incorporates by reference the
18 allegations contained in Paragraphs 1 through 79, above.

19 87. Defendants, by engaging in the conduct described above,
20 directly and indirectly, in the offer and sale of securities, by the use of the
21 means or instruments of transportation or communication in interstate
22 commerce or by use of the mails, engaged in transactions, practices, or
23 courses of business which operate or would operate as a fraud or deceit upon
24 the purchaser.

25 88. By reason of the foregoing, Defendants, directly or indirectly,
26 violated, and unless restrained and enjoined by this Court, will continue to
27 violate, Section 17(a) (3) of the Securities Act [15 U.S.C. § 77q(a)(3)].
28

1 **FOURTH CAUSE OF ACTION**
2 **FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF**
3 **SECURITIES**

4 **Violation of Section 10(b) of the Securities Act [15 U.S.C. § 78j(b)] and Rules**
5 **10b-5(a) and (c) thereunder [17 C.F.R. § 240.10b-5(a) and (c)]**
6 **(ALL DEFENDANTS)**

7 89. The Commission realleges and incorporates by reference the
8 allegations contained in Paragraphs 1 through 79, above.

9 90. Defendants, by engaging in the conduct described above,
10 directly or indirectly, by the use of means or instrumentalities of interstate
11 commerce or use of the mails, in connection with the purchase or sale of
12 securities, with scienter, employed devices, schemes, or artifices to defraud,
13 or engaged in acts, practices, or courses of business that operated or would
14 operate as a fraud and deceit upon other persons.

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

19 **FIFTH CAUSE OF ACTION**
20 **FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF**
21 **SECURITIES**

22 **Violation of Section 10(b) of the Securities Act [15 U.S.C. § 78j(b)] and Rule**
23 **10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)]**
24 **(DEFENDANTS DALIUS, PRE, SAVIAN LLC AND SAVIAN**
25 **INTERNATIONAL)**

26 92. The Commission realleges and incorporates by reference the
27 allegations contained in Paragraphs 1 through 79, above.

28 93. Defendants Dalius, PRE, Saivian LLC and Saivian International,
 directly or indirectly, in connection with the sale of a security, by the use of
 means or instrumentalities of interstate commerce, of the mails, or the
 facilities of a national securities exchange, with scienter, made untrue

1 statements of a material fact or omitted to state a material fact necessary in
2 order the make the statements made, in the light of the circumstances under
3 which they were made, not misleading.

4 94. Defendants Dalius, PRE, Saivian LLC and Saivian International,
5 acted knowingly or recklessly in the above described false and misleading
6 statements and omissions.

7 95. By reason of the foregoing, Defendants Dalius, PRE, Saivian
8 LLC and Saivian International, violated, and unless restrained and enjoined
9 will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C.
10 §78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)].

11 **SIXTH CAUSE OF ACTION**
12 **CONTROL PERSON LIABILITY**
13 **Violation of Sections 20(a) of Securities Exchange Act [15 U.S.C. §78t(a) and**
14 **78t(b)]**
(DALIUS)

15 96. The Commission realleges and incorporates by reference the
16 allegations contained in Paragraphs 1 through 79, above.

17 97. Dalius, by engaging in the conduct described above, directly or
18 indirectly controlled the Saivian entities liable under any provision of the
19 Securities Exchange Act or regulation thereunder for the acts of their officers
20 and employees who engaged in acts, practices, or courses of business that
21 operated or would operate as a fraud and deceit upon other persons.

22 98. By reason of the foregoing, Dalius, violated, and unless
23 restrained and enjoined will continue to violate, Section 20(a) of the
24 Exchange Act [15 U.S.C. §78t(a)].

**SEVENTH CAUSE OF ACTION
OFFER AND SALE OF UNREGISTERED SECURITIES
Violation of Sections 5(a) and (c) of the Securities Act
[15 U.S.C. § 77e(a) and (c)]
(ALL DEFENDANTS)**

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99. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 79, above.

100. Defendants, by engaging in the conduct described above, directly or indirectly, through use of the means or instruments of transportation or communication in interstate commerce or the mails, offered to sell or sold securities or, directly or indirectly, carried such securities through the mails or in interstate commerce, for the purpose of sale or delivery after sale.

101. No registration statement has been filed with the Commission or has been in effect with respect to these securities.

102. By reason of the foregoing, Defendants, directly or indirectly violated, and unless enjoined will continue to violate, Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)].

**EIGHTH CAUSE OF ACTION
DISGORGEMENT BY THE RELIEF DEFENDANTS
(ALL RELIEF DEFENDANTS)**

103. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 79, above.

104. The Commission does not allege that the Relief Defendants violated the federal securities laws. The Relief Defendants however received, directly or indirectly, funds or other property from one or more of the Defendants or from Saivian investors, which are either the proceeds of, or are traceable to the proceeds of, unlawful activities alleged in this Complaint to which the Relief Defendants have no legitimate claim.

105. By reason of the foregoing, it would be inequitable for the

1 Relief Defendants to retain the proceeds from Defendants' violations of the
2 federal securities laws and such proceeds should be disgorged.

3 **RELIEF REQUESTED**

4 WHEREFORE, the Commission respectfully requests that this Court:

5 **I.**

6 Issue findings of fact and conclusions of law that Defendants committed the
7 violations charged herein.

8 **II.**

9 Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil
10 Procedure orders that temporarily, preliminarily and permanently enjoin Defendants
11 and their officers, agents, servants, employees, attorneys, and accountants, and
12 those persons in active concert or participation with any of them, who receive
13 actual notice of the order by personal service or otherwise, and each of them, from
14 engaging in transactions, acts, practices, and courses of business described herein,
15 and from engaging in conduct of similar purport and object in violation of Sections
16 17(a) and Sections 5(a) and (c) of the Securities Act, Section 10(b) of the Exchange
17 Act and Rule 10b-5(a) and (c) thereunder.

18 **III.**

19 Issue, in a form consistent with Rule 65(d) of the Federal Rules of Civil
20 Procedure, orders that temporarily, preliminarily and permanently enjoin
21 Defendants, and their officers, agents, servants, employees, attorneys, and
22 accountants, and those persons in active concert or participation with any of them,
23 who receive actual notice of the order by personal service or otherwise, and each of
24 them, from: (A) transferring, changing, wasting, dissipating, converting,
25 concealing, or otherwise disposing of, in any manner, any funds, assets, claims, or
26 other property or assets owned or controlled by, or in the possession or custody of
27 these Defendants; and (B) transferring, assigning, selling, hypothecating, or
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1 otherwise disposing of any assets of Saivian or related entities, including but not
2 limited to those entities identified in accompanying pleadings.

3 **IV.**

4 Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil
5 Procedure orders that temporarily, preliminarily and permanently restrain and
6 enjoin Defendants, and each of them, and their officers, agents, servants,
7 employees, attorneys, and accountants, and those persons in active concert or
8 participation with any of them, who receive actual notice of the order by personal
9 service or otherwise, and each of them, from destroying, mutilating, concealing,
10 transferring, altering, or otherwise disposing of, in any manner, books, records,
11 computer programs, computer files, computer printouts, correspondence, including
12 e-mail, whether stored electronically or in hard copy, memoranda, brochures, or any
13 other documents of any kind that pertain in any manner to the business of
14 Defendants.

15 **V.**

16 Enter an order directing Defendants to pay civil money penalties pursuant to
17 Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act.

18 **VI.**

19 Enter an order directing Defendants to disgorge all ill-gotten gains received
20 during the period of violative conduct and pay prejudgment interest on such ill-
21 gotten gains and directing Relief Defendants to disgorge all ill-gotten gains
22 transferred to them.

23 **VII.**

24 Grant such further equitable relief as this Court deems just, appropriate, and
25 necessary, including, but not limited to, a freeze of assets, an accounting, and the
26 acceleration of discovery, including the forthwith production of documents.

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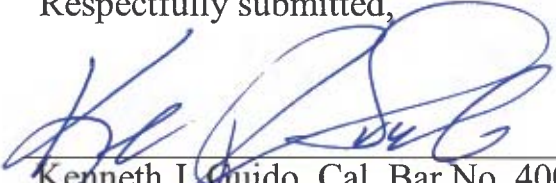
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VIII.

Retain 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.

DATED October 3, 2018

Respectfully submitted,



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