

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

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**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

**v.**

**STEPHEN DURLAND**

**Defendant.**

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**Case No.: 3:24-cv-02062**

**COMPLAINT**

Plaintiff Securities and Exchange Commission (the “Commission”) files this Complaint against Defendant Stephen Durland (“Durland”) and alleges as follows:

**I.  
SUMMARY**

1. From approximately August 2017 through September 2022, Durland participated in a scheme to artificially inflate stock prices and trading volume in three penny-stock companies so that scheme participants could sell their shares for a substantial profit. Specifically, Durland, a securities-fraud recidivist who was previously suspended from appearing or practicing before the Commission as an accountant, prepared financial statements for the issuers: Alternet Systems, Inc. (“Alternet”), Priority Aviation, Inc. (“Priority”), and Vaycaychella, Inc. (“Vaycaychella”) (collectively, the “Issuers”).

2. The Issuers’ financial statements, along with related disclosure statements, were false and misleading in numerous respects. For example, although Durland prepared the financial statements, the public filings omitted Durland’s role, thereby concealing his 2011 felony securities-fraud conviction, a previous judgment obtained against him by the

Commission, and his suspension from appearing or practicing before the Commission as an accountant. Similarly, the Issuers' disclosure statements falsely reported that the Issuers' respective CEOs prepared the financial statements. In addition, the financial statements for at least one of the Issuers contained materially misleading statements and omissions concerning the conversion terms of a convertible promissory note, concealing that the conversion terms would allow a scheme participant who obtained the promissory note to amass significant amounts of the Issuer's stock at extreme discounts, and then sell those discounted shares to market participants.

3. By committing the acts alleged in this Complaint, Durland 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 Sections 17(a)(1) and (3) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77q(a)(1), (3)] and Section 10(b) of the Securities Exchange Act of 1934 ("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)].

4. In the interest of protecting the public from any further fraudulent activity and harm, the Commission brings this action against Durland seeking: (a) permanent injunctive relief; (b) disgorgement of ill-gotten gains, plus prejudgment interest thereon; (c) civil penalties; and (d) all other equitable and ancillary relief to which the Court determines that the Commission is entitled.

## **II. JURISDICTION AND VENUE**

5. 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 Durland from violating the antifraud provisions of the federal

securities laws.

6. The Court has jurisdiction of 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].

7. Venue is proper because the Dallas Division of the Northern District of Texas is where a substantial part of the acts, omissions, transactions, practices, and/or courses of business giving rise to the claims occurred. Altnet and Priority are based, respectively, in Addison and Dallas, Texas. Furthermore, the Dallas Division of the Northern District of Texas is the venue of a related civil action, *SEC v. Verges, et al.*, No. 3:23-cv-02146-D (N.D. Tex. filed Sept. 26, 2023).

8. Durland, 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.

9. Durland 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. DEFENDANT AND RELEVANT PERSONS**

#### **A. Defendant**

10. Durland resides in Greensboro, North Carolina. Durland was formerly a Certified Public Accountant (“CPA”), licensed in New York. In 2009, the Commission filed a civil injunctive action against Durland in connection with an alleged stock-dumping scheme; in 2010, the court entered a final judgment, enjoining him from violating or aiding and abetting violations of the antifraud, reporting, books-and-records, securities registration, and stock-ownership-

reporting provisions of the federal securities laws and imposing an officer-and-director bar against him. *See SEC v. Pegasus Wireless Corp., et al.*, No. 4:09-cv-2302 (N.D. Cal. filed May 26, 2009). Thereafter, the Commission issued an order in 2010, suspending him from appearing or practicing before the Commission as an accountant. *See Securities Exchange Act of 1934 Rel. No. 63013* (issued on Sept. 29, 2010). In a related criminal case, Durland pled guilty to felony counts of securities fraud, conspiracy to commit securities fraud, and falsifying books, records, and accounts, and in 2011 he was sentenced to serve a 33-month term of imprisonment. *United States v. Durland*, No. 4:11-cr-00009 JSW (N.D. Cal. filed Jan. 10, 2011).

**B. Other Relevant Persons**

11. Phillip Verges, a/k/a Tom Faye, a/k/a Mike Murphy (“Verges”), resides in Dallas, Texas. Verges maintained undisclosed control over the Issuers and directed their actions.

12. Alternet is a non-SEC-reporting microcap company based in Addison, Texas and incorporated in Wyoming. Alternet purports to be in the business of building an electric mobility ecosystem designed to support its anticipated product launch of an electric motorcycle to be marketed and sold in Africa. Alternet’s common stock is quoted under the symbol “ALYI” on OTC Link (previously “Pink Sheets”) operated by OTC Markets Group, Inc. (“OTC Link”). Since January 1, 2017, Alternet’s common stock has generally traded for less than \$0.88 per share.

13. Priority is a non-SEC-reporting microcap company based in Dallas, Texas and incorporated in Wyoming. Priority purports to be a technology company that develops applications designed to enhance student life. Priority’s common stock is quoted under the symbol “PJET” on OTC Link. Since January 1, 2017, Priority’s common stock has generally traded for less than \$0.03 per share.

14. Vaycaychella is a non-SEC-reporting microcap company based in Las Vegas,

Nevada and incorporated in Wyoming. Vaycaychella claims its mission is to serve short-term vacation rental owners and investors with a peer-to-peer lending application, which is under development. Vaycaychella's common stock is quoted under the symbol "VAYK" on the OTC Link. Since January 1, 2017, Vaycaychella's common stock has generally traded for less \$0.093 per share.

#### IV. STATEMENT OF FACTS

##### A. Overview of the Fraudulent Scheme.

15. On September 26, 2023, the Commission filed a civil injunctive action against Verges and others in an action styled, *SEC v. Phillip Verges, et al.*, Case No. 3:23-cv-02146-D (N.D. Tex. filed Sept. 26, 2023) (the "Verges Action"). As detailed in the Complaint [Dkt. No. 1] (the "Verges Complaint"), Verges and other persons participated in a scheme to pump and dump the stock of the Issuers and other publicly traded companies.

16. As alleged in the Verges Complaint, Verges gained control of the Issuers and other related companies and installed figurehead CEOs. From at least June 2017 to June 2022, the Issuers and other related companies, at Verges's direction, issued approximately 5.2 billion shares of unrestricted stock to scheme participants in exchange for previously issued convertible promissory notes and other debt obligations (together "debt instruments"). The debt instruments' aggregate conversion price was approximately \$15 million—a discount of approximately 86.64% from the shares' aggregate market price, which exceeded \$112 million. Once the scheme participants received their shares, they either sold them or transferred them to third parties for sale into the market. The scheme participants received proceeds from these sales and then kicked back a portion to companies owned or controlled by Verges.

17. As further alleged in the Verges Complaint, Verges artificially inflated the trading

volume in the Issuers' stocks to ensure that his nominees and other scheme participants could sell their shares. Using an alias, Verges authored and posted more than 1,400 press releases promoting the Issuers and other related companies to increase the stocks' trading volumes. He also directed the Issuers and other related companies to publish false and misleading disclosures and financial statements through a publicly available website maintained by OTC Markets Group, Inc. The press releases, OTC disclosures, and financial statements were all designed to make the stocks of the Issuers and other related companies appear more attractive to the investing public, to increase their trading volume, and to create market conditions in which scheme participants could more readily dump their shares.

**B. Durland's Participation in the Scheme**

***1. Durland Prepared Financial Statements***

18. In or around August 2017, Verges hired Durland to prepare quarterly and annual financial statements for the Issuers. In preparing these financial statements, Durland never received financial information directly from the Issuers or their CEOs. Instead, Verges, as the undisclosed control person of these entities, directly provided Durland with financial information for the Issuers. Bank records from June 2019 to September 2022 show that Verges paid Durland at least \$83,000 for his services.

19. At Verges's direction, each of the three Issuers included Durland-prepared financial statements in a "Financial Report" published to OTC Markets for each quarterly and annual period. Along with the Financial Report, each entity also published to OTC Markets a separate "Disclosure Statement" for each period, again at Verges's direction, to disclose relevant company information. Each Disclosure Statement either included the financial statements in the Financial Report for the relevant period or incorporated the financial statements by reference. As discussed below, the Financial Reports and Disclosure Statements contained false and

misleading statements, which Durland knew or was severely reckless in not knowing.

**2. *The Disclosure Statements Concealed Durland's Involvement***

20. From December 2018 to August 2022, Verges directed the submission of at least 35 Disclosure Statements that falsely stated that the Issuers' CEOs prepared their financial statements and omitted any mention of Durland's role in their preparation. These false statements prevented investors from assessing investment risks, because the Issuers' financial statements had been secretly prepared by Durland, a convicted securities-fraud recidivist who served a 33-month prison term and who was subject to antifraud injunctions and a prohibition from appearing or practicing before the Commission as an accountant.

21. Durland continued to prepare financial statements for the Issuers despite red flags alerting him that the Issuers' Disclosure Statements concealed his role. For example, in August 2019 and November 2019, Durland received copies of an Alternet Disclosure Statement falsely stating that the Issuers' CEOs prepared Alternet's financial statements and, thereby, concealing Durland's involvement. Yet Durland continued to prepare the Issuers' financial statements through at least August 2022, making no effort to: (a) ensure that the Issuers' Disclosure Statements accurately disclosed his role, or (b) cease his activities to be in conformance with the Disclosure Statements. Thus, Durland knew, or was severely reckless in not knowing, that the Disclosure Statements were false and misleading.

**3. *Durland Prepared Misleading Financial Statements for Alternet***

22. In April 2021, Alternet issued a \$1,111,111 convertible promissory note (the "Promissory Note") to a scheme participant. As Durland knew or was severely reckless in not knowing, the Promissory Note had a 12-month maturity, a 12% annual interest rate, and a provision allowing the scheme participant to convert the note to Alternet stock six months after issuance.

23. At Verges's direction, Alternet published quarterly and annual Financial Reports to OTC Markets containing the financial statements that Durland prepared. For the quarterly periods ended June 30, 2021 and September 30, 2021, the notes to each of the financial statements described the Promissory Note as follows:

In April 2021, the Company entered into a convertible note with a third party for \$1,111,111, which includes \$111,111 of [original issue discount]. This note has a maturity in one year and carries a 12% interest rate. This note is convertible beginning 6 months after issuance. It is convertible at a discount of 50% to the lowest trade price during the 20 consecutive trading days immediately prior to conversion date.

For the annual period ended December 31, 2021, the notes to the financial statements contained the same description above, except it stated "issued" as opposed to "entered into."

24. As Durland knew, or was severely reckless in not knowing, this statement was misleading. The actual terms of the note stated: "[t]he conversion price . . . shall equal *the lesser of fifty percent (50%) of the lowest trade price . . . during the twenty (20) consecutive Trading Days immediately preceding the (i) Issue Date; or, (ii) Conversion Date*" (emphasis added). The exclusion of the actual Promissory Note terms was significant because the note allowed the scheme participant to convert at a rate significantly lower than that disclosed in the financial statements that Durland prepared. This fact was not included in any Alternet financial statements or other public disclosures. On at least two occasions, the scheme participant converted at the lower, undisclosed conversion rate and extracted a profit from these conversions.

25. The financial statements that Durland prepared for the quarters ended March 31, 2022, and June 30, 2022, also contained misleading statements concerning the Promissory Note. Unlike the earlier financial statements, the notes to these financial statements omitted the statement block-quoted in paragraph 23 above, which described the Promissory Note. As



Durland knew, or was severely reckless in not knowing, by failing to include this or similar language, the financial statements conveyed the misleading impression that the Promissory Note was no longer outstanding. But as Durland knew, or was severely reckless in not knowing, the Promissory Note's initial principal balance of \$1,111,111 was still outstanding as of March 31, 2022, and as much as \$695,111 was outstanding as of June 30, 2022.

**V.  
CLAIMS FOR RELIEF**

**FIRST CLAIM FOR RELIEF**

**Violations of the Antifraud Provisions of the Exchange Act  
Section 10(b) [15 U.S.C. § 78j(b)] and Rules 10b-5(a), (c) [17 C.F.R. §§ 240.10b-5(a), (c)]**

26. Plaintiff re-alleges and incorporates paragraphs 1 through 25 of this Complaint by reference as if set forth verbatim in this Claim.

27. By engaging in the acts and conduct alleged herein, Durland, 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:

- 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.

28. With regard to the violations of Section 10(b) and Rules 10b-5(a) and (c), Durland acted with scienter and engaged in the referenced conduct knowingly and/or with severe recklessness.

29. By reason of the foregoing, Durland 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)].

**SECOND CLAIM FOR RELIEF**

**Violations of the Antifraud Provisions of the Securities Act  
Sections 17(a)(1) and (3) [15 U.S.C. §§ 77q(a)(1) and (3)]**

30. Plaintiff re-alleges and incorporates paragraphs 1 through 25 of this Complaint by reference as if set forth verbatim in this Claim.

31. By engaging in the acts and conduct alleged herein, Durland, 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. employed a device, scheme, or artifice to defraud; and/or
- b. engaged in a transaction, practice, or course of business which operated or would operate as a fraud or deceit upon the purchaser.

32. With regard to violations of Section 17(a)(1), Durland acted with scienter and engaged in the conduct knowingly and/or with severe recklessness. With regard to the violations of Section 17(a)(3), Durland acted at least negligently.

33. By reason of the foregoing, Durland 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)].

**PRAYER FOR RELIEF**

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

1. Permanently enjoining Durland 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)];

2. Barring Durland from participating in any 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];

3. Ordering Durland to disgorge all ill-gotten gains he 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)];

4. Ordering Durland to pay civil penalties 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)]; and

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

Dated: August 12, 2024

Respectfully submitted,

/s/ Jason P. Reinsch

Jason P. Reinsch

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