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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

CECILIA MILLAN and MARGARITA E.
CABRERA DE VELASCO a/k/a
MARGARITA CABRERA

Defendants.

Case No.

COMPLAINT

Plaintiff Securities and Exchange Commission (“SEC”) alleges:

SUMMARY

1. This case concerns the nationwide offering by two promoters – Defendants Cecilia Millan and Margarita Cabrera – of investments in AirBit Club (“AirBit”), a multi-level marketing scheme that targeted LatinX and Spanish-speaking communities with promises of high returns from algorithmic digital asset day-trading by “automated robots” connected to “international exchanges”; and from a recruitment compensation plan that incentivized members to attract others to the scheme. Through their recruitment of others, Millan and Cabrera raised large sums from investors in the scheme, positioned themselves at the top of an extensive pyramid of AirBit investors, and

received substantial compensation from AirBit for their efforts. Defendants are not registered with the SEC as broker-dealers, and are not associated with any registered broker-dealer.

2. By engaging in this conduct, Defendants Millan and Cabrera each regularly facilitated transactions in securities and thereby violated the broker-dealer registration provisions of Section 15 of the Securities Exchange Act of 1934 (“Exchange Act”).

3. The SEC seeks permanent injunctive relief against Defendants from violations of the broker-dealer registration provisions of the federal securities laws, conduct-based injunctions, disgorgement and prejudgment interest, and civil monetary penalties.

JURISDICTION AND VENUE

4. The Court has jurisdiction over this action pursuant to Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the Exchange Act, 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa(a).

5. Defendants have, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices and courses of business alleged in this complaint. Defendants each solicited investors throughout the United States through, *inter alia*, promotional videos posted to social media websites on the internet.

6. Venue is proper in this district pursuant to Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a), because certain of the transactions, acts, practices and courses of conduct constituting violations of the federal securities laws occurred within this district. As a result of their AirBit promotional efforts, Defendants received funds transfers from a financial account at a financial institution headquartered in this district.

DEFENDANTS

7. Cecilia Millan (“Millan”), age 37, is a resident of Greensboro, North Carolina. She is

not associated with any entity registered with the SEC in any capacity. Millan is an AirBit promoter and a member of AirBit’s “Master Council.”

8. Margarita Cabrera (“Cabrera”), age 44, is resident of Oviedo, Florida. She is not associated with any entity registered with the SEC in any capacity. Cabrera is an AirBit promoter and a member of AirBit’s “Master Council.”

RELATED INDIVIDUALS AND ENTITY

9. Pablo Renato Rodriguez Arevalo (“Rodriguez”), age 37, is a resident of Irvine, California. With Gutemberg Dos Santos (“Dos Santos”), Rodriguez controls AirBit. Rodriguez is not associated with any entity registered with the SEC in any capacity.

10. Gutemberg Dos Santos, age 45, is a resident of Panama City, Panama. With Rodriguez, Dos Santos controls AirBit. Dos Santos is not associated with any entity registered with the SEC in any capacity.

11. AirBit is an investment club controlled by Rodriguez and Dos Santos, which purports to operate, in addition to an international multi-level marketing organization, a “cryptocurrency” trading platform. AirBit Club is not organized in any jurisdiction and has no formal legal existence.

ALLEGATIONS

A. Background

12. Rodriguez and Dos Santos were sued by the SEC in 2017 for operating a fraudulent pyramid scheme called Vizinova in the civil enforcement action captioned, *SEC v. Renato Rodriguez and Gutemberg Dos Santos*, Case No. 8:17-cv-00375 (C.D. Cal. Mar. 2, 2017) (the “Vizinova Action”). Rodriguez and Dos Santos settled to fraud and registration violations of the federal securities laws, and the district court entered a final judgment permanently enjoining them from violating Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 (“Securities Act”) and

Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, ordering disgorgement of \$1.4 million from them jointly, and imposing a \$600,000 penalty on each of them.

13. At around the same time, Rodriguez and Dos Santos created AirBit, which they controlled. Defendants and other AirBit promoters solicited new investors throughout the United States through in-person investment recruitment meetings and conferences, YouTube videos, investment presentations posted to the internet, and word-of-mouth.

14. Defendants' promotional efforts were in both Spanish and English, and targeted the LatinX and Spanish-speaking communities for investment.

15. AirBit generally received investments and paid returns to investors only in cash, some of which was deposited into bank accounts. Some of the payments Defendants received for their promotion and sales of AirBit securities were paid from a bank account that, upon information and belief, contained AirBit investor funds.

B. The AirBit Offerings

16. AirBit offered seven investment options to investors: (i) a \$1,000 investment ("Pro" membership); (ii) a \$3,000 investment ("P3 Pro" membership); (iii) a \$7,000 investment ("P7 Pro" membership); (iv) a \$15,000 investment ("Silver" membership); (v) a \$31,000 investment ("Gold" membership); (vi) a \$63,000 investment ("Platinum" membership); and (vii) a \$126,000 investment ("Diamond" membership).

17. Through its presentations and marketing materials, AirBit claimed that its investors have earned on average returns of 57.6% to 126%, with the rate of return increasing with the level of initial investment.

18. AirBit promised investors daily returns of \$7 to \$13 for every \$1,000 invested, and told investors they could have access to their returns at any time in either digital assets or U.S. dollars.

19. According to AirBit's written offering materials and online videos, an investment in AirBit provided investors with two sources of investment returns.

20. First, AirBit promised investment returns through digital asset trading. AirBit represented that it would pool 52% of all funds invested by AirBit's members to finance its digital asset trading program (called "Blockchain Distribution Technology w/Affiliate Program"), which used algorithms to "recognize market trends," "find mass quantities of bitcoins at low prices," and sell those bitcoins at a higher price through "automated robots" connected to "international exchanges." AirBit represented that it would distribute half of all digital asset trading profits equally among AirBit's investors on each of the next 525 business days.

21. Second, AirBit promised investment returns through its multi-level marketing compensation program. AirBit represented that it would pool the remaining 48% of all funds invested and use those funds to pay recruitment compensation to AirBit members in accordance with a bonus plan.

22. That bonus plan provided higher returns to those who successfully recruited many others to invest in AirBit. Even higher returns were offered to those who were high up in their respective recruitment chains, *i.e.*, at the top of a pyramid.

23. In reality, the AirBit compensation plan paid investors bonuses for recruiting new members to AirBit, rather than compensating them for selling those new members a real product or service.

24. The AirBit recruitment compensation took the form of four types of "bonuses," and the agreed payouts for certain bonuses increased for those who purchased more expensive investment packages:

- (a) "Direct Bonus": Each time an investor successfully referred AirBit, that

referring investor was to be paid 20% of the new AirBit member's investment in AirBit, and if that new member later "upgraded" to a more expensive investment package, 20% of that upgraded amount.

(b) "Matrix Bonus": As referred members themselves recruited new investors in AirBit, the original investor at the top of the pyramid was to be paid \$10 for each new member added to that chain, going down 18 "generations" (*i.e.*, levels of recruitment).

(c) "Binary Bonus": Each time a new member joined downstream in the original investor's "left" or "right" downline, AirBit was to pay what it called "7-10% of volume of equalization" to the original investor, depending on what package that investor had purchased.

(d) "Retirement Bonus": AirBit mandated that investors set aside up to \$1,000 of all recruitment compensation paid in a "savings" wallet. AirBit promised that it would pool 75% of that \$1,000 from each investor, and use these amounts to pay additional residual commissions for each member in an investor's downline (here, up to 63 "generations" deep and the payouts increased for more expensive investment packages). AirBit promised that the remaining 25% in all investors' "savings" wallets would be transferred over to the pool of investor funds that it was using to profitably trade in cryptocurrency.

25. The "memberships" offered and sold by AirBit and Defendants were securities in the form of investment contracts. Individuals invested money to purchase the interests offered by AirBit and Defendants. Investors were informed that AirBit would pool all of their funds with those of other AirBit investors, with 52% pooled for the trading of "cryptocurrencies," and 48% pooled for the recruiting compensation plan.

26. For the 52% of investor funds pooled for the purpose of trading in "cryptocurrencies," profits were to be generated using AirBit's expertise and its purported

algorithmic and automated trading platform. AirBit investors had no role in the trading activities, and relied entirely on AirBit's expertise and management to generate trading profits. The fortunes of AirBit, its promoters, and investors were tied together. AirBit's promoters and its investors were to split day-trading profits equally, and the investors' share would then be distributed equally among them on a daily basis. AirBit's and its promoters' fortunes rose and fell together based on AirBit's represented ability to profitably day-trade and generate returns.

27. For the 48% of investor funds pooled for the purposed of the recruitment compensation plan, the funds were to be distributed using the compensation structure AirBit established. While AirBit members who were most successful in recruiting new investors to AirBit received larger bonuses, the fortunes of AirBit, its promoters, and its investors were dependent on the continued expansion of the AirBit program through recruitment of new investors who would contribute to the pool of funds AirBit used to pay recruitment compensation. Because AirBit operated as a pyramid, its investors and promoters relied on the entrepreneurial efforts of new investors to expand the number of investors, thus contributing to the recruitment compensation pool. Investors relied on AirBit to calculate, disburse, and track all recruitment compensation, without the involvement of any AirBit investors.

28. At all times, the managerial efforts that affected the success or failure of the enterprise were those of AirBit, and investors' realization of profits were inextricably tied to the success of the promotional scheme.

C. AirBit Investor Funds Flowed Through Lawyer A's Trust Account

29. A substantial amount of proceeds from the AirBit offering were deposited into the trust account of an attorney ("Lawyer A"), which was associated with Rodriguez and Dos Santos.

30. For example, to settle the Vizinova Action, Rodriguez and Dos Santos made their monetary payment from Lawyer A's trust account.

31. Lawyer A's trust account contained funds related to the AirBit offering. Beginning in early 2017 through November 2019, Lawyer A's trust account began receiving large cash deposits and large wires from an unknown entity that, upon information and belief, were AirBit investor funds.

32. Rodriguez directed Lawyer A to accept large amounts of cash that, upon information and belief, were AirBit investor funds.

33. These cash transactions usually took place at local shopping malls or at Rodriguez's home.

34. Around November 2019, activity in the account decreased significantly, and Lawyer A's trust account was closed in February 2020.

35. During the period from early 2017 through November 2019, approximately 85% the activity in Lawyer A's trust account involved receiving large wires and cash deposits associated with, upon information and belief, the AirBit offering, then dispersing those funds to Rodriguez, Dos Santos, Defendants, and other AirBit promoters.

D. Defendants' Illegal Broker-Dealer Activities

36. Defendants Millan and Cabrera were each members of AirBit's "Master Council." The "Master Council" consisted of the top promoters selling AirBit. The promoters used the internet, presentations, and oral statements to recruit investors and sell AirBit securities.

37. Defendants regularly promoted AirBit, took investment orders, and received investor cash.

38. Defendants received payments from Lawyer A's trust account in connection with their promotional efforts and AirBit's multi-level marketing recruitment compensation structure.

1. Cecilia Millan

39. From August 2016 to the present, Millan promoted AirBit through her YouTube

channel of approximately 3,800 followers which published several AirBit presentations in English and Spanish.

40. When promoting AirBit, Millan emphasized her significant role with the organization as an AirBit “Master Council” member.

41. Millan regularly received AirBit investor cash and took investment orders from investors that she directly recruited.

42. Millan regularly participated in AirBit’s offer and sale of securities at key points in the chain of distribution.

43. Millan regularly received cash payments from investors recruited by other AirBit promoters below her in the recruitment pyramid.

44. Millan also received compensation from AirBit for selling AirBit securities to new investors. For example, in May 2019 Millan received \$555,000 from Lawyer A’s trust account.

2. Margarita Cabrera

45. From late 2015 through the present, Cabrera solicited investors through her YouTube channel of approximately 10,800 followers featuring various AirBit presentations in Spanish.

46. When promoting AirBit, Cabrera emphasized her significant role with the organization as an AirBit “Master Council” member.

47. Cabrera regularly received wire and bank transfers from investors under her pyramid.

48. Cabrera regularly participated in AirBit’s offer and sale of securities at key points in the chain of distribution.

49. Cabrera received compensation from AirBit for the sale of securities to new investors. For example, through a business Cabrera owns, Cabrera received a \$150,000 payment in March 2019 from Lawyer A’s trust account.

50. When actively promoting AirBit, taking investor cash and orders, and receiving payments for recruiting investors, Defendants were not registered as brokers, nor were they associated with a registered broker-dealer.

CLAIM FOR RELIEF

**Unregistered Broker-Dealer
Violation of Section 15(a) of the Exchange Act
(against Defendants)**

51. The SEC realleges and incorporates by reference paragraphs 1 through 50 above.

52. By engaging in the conduct described above, Defendants Millan and Cabrera, and each of them, made use of the mails and means or instrumentalities of interstate commerce to effect transactions in, and induced and attempted to induce the purchase or sale of, securities (other than exempted securities or commercial paper, bankers' acceptances, or commercial bills) without being registered with the SEC in accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b), and without complying with any exemptions promulgated pursuant to Section 15(a)(2), 15 U.S.C. § 78o(a)(2).

53. Defendants each engaged in extensive promotional efforts, regularly took investment orders from investors they recruited, regularly accepted cash investments from AirBit investors, and received compensation from AirBit for selling AirBit securities to new investors. Defendants therefore regularly participated in AirBit's offer and sale of securities at key points in the chain of distribution. When engaging in this conduct, Defendants were not registered as brokers, nor were they associated with a registered broker-dealer."

54. By engaging in the conduct described above, Defendants Millan and Cabrera have violated, and unless restrained and enjoined, are reasonably likely to continue to violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that Defendants committed the alleged violations.

II.

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Defendants, and their agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Section 15(a) of the Exchange Act [15 U.S.C. §§ 78o(a)].

III.

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently enjoining Defendants and their agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from offering, operating, or participating in any marketing or sales program in which a participant is compensated or promised compensation solely or primarily (1) for inducing another person to become a participant in the program, or (2) if such induced person induces another to become a participant in the program.

IV.

Order Defendants to disgorge all funds received from their illegal conduct, together with prejudgment interest thereon.

V.

Order Defendants to pay civil penalties under Section 21(d)(3) of the Exchange Act [15

U.S.C. § 78u(d)(3)].

VI.

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.

VII.

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

Dated: August 18, 2020

/s/ Amy Jane Longo

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