IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA

SECURITIES AND EXCHANGE COMMISSION, **Plaintiff,** **v.** **JOSH S. VERNE,** **Defendant.**	**Civil Action No.** **JURY TRIAL DEMANDED**

COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") files this Complaint against defendant Josh S. Verne ("Verne") and alleges as follows:

SUMMARY OF THE ACTION

1. This matter involves an offering fraud orchestrated by Verne, a businessman based in the Philadelphia area whose prior business ventures failed, in which he raised approximately $31 million from at least 110 investors, many of whom were his close friends and family, through the unregistered offer and sale of securities.

2. From at least 2018 through 2020 (the "Relevant Period"), Verne solicited investments in two start-up companies that he founded, Ownable, LLC ("Ownable"), an online rent-to-own business, and its affiliate, Ownable Capital Partners I, LLC ("OCP").

3. At the same time, Verne solicited investments in purported investment holding companies he created and controlled for the alleged purpose of pooling investors' funds together to invest in Ownable and two start-up companies unaffiliated with Verne (identified herein as "Company A" and "Company B").

4. Verne befriended several influential investors in the Philadelphia area by falsely portraying himself as a successful entrepreneur whose past business ventures had made him a multi-millionaire. These initial investors lent Verne credibility, and helped him connect with other wealthy and influential investors who ultimately invested directly in Ownable and OCP or in Verne's alleged investment holding companies VFU, LLC ("VFU"), KHV [Company A], LLC ("KHV-A"), and BBB Investment, LLC ("BBB") (collectively, "Verne's LLCs").

5. In reality, Verne funded his lifestyle by misusing investor proceeds and taking millions of dollars in personal loans from family and close friends.

6. Verne deceived prospective investors by making false claims about his prior business successes and personal wealth, his authority to pool investor funds in order to purchase securities, and the use of investor funds.

7. Of the approximately $31 million raised, only a little more than half was invested as promised. Verne used over $16 million to finance Ownable and OCP, both of which failed, resulting in millions of dollars in investor losses. Verne misappropriated at least $9.3 million for his own benefit which he used to, among other things, buy a vacation home, pay for private travel, and pay his children's private school tuition. Further, he returned approximately $5.2 million to investors through Ponzi-like payments.

8. In addition, on at least three occasions, Verne sold investors' securities without their knowledge or consent and used the sale proceeds for his personal benefit.

9. By engaging in the conduct described in this complaint, Defendant Verne violated, and unless enjoined will continue to violate, Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)], and Section 10(b) of the Securities Exchange Act of

1934 (the "Exchange Act") [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R § 240.10b-5].

JURISDICTION AND VENUE

10. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act, 15 U.S.C. §§ 77t(b) and 77t(d), and Sections 21(d) and 21(e) of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78u(e), to enjoin such acts, transactions, practices, and courses of business, to obtain disgorgement, prejudgment interest, and civil money penalties, and such other and further relief as the Court may deem just and appropriate.

11. This Court has jurisdiction over this action pursuant to Sections 20 and 22 of the Securities Act, 15 U.S.C. §§ 77t and 77v, and Sections 21 and 27 of the Exchange Act [15 U.S.C. §§ 78u and 78aa].

12. Venue in this district is proper pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa(a)]. Defendant Verne resided in this district at all times relevant to this Complaint, and this district was the principal place of business for Ownable.

13. In addition, certain of the acts, transactions, events and omissions giving rise to the violations of the federal securities laws alleged herein occurred within this district.

DEFENDANT

14. **Josh Verne**, age 46, was a resident of Gladwyne, Pennsylvania at all times relevant to this Complaint, and currently resides in Fort Lauderdale, Florida.

15. From 2003 to approximately 2011, Verne worked for his family's furniture business, Home Line Furniture Industries, Inc. ("Home Line Furniture"), and last held the title of Executive Vice President.

16. Verne also co-founded and served as the Chief Executive Officer ("CEO") of Workpays.me, LLC ("Workpays.me") from approximately 2012 to 2014, FlockU, LLC ("FlockU") from approximately 2014 to 2018, and Ownable from 2017 to 2020, all of which are described more fully below.

RELEVANT ENTITIES

A. The Operating Companies

17. Ownable, formerly known as FlockU, was a Delaware limited liability company based in King of Prussia, Pennsylvania that operated an online rent-to-own business. Verne co-founded Ownable in 2017 and served as CEO until his resignation in or about the fall of 2020. Ownable ceased operations in February 2021.

18. OCP was a Delaware limited liability company founded by Verne in November 2018 for the alleged purpose of financing the purchase of inventory for use by Ownable. Verne was the CEO of OCP until it ceased operations in or around October 2019.

19. Company A is a Delaware limited liability company founded in January 2017 with a principal place of business in Philadelphia, Pennsylvania. During the Relevant Period, Company A was a start-up financial technology company. Verne had no role in the operations or management of Company A.

20. Company B is a Texas corporation founded in 2011 with a principal place of business in Austin, Texas. During the Relevant Period, Company B was a start-up company that sold boxed alcoholic mixed drinks. Verne served on the board of directors of Company B until his removal in or around December 2020.

B. Verne's Limited Liability Companies

21. VFU was a Pennsylvania limited liability company created by Verne in April 2015 for the alleged purpose of holding and managing equity interests in Verne's company, FlockU and later Ownable. Verne was the managing member of VFU and controlled the company and its bank accounts.

22. KHV was a Pennsylvania limited liability company created by Verne in December 2014 for the alleged purpose of holding and managing investments in various companies. Verne was the managing member of KHV and controlled the company and its bank accounts.

23. KHV-A was a Delaware limited liability company Verne created in June 2018 for the alleged purpose of holding and managing equity interests in Company A. Verne was the managing member of KHV-A and controlled the company and its bank accounts.

24. BBB was a Delaware limited liability company created by Verne in July 2017 for the alleged purpose of holding and managing equity interests in Company B. Verne was the managing member of BBB and controlled the company and its bank accounts.

C. Other Relevant Entities

25. Home Line Furniture was Verne's family-owned furniture business based in Philadelphia, Pennsylvania. Verne worked for Home Line Furniture from 2003 until approximately 2011 when it ceased operations and last held the title of Executive Vice President.

26. Workpays.me was a Pennsylvania limited liability company co-founded by Verne in or around 2012 as a purported online marketplace that enabled employees to pay for product purchases over 12 months via payroll deductions. Verne served as CEO of Workpays.me until in or around 2014 when the company ceased operations.

27. FlockU was a Delaware limited liability company formed by Verne in December 2012 that operated an online platform for college students to share content. Verne served as CEO of FlockU until in or around 2017 when the company ceased operations.

TERMS USED IN THIS COMPLAINT

A. Promissory Note

28. A promissory note is a form of debt that a company issues to raise money in which an investor agrees to loan money to the company for a set period of time. In exchange, the company promises to pay the investor a fixed return on his or her investment, typically principal plus annual interest. The Securities Act and the Exchange Act define "notes" as securities. *See* 15 U.S.C § 77b; 15 U.S.C § 78c.

B. Membership Units

29. A membership unit ("unit") represents an investor's ownership interest in a limited liability company ("LLC"), similar to shares issued by a corporation.

FACTS

I. VERNE FRAUDULENTLY INDUCED INVESTMENTS IN OWNABLE, OCP, AND VERNE'S LLCs AND MISAPPROPRIATED INVESTOR FUNDS

A. Verne Falsely Presented Himself to Several Influential Investors as a Successful Entrepreneur with a Personal Net Worth in Excess of $50 Million

30. While running a series of businesses, starting with Home Line Furniture, Verne met and befriended several well-known entrepreneurs and influential investors in the Philadelphia area and elsewhere.

31. To gain the acceptance and trust of these influential investors, Verne misrepresented to them that his prior businesses, Home Line Furniture, Workpays.me, and FlockU, had been successful ventures that earned him significant wealth.

32. For example, Verne told a potential investor, Investor 1, a Philadelphia-based attorney and entrepreneur, that he had sold Home Line Furniture for $80 million. An investor slide presentation for Ownable also falsely stated that Verne "successfully built a several hundred million dollar furniture company."

33. In reality, Home Line Furniture fell into significant debt and ceased operations under Verne's management. In April 2011, three of Home Line Furniture's largest creditors filed an involuntary bankruptcy proceedings against it seeking a total of approximately $869,306 for unpaid invoices. In August 2011, Home Line Furniture liquidated its retail inventory and ceased operations.

34. Similarly, Verne misrepresented to multiple people that he sold FlockU for millions of dollars. Verne falsely told potential investors, Investor 2 and Investor 3, married entrepreneurs and successful private investors, that he sold FlockU for $500 million. Verne falsely told another potential investor, Investor 4, that he had sold FlockU for $60 million and invested that money in Ownable.

35. Investors 2 and 3 subsequently invested in Ownable, OCP, and VFU, and Investor 4 subsequently invested in Ownable.

36. In truth, Verne sold FlockU's domain name and website content for $1, and converted the company into Ownable.

37. Verne falsely told at least three prospective investors that he sold Workpays.me for between $30 and $100 million. An investor slide presentation for Ownable also falsely stated that Verne's prior company, Workpays.me, "had a nine figure exit to [a] consumer finance company."

38. In truth, Workpays.me was sold for a total of approximately $4 million, only a fraction of which Verne personally received.

39. Verne also lied to Investor 5, a Philadelphia-based entrepreneur and manager of a significant family office investment vehicle, about Verne's alleged personal wealth. During a meeting at Investor 5's beach house in New Jersey, Verne provided Investor 5 a spreadsheet that purported to show Verne's net worth as approximately $90 million.

40. Investor 5 subsequently invested in Ownable, VFU, and BBB, and loaned Verne money when Verne claimed to be having "liquidity issues."

41. Similarly, in late 2018, Verne told a potential investor, Investor 6, a managing partner at a New-York based venture capital fund, that he had a personal net worth of over $50 million. Investor 6 later invested in VFU and KHV-A.

42. Contrary to his representations, Verne was largely in debt and funded his lifestyle by misusing investor proceeds and taking millions of dollars in personal loans from family and close friends.

43. These prominent investors helped Verne connect with other wealthy potential investors who, along with Verne's friends and family, ultimately invested a total of $31 million in Verne's companies Ownable and OCP, as well as three of Verne's purported investment holding companies, VFU, KHV-A, and BBB.

B. Verne Defrauded Investors in Ownable, OCP, and VFU and Misappropriated Investor Funds

44. From March 2018 through September 2020, Verne solicited investments in Ownable through the offer and sale of membership units and promissory notes.

45. Verne provided to prospective investors Ownable's Class A Unit Subscription Agreement ("Ownable's Subscription Agreement"), which referred to the units as "securities"

and offered the units in exchange for an investment of money paid by check or wire transfer at Verne's direction.

46. Ownable's Subscription Agreement also stated that investor funds "shall be used by the Company to develop a digital membership and shopping platform for the rent to own market." It did not say that any investor funds would be used to pay Verne's personal expenses.

47. Ownable's promissory notes generally offered investors interest of 10% to 12% paid monthly, with the principal due in full one to two years from the date of investment.

48. Verne signed Ownable's Subscription Agreements and promissory notes as CEO of Ownable.

49. From November 2018 to October 2019, Verne solicited investments in OCP through the offer and sale of limited liability interests.

50. Verne provided to prospective investors OCP's term sheet and private placement memorandum, both of which described the investment as a "security" and offered investors limited liability interests in exchange for their investment of money paid by check or wire transfer at Verne's direction.

51. OCP's private placement memorandum stated that OCP "funds shall be held in the name of [OCP] and shall not be commingled with those of any other Person. [OCP] funds shall be used by the Managing Member only for the business of [OCP]." This was false.

52. In addition to direct investments in Ownable and OCP, Verne also offered certain potential investors the opportunity to invest in Ownable through Verne's purported investment holding company, VFU.

53. From March 2018 through September 2020, Verne solicited investments in VFU through the offer and sale of membership units and promissory notes.

54. Verne was the managing member of VFU and controlled VFU's bank accounts.

55. Verne represented to prospective investors that he formed VFU "for the purpose of owning equity of Ownable," and claimed that an investment in VFU had several benefits over a direct investment in Ownable.

56. For example, in a September 2018 email, Investors 2 and 3 were told that their investment in Ownable should be made through VFU because "the board would prefer to have [Ownable's] debt held with the two main shareholders." Later, in December 2018, Verne emailed Investors 2 and 3 and stated that an investment in VFU allowed Verne to offer a "better valuation" than a direct investment in Ownable.

57. Similarly, in early 2019, Verne represented to a potential investor, Investor 7, that an investment in VFU would earn a quicker return than an investment in Ownable.

58. Verne provided prospective investors VFU's Class A Common Unit Subscription Agreement ("VFU's Subscription Agreement"), which referred to the units as "securities" and offered the units in exchange for an investment of money paid by check or wire transfer at Verne's direction.

59. VFU's Subscription Agreement also stated that investor proceeds would be used "to make investments in equity securities of Ownable and to pay [associated] fees and expenses."

60. VFU's promissory notes generally paid investors interest of 12% monthly, with the principal amount due to be repaid one to two years from the date of the initial investment.

61. Verne signed VFU's Subscription Agreements and promissory notes as the managing member of VFU.

1. Verne Falsely Guaranteed Certain Investments and Lied About Personally Investing in Ownable and OCP

62. To give certain Ownable and OCP investors a false sense of security and induce them to invest, Verne personally guaranteed the return of their investment principal.

63. For example, Verne falsely told a potential investor, Investor 7, that an investment in Ownable was "risk free" because if Ownable failed, Verne would personally reimburse the principle amount of his investments.

64. Following Verne's promise, Investor 7 invested $100,000 in Ownable in March 2019 and $100,000 in August 2019. Investor 7 subsequently lost the entire amount of his investments.

65. Verne also falsely told certain potential investors that he personally invested millions of dollars in Ownable. For example, Investor 5 agreed to invest in Ownable after Verne falsely told Investor 5 that he personally invested $2 million in Ownable, among other misrepresentations.

66. In an email dated November 2, 2018, Verne stated to potential OCP investors that he and Investor 5 "will personally be investing $2 [million]" in OCP. Verne attached to the email a slide deck that stated "Principal (Josh Verne) intends to subscribe for no less than $1,000,000." This was false.

67. In an email dated November 4, 2019, Verne sought to raise an additional $6 million from existing Ownable investors and falsely claimed that he "personally put in an additional $2 [million]." Investors 2 and 3 invested an additional $750,000 in Ownable after receiving Verne's email.

68. In truth, Verne never invested any of his own money in Ownable or OCP.

69. Between March 2018 and September 2020, Verne raised a total of approximately $26 million from approximately 90 investors during in-person meetings, on the telephone, and in emails for an alleged investment in Ownable, OCP, and/or VFU.

70. As the CEO of Ownable and OCP, and the managing member of VFU, Verne controlled the companies' bank accounts and how investors' funds were used.

71. While some of the funds raised were used to operate Ownable and OCP, Verne also misused significant amounts of investor money by making personal purchases, transferring money to unrelated bank accounts, and making Ponzi-like payments to earlier investors.

2. Verne Misrepresented the Intended Use of Investor Proceeds and Misappropriated Investor Funds

72. Verne falsely represented to potential investors, both verbally and in offering documents, that the money raised through the offer and sale of membership units and promissory notes in Ownable, OCP, and/or VFU would be used solely for business purposes.

73. Verne never told prospective investors that their investments would be used for any purpose other than to purchase equity in or to operate Ownable and OCP, including for Verne's personal use.

74. In reality, Verne comingled investors' funds in numerous bank accounts that he controlled, used the bank accounts of Ownable, OCP, and VFU as his personal accounts, and improperly transferred millions of dollars from these accounts to other business and personal bank accounts he controlled.

75. For example, on August 3, 2018, Investor 5 transferred $150,000 to an Ownable bank account for an investment in the company. Between August 3 and August 9, 2018, Verne transferred or caused to be transferred $33,008 of Investor 5's funds into his personal bank account and used those funds to pay personal expenses, including his home mortgage and life

insurance premium. Verne also transferred $24,000 of Investor 5's funds into a VFU account and used those funds to pay for an interior designer for his beach house.

76. On November 27, 2019, Investor 1 invested $300,000 in Ownable. Immediately after Investor 1's deposit, Verne transferred $140,000 to a bank account for his entity KHV, a purported investment holding company, and used a portion of these funds to repay a prior investor. Prior to this transfer, the KHV account had a balance of only $200.

77. On March 18, 2019, Investor 7 wired $100,000 to a bank account for Verne's company, VFU, for an alleged investment in Ownable. No other money came into the VFU account during this time period other than the money from Investor 7.

78. Between March 18 and March 20, 2019, Verne transferred a total of $48,400 of Investor 7's funds to his personal bank account, and used $19,000 to charter a private jet for his personal use.

79. In total, Verne misappropriated for his personal use over $6 million from investor funds earmarked for Ownable and OCP, and used this money to pay for, among other things, an elaborate Bat Mitzvah for his daughter, mortgage payments on his personal residence, an interior designer for a beach house, personal investments in other undisclosed ventures, personal loan repayments, and private jet charters.

3. Verne Resigns from Ownable after the Board Discovers Verne's and Ownable's Dire Financial Situations

80. From March 2018 through August 2020, Verne sent, or caused to be sent, monthly and quarterly email updates to Ownable investors. These email updates served the dual purpose of lulling investors into believing that Verne had invested all of their funds as promised and inducing them to invest additional funds under the false pretense that their existing investment was profitable.

81. To make Ownable appear more profitable than it was, Verne reported to investors Ownable's gross merchandise value, which measured the total value of all goods leased, but did not take into account a high delinquency rate on payments and other debt.

82. By October 2019, Ownable was experiencing serious financial trouble. To fund the purchase of inventory, Verne used the personal credit cards of Ownable employees and his family and friends, many of whom also were investors, and typically charged well in excess of $100,000 with only a verbal promise of repayment.

83. In or around February 2020, Ownable was delinquent on a number of significant debts, including approximately $1 million owed to its primary social media advertiser. Verne also began issuing checks to OCP investors with insufficient funds in the corresponding bank accounts.

84. Although Verne knew of Ownable's financial troubles he nonetheless falsely claimed positive financial results to Ownable's board of directors and investors, including margin of sale and customer base information that positively reflected growth, and continued to solicit additional investments in Ownable through at least August 2020.

85. In or around February 2020, Investor 5 learned that Verne had bounced checks written to OCP investors and was unable to meet the capital call for an unrelated real estate investment.

86. Investor 5 met with Verne at Investor 5's home to discuss Verne's and Ownable's financial health. To provide Investor 5 with a false sense of security and continue the lie that he was a wealthy and successful entrepreneur, Verne provided Investor 5 a purported Goldman Sachs statement for the "Verne Family Trust" for the period ending October 31, 2019 that showed approximately $52 million in liquid assets.

87. The statement was fake. In reality, Verne never had an account in his name or in the name "Verne Family Trust" with Goldman Sachs.

88. In or around September 2020, after Ownable's board of directors learned that Verne caused Ownable to accrue large amounts of debt and issued bad checks to OCP investors, the board of directors requested that Verne resign. Verne resigned in or around October 2020.

C. Verne Sold Ownable Securities That He Did Not Own and Misappropriated the Proceeds

89. In March 2020, Verne falsely told a prospective investor, Investor 4, that an executive at Ownable, Individual 1, was experiencing financial problems and needed to sell his Class A units in Ownable.

90. Investor 4 agreed with Verne to purchase Individual 1's Class A units in Ownable and, on March 9, 2020, signed a purchase agreement provided by Verne for 357,142 units of Ownable for a total cost of $150,000.

91. Verne did not consult Individual 1 about the sale of his units and Individual 1 did not agree to the sale. Individual 1's signature was forged onto the purchase agreement by Verne or at Verne's direction.

92. At Verne's direction, Investor 4 wired $150,000 to a VFU bank account with the understanding that it was in exchange for Individual 1's Class A units in Ownable. Verne then misappropriated the funds for his personal use, including by transferring approximately $140,000 to investors in Ownable and OCP in Ponzi-like payments, and transferring $7,500 to his personal bank accounts.

93. In October 2020, Individual 1 learned that Verne had sold Individual 1's Class A units in Ownable and confronted Verne.

94. In a text message to Individual 1, Verne falsely claimed that he caused Individual 1's units to "go into the business and was personally responsible for paying the full amt [*sic*] (300k) to" Individual 1. Verne also stated to Individual 1: "I have majorly screwed up … I chose lies and ego over transparency …."

95. Individual 1 never received any proceeds from the sale of his Ownable Class A units to Investor 4.

D. Verne Defrauded Investors and Company A by Pooling Investments, Representing the Investment as his Own, and Misappropriating Investors' Funds

96. In June 2018, Company A solicited investments through the offer and sale of Class A preferred membership units ("Company A Units").

97. Company A expressly prohibited pooled investments and required investors to represent and confirm that they were acquiring Company A Units for their own account, not on behalf of other persons.

98. Specifically, Company A's Class A Preferred Unit Purchase Agreement ("Company A's Purchase Agreement") required the purchaser to confirm that Company A Units would be "acquired for investment for the Purchaser's own account, not … as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same."

99. Company A's Purchase Agreement further required any company that intended to purchase Company A Units to confirm that it "has not been formed for the specific purpose of acquiring the Units."

100. In or around June 2018, a co-founder of Company A, Individual 2, told Verne that Company A did not accept pooled investments because it operated in a highly regulated industry and could not have unknown investors.

101. Verne falsely represented himself to Individual 2 as a very wealthy and successful investor and told Individual 2 that he had tens of million dollars invested in other companies and sold his prior company Workpays.me for more than $100 million.

102. On or about June 15, 2018, Verne, by and through his company KHV-A, executed Company A's Purchase Agreement in order to purchase 345,692 Units for a total of $1 million. By signing Company A's Purchase Agreement, Verne represented that he was the sole member of KHV-A and was acquiring Company A Units through KHV-A on his own behalf.

103. On June 15, 2018, after he signed Company A's Purchase Agreement, Verne sent or caused to be sent a wire transfer in the amount of $500,000 from a bank account for his entity, KHV, to Company A. Shortly thereafter, Verne complained about having liquidity issues and Company A agreed to return his investment, but kept Verne's Purchase Agreement in place.

104. Beginning in June 2018, in direct contravention of Company A's restriction against pooled investments, Verne solicited investments in Company A through his entity KHV-A without Company A's knowledge or permission. Verne solicited investments in KHV-A through emails and telephone conversations with prospective investors.

105. Verne represented to potential investors that he would pool their money together and invest $1 million with Company A and subdivide Company A Units among those who pooled their funds with KHV-A.

106. Verne directed investors to send funds, primarily via wire transfers, to bank accounts that Verne controlled.

107. To give the investment the appearance of legitimacy, Verne provided potential investors with a "Class A Unit Purchase Agreement" for KHV-A ("KHV-A Purchase Agreement") which stated that KHV-A "intends to use substantially all of the proceeds of the offering to invest in [Company A]."

108. Verne never told investors that Company A expressly prohibited pooled investments or that their funds would be used for any purpose other than acquiring units in Company A, including for Verne's personal expenses.

109. Investors played no role in the management or operations of KHV-A, and any profits were to be obtained solely through Verne's management of their investment.

110. Between October 29 and December 18, 2018, Verne sent or caused to be sent two wire transfers of $500,000 each, from a KHV bank account to Company A in fulfillment of the Purchase Agreement. Verne did not disclose to Company A that he had raised the $1 million from other investors.

111. Although Verne raised in excess $1.9 million from approximately 13 investors for KHV-A, Verne used only $1 million to purchase units in Company A and misappropriated the remaining funds.

112. For example, on July 3, 2018, three investors invested a total of $275,000 with KHV-A based on Verne's representations that the money would be invested in Company A. At Verne's direction, their funds were deposited into a bank account for another of Verne's entities, KHV. No additional funds were deposited into Verne's KHV account until July 16, 2018.

113. Verne did not invest the three investors' funds into Company A as he had represented. Instead, between July 3 and July 13, 2018, Verne transferred, or caused to be transferred, $55,700 of the investors' funds into his personal bank account and used the money to

pay his personal mortgage and credit card bills. Verne used a total of approximately $131,000 of the investors' funds to repay an early Ownable investor and two FlockU investors and approximately $22,600 to pay Ownable-related expenses. Verne also transferred approximately $50,000 of the investors' funds to Company B.

114. In February 2020, Company A's management became aware that Verne was struggling financially, including by sending to Ownable investors redemption checks with insufficient funds in the corresponding bank accounts, and decided to buy out KHV-A's investment in the company.

115. On February 18, 2020, Company A sent a wire transfer in the amount of $500,000 to Verne's KHV bank account as a partial repayment of his investment.

116. Rather than return any of the $500,000 to the KHV-A investors, Verne misappropriated the entire amount to pay personal expenses, including the partial repayment of a $201,000 personal debt to a family member.

117. Verne requested that Company A transfer KHV-A's remaining units valued at $500,000 to Investor 5 in partial satisfaction of a personal debt Verne owed Investor 5.

118. On March 11, 2020, Investor 5, by and through his company, entered into a purchase agreement with KHV-A to purchase 217,846 Company A Units A for $500,000. Verne falsely represented in the purchase agreement with Investor 5 that he was the "sole beneficial owner" of KHV-A's Company A Units.

119. KHV-A's investors were not aware of and did not consent to the transfer of 217,846 Company A Units A to Investor 5. KHV-A's investors were also unaware that although Verne raised $1.9 million, only $1 million was invested in Company A.

120. On July 15, 2020, six months after Company A had returned $500,000 to Verne in exchange for half of KHV-A's Company A Units, Verne emailed KHV-A investors to inform them that Company A had "bought out" their investment. Verne falsely told the investors that the reason for the buyout was the potential conflict of interest with Verne's company Ownable.

121. Verne also falsely told KHV-A investors in the July 15, 2020 email that "our capital will all be returned to us, in full," and that Verne would return investors' money "quickly," along with "a letter with the amt [*sic*] and normal sign off in short order."

122. By the end of August 2020, Verne had not returned any money to the KHV-A investors. Instead, Verne sent a series of emails to investors, falsely claiming that he was attempting to return their funds.

123. Between August 20 and August 26, 2020, Verne sent emails to at least four KHV-A investors in which he falsely claimed that he would return their funds via cashier's checks or wire transfers. Verne included in the emails false tracking numbers and images of fabricated cashier's checks.

124. In reality, the bank accounts from which Verne claimed to have issued the cashier's checks or wire transfers had insufficient funds to cover these transactions, and Verne never attempted to reimburse the investors.

125. On or about October 5, 2020, Verne emailed the investors and admitted, "that once [Company A's] shares were sold it would have been best if I had wired our money immediately afterward but that wasn't done."

126. Verne offered each KHV-A investor a promissory note for the entire amount owed to them even though, at the time, Verne knew or should have known he could not repay the

investors in accordance with the terms of the notes. In fact, Verne did not honor any promissory notes and never repaid any funds owed to the KHV-A investors.

E. Verne Defrauded Investors in BBB, Misappropriated Investor Funds, and Sold Investors' Interests in BBB Without Their Knowledge or Consent

127. In or around June 2017, Verne formed BBB in order to serve as "a holding company to own equity interests in [Company B]." Verne was the managing member of BBB and opened and controlled bank accounts in the company's name.

128. Through BBB, Verne purported to offer investors in Pennsylvania, Florida, and other states the opportunity to purchase a percentage of Company B's units held by BBB and a share of the profits.

129. In order obtain the minimum capital required to invest in Company B, Verne pooled investor funds together in bank accounts he controlled.

130. Investors played no role in the management or operations of BBB, and any profits were to be obtained solely through Verne's management of BBB.

131. Verne touted the investment in Company B, which had appeared on an entrepreneurial-themed reality show, as a good investment in which he falsely claimed he personally intended to make a "significant investment" of $1 million.

132. Verne provided potential investors with a Class A Unit Purchasing Agreement and Operating Agreement for BBB which stated that BBB "intends to use substantially all of the proceeds of the offering to invest in [Company B]." Verne also provided potential investors with Company B's offering material, even though they would not be directly investing into Company B.

133. Based on Verne's representations, investors understood that, in exchange for their investment in BBB, they would own a percentage of units in Company B. For example, Verne

told an investor, Investor 8 that a $50,000 investment in BBB would result in Investor 8 holding 50,000 units in BBB, which equated to 22,100 shares of Company B.

134. Verne represented to BBB investors that their funds would be used to acquire units in Company B. Verne did not tell investors that he would use their funds for any purpose other than acquiring units in Company B, including for Verne's personal expenses or funding other undisclosed investments.

135. Verne directed BBB investors to send funds, primarily via wire transfers, to bank accounts which Verne controlled, including bank accounts in the name of VFU, KHV, and Ownable.

136. Between July 2017 and December 2019, Verne raised at least $2.1 million from investors for BBB for the purpose of acquiring Series A and Series B units in Company B. Of this amount, Verne misused approximately $400,000 of BBB investor funds for his personal expenses, including to repay a personal debt he owed his brother-in-law.

137. For example, between October 4 and October 29, 2018, nine investors wired a total of $300,000 into bank accounts under Verne's control for the purpose of investing in BBB. Verne misappropriated the entire amount.

138. Between October 24 and November 13, 2018, Verne transferred a total of approximately $134,000 of BBB investor funds into his personal bank accounts for his own use. He used approximately $165,000 of BBB investor funds to pay Ownable's bills, including to help Ownable meet its payroll obligations.

139. In or around March 2020, Company B's board of managers became aware of Verne's failing financial situation and requested that he resign from the board.

140. Verne lied to Investors 2 and 3 claiming that he resigned from Company B's board by choice so that he could focus on a $10 million capital raise for Ownable.

141. In April 2020, Verne instructed Company B to transfer units he acquired on behalf of the BBB investors to Investor 5 in partial repayment for a personal debt.

142. Verne and Investor 5 entered into a Unit Sale and Transfer Agreement pursuant to which Investor 5 agreed to purchase 31,800 Series A Units and 58,000 Series B Units of Company B from Verne for a total of $223,828.

143. In the Unit Sale and Transfer Agreement, Verne falsely represented that he owned "all the right, title and interest (legal and beneficial) in and to all of the units being sold."

144. Verne failed to disclose to Investor 5 and the BBB investors that Verne did not own the units in Company B that he transferred. In fact, all funds used by BBB to purchase Company B's units came from investors and not from Verne.

145. Verne never returned any funds to the BBB investors.

II. DEFENDANT VERNE VIOLATED THE FEDERAL SECURITIES LAWS

146. During the Relevant Period, Verne operated and controlled Ownable, OCP, and Verne's LLCs and the bank accounts associated with these entities.

147. The membership units offered and promissory notes sold by Verne (the "Securities") were securities within the meaning of the Securities Act and the Exchange Act.

148. Investors provided Verne an investment of money—approximately 110 investors gave Verne approximately $31 million for purported investments with Ownable, OCP, and Verne's LLCs.

149. Verne pooled investors' money into numerous bank accounts and represented that he would use those funds for the business purposes of Ownable and OCP or to acquire membership units in Ownable, Company A, and Company B.

150. Investors made their investment with a reasonable expectation of profits to be derived solely from Verne's alleged ability to generate profits without any participation by any of its investors.

151. Verne engaged in the conduct described herein, including the offer and sale of the membership units and promissory notes, which were securities, by use of the means or instruments of transportation or communication in interstate commerce, the instrumentalities of interstate commerce, and/or by use of the mails.

152. Verne solicited investments from investors in several states, including Pennsylvania, through the use of email. Verne also instructed investors to send money to bank accounts he controlled via wire transfer.

153. Verne knowingly made material untrue statements and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

154. A reasonable investor would consider the misrepresented facts and omitted information described herein—including, among other things, misrepresentations and omissions regarding Verne's prior businesses and personal net worth, Verne's personal guarantee of certain Ownable and OCP investments, and the use of investors' money to pay for Verne's personal expenses and to repay earlier investors—important in deciding whether or not to purchase the Securities.

155. The untrue statements of material fact and material omissions described herein were made in the offer or sale and in connection with the purchase or sale of securities.

156. In connection with the conduct described herein, Verne acted knowingly or recklessly. Verne knew or was reckless in not knowing that he was making material

misrepresentations and omitting to state material facts necessary to make certain statements not misleading under the circumstances.

157. Verne obtained money or property by means of untrue statements of material fact and omission of material facts necessary in order to the make the statements made, in light of the circumstances under which they were made, not misleading. Investors sent money directly to the bank accounts at Verne's direction and Verne took a portion of their money for his own use and benefit.

158. Verne used devices, schemes, and artifices to defraud investors, and engaged in acts, transactions, practices, or courses of business that operated as a fraud or deceit upon the investors.

159. In addition to the numerous misrepresentations discussed herein, among other things, Verne misled investors and misappropriated investors' funds for his personal use and benefit. Verne also sold membership units that he was not authorized to sell.

FIRST CLAIM FOR RELIEF
(Violations of Section 17(a) of the Securities Act)

160. The Commission re-alleges and incorporates by reference each and every allegation in paragraphs 1 through 159, inclusive, as if they were fully set forth herein.

161. As a result of the conduct alleged herein, Defendant Verne, in the offer or sale of securities, directly or indirectly, by the use of the means or instruments of transportation or communication in interstate commerce, or the mails:

a. knowingly or recklessly employed devices, schemes, or artifices to defraud;

b. knowingly, recklessly, or negligently obtained money or property by means of any untrue statements of material fact, or omitted to state

material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or

c. knowingly, recklessly, or negligently engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchasers of securities.

162. By engaging in the foregoing conduct, Defendant Verne violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

SECOND CLAIM FOR RELIEF
(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder)

163. The Commission re-alleges and incorporates by reference each and every allegation in paragraphs 1 through 159, inclusive, as if they were fully set forth herein.

164. As a result of the conduct alleged herein, Defendant Verne knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by use of the means or instrumentality of interstate commerce or of the mails, or a facility of a national securities exchange:

a. employed devices, schemes or artifices to defraud;

b. made untrue statements of material fact, or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or

c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person in connection with the purchase or sale of any security.

165. By engaging in the foregoing conduct, Defendant Verne violated, and unless restrained and enjoined 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.

PRAYER FOR RELIEF

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

I.

Permanently restraining and enjoining Defendant Verne from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5;

II.

Permanently restraining and enjoining Defendant Verne from participating in any issuance, purchase, offer, or sale of any security, with the exception of purchasing and selling securities for his own personal account.

III.

Ordering Defendant Verne to disgorge any and all ill-gotten gains, together with prejudgment interest, derived from the activities set forth in this Complaint; and

IV.

Ordering Defendant Verne 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

V.

Retaining jurisdiction of this action for purposes of enforcing any final judgment and orders; and

VI.

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

Respectfully submitted,

s/Karen M. Klotz

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