

1 CLOTHILDE V. HEWLETT
Commissioner
2 MARY ANN SMITH
Deputy Commissioner
3 DANIEL P. O'DONNELL
Assistant Chief Counsel
4 RYAN M. CASSIDY (State Bar No. 340274)
Counsel
5
6 Department of Financial Protection and Innovation
2101 Arena Boulevard
7 Sacramento, CA 95834
Telephone: (916) 764-8358
8 Attorneys for the Complainant

9
10 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
11 OF THE STATE OF CALIFORNIA

12 In the Matter of:
13 THE COMMISSIONER OF FINANCIAL
PROTECTION AND INNOVATION,
14 Complainant,
15 v.
16 PYLON FINANCE, also known as \$PYLON,
17 and ALI AMER, also known as
@xGrimReaper,
18 Respondents.

NOTICE OF INTENT TO ISSUE ORDER
LEVYING ADMINISTRATIVE PENALTIES
AND STATEMENT IN SUPPORT
PURSUANT TO CORPORATIONS CODE
SECTION 25252

19
20 The Commissioner of Financial Protection and Innovation (Commissioner) is informed and
21 believes, and based upon such information and believe, alleges and charges as follows:

22 **I. STATEMENT OF FACTS**

23 1. At all relevant times, Pylon Finance (Pylon) is and was a business entity of unknown
24 formation, located at 2216 Dunmore Court, High Point, North Carolina 27263, operating a public
25 website, www.pylon.finance, an email address, pylon.finance@gmail.com, and Telegram addresses,
26 https://t.me/xGrimReaper and https://t.me/pylonfinance, through which to conduct business.

27 2. At all relevant times, Ali Amer (Amer), also known as @xGrimReaper, is and was a
28 North Carolina resident, using the address 2216 Dunmore Court, High Point, North Carolina 27263.

3. Pylon Finance and Amer are collectively referred to as Respondents.

**Violations of Corporations Code Section 25110
(Unqualified, Non-Exempt Offer and Sale of Securities)**

4. Pylon and Amer created crypto asset tokens on the Ethereum blockchain called \$PYLON and began offering and selling investments in a crypto asset “mining operation,” in order to earn rewards on the Ethereum blockchain.

5. Pylon and Amer represented that after an investor purchased these \$PYLON tokens (offering either the PYLON or PYLON-ETH liquidity pool token) they could then “stake” the token into the Pylon vault, controlled by Pylon and Amer. These “staked” tokens would then be used in GPU mining farms controlled by Pylon and Amer that would “mine” Ethereum and earn rewards from “gas fees” paid by Ethereum.

6. Pylon and Amer represented that investors in Pylon could profit multiple ways, including that they would use the rewards paid by Ethereum to “market buy” \$PYLON tokens, which they would then send to investors, claiming that “the constant buying of \$PYLON from externally generated revenue gives your tokens real value,” and additionally, they were going to construct new mining farms to help the Pylon project grow, thereby increasing profits for all investors.

7. Thus, beginning sometime at least in 2020, Pylon and Amer offered and sold securities in the form of \$PYLON tokens to be used in their mining operation – investment contracts, in California.

8. The securities were offered or sold in this state in issuer transactions. The Department of Financial Protection and Innovation has not issued a permit or other form of qualification authorizing any person to offer or sell these securities in this state and the securities are not exempt from qualification.

9. Respondents and their agents sold securities to at least one investor, residing in California and elsewhere, in at least 15 separate transactions. Respondents raised at least \$170,353.00 from investors.

10. Corporations Code section 25110 prohibits the offer or sale of unqualified, non-exempt securities in issuer transactions in the State of California. The securities offered and sold by

1 the Respondents are subject to qualification under the CSL. These securities were offered or sold in
2 this state in issuer transactions. The Department has not issued a permit or other form of qualification
3 authorizing any person to offer or sell these securities in this state. The offer or sale of these securities
4 is not exempt.

5 **Violations of Corporations Code Section 25401**
6 **(Misrepresentations and Omissions of Material Facts)**

7 11. In connection with the offers and sales of securities, Respondents made, or caused to
8 be made, misrepresentations of material fact to investors and potential investors, including that:

9 a. Falsely representing to investors that their investment in the mining operation
10 is backed by real-world income-generating assets. In fact, at least one investor has repeatedly
11 requested a refund, but has yet to receive any money.

12 b. Falsely representing to investors that their investment in the mining operation
13 would generate an annual return of 250% during a “bull market” and a 99% annual return in a “bear
14 market.” In fact, at least one investor has repeatedly requested a refund or a distribution, but has yet
15 to receive any money.

16 c. Falsely representing to investors that their investment in the mining operation
17 would continue to generate weekly returns and is superior to banks and other traditional investments.
18 In fact, at least one investor has repeatedly requested a refund or a distribution, but has yet to receive
19 any money.

20 d. Falsely representing to investors that rewards begin immediately. In fact, at
21 least one investor has never received any reward or dividend.

22 12. In addition, in connection with the offers and sales of securities, Respondents made, or
23 caused to be made, omissions of material fact to investors and potential investors, including that:

24 a. Respondents failed to disclose that Pylon Finance was never legally
25 incorporated anywhere.

26 b. Respondents failed to disclose that if they stopped supporting the mining
27 operation, the value of the \$PYLON tokens would drop significantly.

28 ///

1 13. Corporations Code section 25401 prohibits the offer or sale of securities in this state
2 by means of written or oral communications that include untrue statements of material fact or omit
3 materials facts necessary in order to make the statements made, in light of the circumstances under
4 which they were made, not misleading. The omissions and misrepresentations of Respondents are
5 material facts necessary in order to make the statements made, in the light of the circumstances under
6 which they were made, not misleading.

7 **II. NOTICE OF INTENT TO ISSUE ORDER LEVYING ADMINISTRATIVE**
8 **PENALTIES**

9 14. The Commissioner re-alleges and incorporates by reference paragraphs 1 to 13 of this
10 Statement in Support, also contained in the Commissioner’s Desist and Refrain Order, as though fully
11 set forth herein.

12 15. Corporations Code section 25252 authorizes the Commissioner to issue an order
13 levying administrative penalties against any person for willful violations of any provision of this
14 division.

15 16. Based on the foregoing findings, the Commissioner finds that the Respondents offered
16 and sold unqualified, non-exempt securities in an amount of at least \$170,353.00, and made
17 numerous material misrepresentations and omissions of fact, to at least one investor, in at least 15
18 transactions, in violation of Corporations Code sections 25110 and 25401.

19 17. Pursuant to Corporations Code section 25252(a), the Commissioner hereby provides
20 notice of intent to levy administrative penalties against Respondents for the statutory amount of not
21 more than one thousand dollars (\$1,000) for the first violation, and not more than two thousand five
22 hundred dollars (\$2,500) for each subsequent violation, or according to proof, for Respondents’
23 repeated willful violations of section 25110 and 25401.

24 WHEREFORE, good cause showing, and pursuant to Corporations Code section 25252, the
25 Commissioner prays for an order levying administrative penalties, individually, jointly and severally,
26 against Respondents, as follows:

27 a. That pursuant to Corporations Code section 25252, the Commissioner levy
28 administrative penalties of \$1,000.00 for the first violation of Corporations Code section 25110 and

1 \$2,500.00 for each subsequent violation, as listed below, for a total amount of \$1,000.00 or according
2 to proof:

3 i. First violation: \$1,000.00 for the first sale of a security.

4 b. That pursuant to Corporations Code section 25252, the Commissioner levy
5 administrative penalties of \$2,500.00 for each violation, as listed below, for a total amount of
6 \$15,000.00, or according to proof:

7 i. Additional violations:

8 A. \$2,500.00 for the misrepresentation in paragraph 11a, made in at least
9 one transaction;

10 B. \$2,500.00 for the misrepresentation in paragraph 11b, made in at least
11 one transaction;

12 C. \$2,500.00 for the misrepresentation in paragraph 11c, made in at least
13 one transaction;

14 D. \$2,500.00 for the misrepresentation in paragraph 11d, made in at least
15 one transaction;

16 E. \$2,500.00 for the omission in paragraph 12a, made in at least one
17 transaction; and

18 F. \$2,500.00 for the omission in paragraph 12b, made in at least one
19 transaction.

20 The total amount of administrative penalties for violations of CSL sections 25110 and 25401 is
21 \$16,000.00, or according to proof.

22 Dated: August 24, 2023
23 Sacramento, California

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation

24
25 By /s/ Ryan M. Cassidy
26 RYAN M. CASSIDY
27 Counsel
28 Enforcement Division