

JP

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ALEX KANAKARIS and
RICHARD EPSTEIN,

Defendants.

Civil Action No.

08-5789

COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges as follows:

SUMMARY

1. From at least June 2008 through July 2008, Alex Kanakaris and Richard Epstein (collectively, the "Defendants") engaged in a fraudulent scheme to manipulate the market for the common stock of SwedishVegas, Inc. ("SwedishVegas").

2. Specifically, Kanakaris and Epstein, who were significant investors in SwedishVegas, paid a kickback in exchange for generating or causing purchases of SwedishVegas stock to Eduardo Rodriguez, a corrupt stock promoter, and the Cooperating Witness ("CW"), an individual whom they believed had connections to corrupt registered representatives. In reality, the CW was, at all times, cooperating with the Federal Bureau of Investigation ("FBI").

3. In accordance with their scheme, Kanakaris and Epstein paid at least \$15,000 to Rodriguez and the CW in exchange for completed purchases of at least 125,000 shares of SwedishVegas stock in an effort to create the appearance of market interest, induce public purchases of stock, and ultimately increase the stock's trading price.

VIOLATIONS

4. As a result of the conduct described in this Complaint, Defendants violated, and unless restrained and enjoined by the Court will continue to violate, Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

JURISDICTION AND VENUE

5. The Commission brings this action pursuant to the authority conferred upon it by Sections 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], seeking permanently to enjoin Defendants from engaging in the acts, practices and courses of business alleged in this Complaint.

6. The Commission seeks a final judgment ordering Defendants to disgorge their ill-gotten gains, together with prejudgment interest thereon.

7. The Commission seeks a final judgment ordering Defendants to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

8. The Commission seeks a penny stock bar pursuant to Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)] against Defendants.

9. This Court has jurisdiction over this action pursuant to Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa].

10. Venue in this District is proper pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain of the acts, practices, and courses of business constituting the violations alleged herein occurred within the Eastern District of Pennsylvania. For example, the Defendants made payments a bank account located in the Eastern District of Pennsylvania.

11. Defendants, directly or indirectly, have made use of the means and instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in connection with the acts, practices and courses of business alleged in this Complaint.

DEFENDANTS

12. **Alex Kanakaris**, age 52, is a resident of Newport Beach, California. He is a stock promoter and the Chairman and CEO of Wi-Fi TV, Inc., a company that offers advertisement supported live interactive TV over the Internet. In 1999, the Commission permanently enjoined Kanakaris from violating the registration and antifraud provisions of the federal securities laws for his involvement in an offering fraud related to his former company, Kanakaris Communications, Inc. See SEC v. Kanakaris Communications, Inc., et al., Civil Action No. CV-S-99-0967-JBR-LRL; see also SEC Lit. Release 16233 (Aug. 2, 1999).

13. **Richard Epstein**, age 60, resides in Parkland, Florida. He is a stock promoter.

RELEVANT ENTITY

14. SwedishVegas is a Delaware corporation headquartered in Arcadia, California. Its stated business plan is to “launch a series of themed eateries with an extensive beer and wine menu and reasonably priced lunches, dinners and appetizers.”

15. SwedishVegas’ securities are not registered with the Commission in any capacity. Until July 23, 2008, SwedishVegas securities were quoted on the “Pink Sheets,” an inter-dealer electronic quotation and trading system in the over-the-counter securities market which is operated by Pink OTC Markets, Inc. On that date, the Commission suspended trading in the securities. See SwedishVegas, Inc., Exchange Act Release No. 58211 (July 23, 2008). SwedishVegas’ securities are no longer quoted on any automated quotation system.

16. At all times relevant to the Complaint, SwedishVegas qualified as a penny stock as defined by Rule 3a51-1 of the Exchange Act, and did not meet any exceptions to that rule.

FACTS

17. At all times relevant to the Complaint, Kanakaris had significant control over SwedishVegas management, and Kanakaris and Epstein were significant investors in SwedishVegas stock. Indeed, Kanakaris claimed that he, Epstein, and an associate controlled virtually all of the shares of SwedishVegas stock that could be traded.

18. Beginning at least as early as June 2008, Kanakaris and Epstein agreed to engage in, and subsequently orchestrated and directed, a scheme to manipulate the market for SwedishVegas stock. They did this in various ways, including: a) entering into illegal agreements to orchestrate trading activity to create the false impression of increased market activity and demand for SwedishVegas stock; b) engaging in, directing, or causing manipulative and deceptive securities transactions through the payment of illicit kickbacks to artificially increase SwedishVegas' stock price and trading volume; and c) causing SwedishVegas to issue press releases coordinated with the fraudulent trading activity to provide a false pretext for the increased trading volume and to induce public investors to also make purchases of SwedishVegas stock.

19. Through these activities, Defendants created artificial trading activity, injected artificial information into the marketplace, and created a false impression of supply and demand for SwedishVegas stock.

20. Defendants also actively solicited others to participate in the scheme, including Rodriguez and the CW.

21. Rodriguez is a stock promoter who, in exchange for a fee, facilitated purchases of publicly traded stock with the objective of illegally manipulating the market for that stock by artificially creating demand.

22. On or about June 12, 2008, Kanakaris asked Rodriguez and the CW to join the scheme to manipulate SwedishVegas stock.

23. During the June 12 conversation, Kanakaris agreed to pay the CW a fee equal to 20 percent of the value of any purchases of SwedishVegas stock that the CW could generate through corrupt registered representatives who would secretly purchase SwedishVegas stock in customer brokerage accounts. Rodriguez arranged with Kanakaris and the CW to be paid a percentage of that kickback for introducing the two parties.

24. Kanakaris also claimed that he controlled the release of SwedishVegas corporate news. He told the CW that he would provide the CW with SwedishVegas press releases prior to their public release, and that SwedishVegas would be issuing a press release the following day.

25. Kanakaris told Rodriguez and the CW that he wanted them to buy as much stock as possible and to make the stock price "fly," and indicated that he would be the only seller in the market on the day the trades took place. He also said he would provide the CW with SwedishVegas shareholder lists.

26. On the morning of June 13, 2008, Kanakaris sent an email to the CW attaching an advance copy of a SwedishVegas press release announcing that SwedishVegas would be auctioning an all-inclusive weekend in Las Vegas. Kanakaris indicated that the news would be released later that day, at 2:00 p.m. Eastern Time. He also told him when the next press release would be issued.

27. As promised, at 2:00 p.m., SwedishVegas issued the press release that Kanakaris had sent to the CW earlier that morning.

28. Later that day, in conjunction with the arranged agreement, Kanakaris and Epstein caused approximately \$15,000 to be wired to an account controlled by Rodriguez as an advance fee for causing or generating future purchases of SwedishVegas stock.

29. Upon receipt of these funds, Rodriguez wired \$7,500 to an account that he believed was controlled by the CW, but which was actually an undercover account of the FBI in Philadelphia, Pennsylvania. He kept the remaining \$7,500 for himself as a fee.

30. On or about June 16, 2008, Kanakaris emailed Rodriguez stating that Rodriguez needed to get results back to Epstein within 24 hours or he would need to return the kickback payment to Epstein.

31. On or about June 17, 2008, Kanakaris told the CW that he wanted the buying program in SwedishVegas stock to begin on the following day. In a separate conversation, Epstein also told Rodriguez that he had provided the kickback money and that he wanted the purchases of SwedishVegas stock to be done immediately or Rodriguez should return the payment.

32. On or about June 27, 2008, during a telephone call Kanakaris complained to the CW that Epstein had wired the \$15,000 payment to Rodriguez to begin the buying program in SwedishVegas stock, but that the buying had not yet occurred. Kanakaris urged the CW to get the buying program started as soon as possible.

33. On or about June 30, 2008, during a telephone call at approximately 11:30 a.m., Kanakaris further complained to the CW about problems with Rodriguez and again confirmed that Kanakaris would pay the CW a 20 percent fee for the artificial buying activity he was to create in SwedishVegas stock.

34. Later that day, Epstein discussed the buying program in SwedishVegas stock with the CW. Epstein reiterated that he had already paid for what he expected would be \$50,000 in

buying activity and that he was upset that the buying had not yet occurred. Epstein said that he wanted the buying to begin and, to avoid scrutiny, the CW should buy the shares of stock incrementally rather than all at once. Epstein also said that if the buying program in SwedishVegas stock was successful, the CW could be involved with him and Kanakaris in similar manipulation schemes in other stocks in the future.

35. On or about July 2, 2008, Kanakaris and Epstein told the CW that they wanted to coordinate the proposed manipulative trading with the release of SwedishVegas news in order to generate momentum in the market for SwedishVegas stock.

36. On July 21, 2008, Kanakaris sent the CW an email attaching a draft of a SwedishVegas press release in which SwedishVegas was to announce that it was evaluating locations in Las Vegas to open its first Internet social-networking themed restaurant. The next day, on July 22, 2008, SwedishVegas issued that press release.

37. In accordance with the agreement with Kanakaris and Epstein, and in what appeared to them to be purchases caused or generated by the CW, on July 22, 2008, the FBI purchased 125,000 shares of SwedishVegas at \$0.04 per share, for a total cost of \$5,000. These trades represented 32 percent of that day's trading volume of 385,000 shares. During the 90 days prior to that date, average volume for SwedishVegas stock was 1,600 shares per day.

38. On July 23, 2008, the Commission suspended trading in SwedishVegas. Kanakaris and the CW subsequently discussed the trading suspension's impact on their scheme to manipulate the stock.

CLAIM FOR RELIEF

Violations of Section 10(b) of the Exchange Act and Rule 10b-5, thereunder

39. The Commission realleges and incorporates by reference each and every allegation in paragraphs 1 through 38, inclusive, as if the same were fully set forth herein.

40. From at least June 2008 through July 2008, Defendants knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any 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; 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.

41. By engaging in the foregoing conduct, Defendants 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 [17 C.F.R. § 240.10b-5], thereunder.

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

I.

Permanently restraining and enjoining Kanakaris and Epstein from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5], thereunder.

II.

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

III.

Ordering Kanakaris and Epstein to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

IV.

Prohibiting Kanakaris and Epstein from participating in any offering of penny stock pursuant to Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)].

V.

Granting such other and further relief as the Court may deem just and appropriate.

Respectfully submitted,

s/ Scott A. Thompson

Daniel M. Hawke
Elaine C. Greenberg
David S. Horowitz
Brendan P. McGlynn
Scott A. Thompson (PA # 90779)
Jennifer L. Crawford

Attorneys for Plaintiff:

SECURITIES AND EXCHANGE COMMISSION
Philadelphia Regional Office
701 Market Street, Suite 2000
Philadelphia, PA 19106
Telephone: (215) 597-3100
Facsimile: (215) 597-2740

Dated: December 15, 2008