

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA	:	Hon.
	:	
v.	:	Crim. No. 24-
	:	
JOHN DESALVO	:	15 U.S.C. §§ 78j(b) and 78ff
	:	(Securities Fraud)

INFORMATION

The defendant having waived in open court prosecution by Indictment, the United States Attorney for the District of New Jersey charges:

COUNT ONE
(Securities Fraud)

Background

1. At various times relevant to Count One of this Information:

Relevant Regulatory Principles and Definitions

- a. The United States Securities and Exchange Commission (“SEC”) was an independent agency of the executive branch of the United States government. The SEC was responsible for protecting investors, enforcing federal securities laws, and promulgating rules and regulations in keeping with the same.

- b. A “digital asset” or “digital token” generally referred to an asset issued and/or transferred using distributed ledger or blockchain technology, including assets referred to as “cryptocurrencies,” “virtual currencies,” and “digital coins.”

c. A cryptocurrency “whitepaper” generally provided investors and prospective investors with an explanation of a particular cryptocurrency investment offering, including the purpose and technology behind the offering, how the offering was different from other cryptocurrency opportunities, and the prospects for the offering’s profitability.

d. Under Title 15, United States Code, Section 77b(a)(1), a “security” included a wide range of investment vehicles, including “investment contracts.” Investment contracts were instruments, schemes, or transactions through which a person invested money in a common enterprise and reasonably expected profits or returns derived from the entrepreneurial or managerial efforts of others. Federal law required that an issuer of securities register offers and sales of those securities with the SEC when the issuer offered and sold securities to the public, absent certain specified exemptions.

e. An initial coin offering (“ICO”) was a capital-raising event in which an entity offered investors a unique “coin” or “token” in exchange for consideration—most commonly in the form of established virtual currencies or fiat currency. These tokens were issued on a blockchain and were oftentimes listed on online platforms, called virtual currency exchanges, where they were tradable for virtual or fiat currencies. To participate in an ICO, investors were typically required to transfer virtual currencies to the issuer’s address, online wallet, or other account. During an ICO, or after its completion, the issuer would typically distribute its unique “tokens” to the participants’ unique addresses on the related virtual currency’s

blockchain. Like stockholders in an initial public offering (“IPO”), holders of these tokens were then entitled to certain rights related to a venture underlying the ICO, such as profits, shares of assets, use of certain services provided by the issuer, and voting rights.

f. ICOs and cryptocurrency investment opportunities that qualified as “securities” were required to be registered with the SEC.

Relevant Individuals and Entities

g. The defendant, JOHN DESALVO (“DESALVO”), was a former New Jersey State Correctional Police Officer and a resident of Marmora, New Jersey.

h. DESALVO was the founder and promoter of a digital token known as Blazar Token (“Blazar”).

i. DESALVO maintained a personal bank account at Bank-1 (“the DESALVO Bank-1 Account”).

j. Individual-1, a resident of Williamstown, New Jersey, was a former police officer in New Jersey and was an investor in, and promoter of, Blazar.

k. Victim-1 was a resident of Nashua, New Hampshire, and an investor in Blazar.

l. Victim-2 was a resident of Atlanta, Georgia, and an investor in Blazar.

m. Victim-3 was a resident of New Jersey and an investor in Blazar.

The Scheme to Defraud

2. From at least as early as in or around November 2021 through in or around May 2022, in the District of New Jersey and elsewhere, the defendant,

JOHN DESALVO,

by use of the means and instrumentalities of interstate commerce, the mails, and facilities of national securities exchanges, directly and indirectly, did knowingly and willfully use manipulative and deceptive devices and contrivances in contravention of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon investors and potential investors in connection with the purchase and sale of Blazar.

Object of the Scheme

3. The object of the scheme was for DESALVO to profit unlawfully by fraudulently soliciting and accepting funds from investors in Blazar and, at times, using those funds for personal expenditures and to pay back prior investors in the manner of a Ponzi scheme.

Manner and Means of the Scheme

4. It was part of the scheme that:

a. DESALVO developed Blazar and promoted the Blazar ICO primarily to law enforcement, fire personnel, EMTs, and other first responders as an alternative to state pension systems.

b. DESALVO drafted a whitepaper for Blazar (the “Whitepaper”), which described Blazar as “the crypto pension.” The Whitepaper falsely claimed that Blazar would be “the first token or coin that [would be] able to be purchased through payroll deduction every week” and would be “taken out of [an investor’s] weekly earnings PRETAX similar to payment into a pension, 401k, IRA, or any other retirement savings plan.”

c. DESALVO recruited others, including Individual-1, to help him solicit investment in Blazar. During this time, DESALVO retained full control over Blazar’s operation, including all bank accounts, exchange accounts, and payment processor accounts used by DESALVO to accept Blazar investor funds.

d. DESALVO promoted Blazar through a variety of means including social media platforms (e.g., Facebook, Twitter, Telegram, and Reddit), direct phone calls, and online press releases.

e. Through his promotion of Blazar, DESALVO, in addition to other material misrepresentations, falsely claimed that: (1) Blazar was in the process of becoming, or was already, a securitized token approved by the SEC; and (2) Blazar tokens could be purchased through payroll deductions and/or automated clearing house (“ACH”) transactions.

f. DESALVO frequently promised inflated rates of return to potential Blazar investors both through social media posts and individual investment pitches.

g. DESALVO falsely claimed to investors that Blazar was being offered for purchase through various well-known cryptocurrency exchanges such as Coinbase, Bitmart, and Binance.

h. DESALVO accepted Blazar investor funds through a variety of means, including, but not limited to: (1) wire transfers to bank accounts controlled by DESALVO, including the DESALVO Bank-1 Account; (2) transfers of cryptocurrency to wallets controlled by DESALVO at various cryptocurrency exchanges; and (3) transfers to accounts controlled by DESALVO at various payment processors such as PayPal, Venmo, and CashApp.

i. DESALVO, at times, used investor funds for various illicit purposes, including, but not limited to: (1) personal expenses; (2) unauthorized day trading in volatile cryptocurrencies; and (3) payments made to prior investors as purported profits in the manner of a Ponzi scheme.

j. Following the Blazar ICO, DESALVO, despite being prohibited from doing so, sold more than 41 billion Blazar tokens for an approximate value of \$51,000. Following the event, the value of Blazar declined precipitously and never recovered.

k. DESALVO caused aggregate losses to Blazar investors of more than \$600,000.

In violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

COUNT TWO
(Securities Fraud)

1. The allegations in Paragraph 1 of Count One of this Information are re-alleged here.
2. At various times relevant to Count Two of this Information:
 - a. Brokerage-1 was an online trading platform.
 - b. DESALVO was the manager of an investment group operated through Brokerage-1 (the “Investment Group”).
 - c. Victim-4 was a resident of New Jersey and an investor in the Investment Group.

The Scheme to Defraud

3. From at least as early as in or around January 2021 through in or around May 2021, in the District of New Jersey and elsewhere, the defendant,

JOHN DESALVO,

by use of the means and instrumentalities of interstate commerce, the mails, and facilities of national securities exchanges, directly and indirectly, did knowingly and willfully use manipulative and deceptive devices and contrivances in contravention of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon investors and potential investors in connection

with the purchase and sale of securities through an investment account controlled by DESALVO at Brokerage-1.

Object of the Scheme

4. The object of the scheme was for DESALVO to profit unlawfully by fraudulently soliciting and accepting funds from investors in the Investment Group and, at times, using those funds for personal expenditures.

Manner and Means of the Scheme

5. It was part of the scheme that:

a. DESALVO managed and solicited investments in the Investment Group through an account controlled by DESALVO at Brokerage-1 under the name “Investment Club Account” (the “Brokerage-1 Account”).

b. DESALVO solicited investments in the Investment Group through social media, including his personal Facebook account. For example, on or about January 27, 2021, DESALVO sent a potential investor a message on Facebook, which stated, “I added twenty spots to the stock mart investment group @ \$5,000 per spot. If you want to get [one] or multiple spots let me know ASAP...”

c. Between February 3, 2021 and February 8, 2021, approximately seventeen investors sent DESALVO a total of approximately \$95,000 for investment in the Investment Group.

d. DESALVO sent emails to members of the Investment Group which falsely described the types of trading activity DESALVO was engaging in on behalf of the Investment Group.

e. DESALVO falsely touted his supposed investment success to the Investment Group. For example, on or about February 7, 2021, in an email to Investment Group investors, DESALVO stated, “I have been averaging close to 1200% over the last 2 years. I am in the top 1,000th percent in the world. That’s the truth, the return rates I have been averaging are so high that I have people throwing money at me to invest.”

f. DESALVO engaged in only small amounts of trading on behalf of the Investment Group before transferring the Investment Group’s funds out of the Brokerage-1 Account and into various financial accounts held by DESALVO personally.

g. After transferring the Investment Group’s funds out of the Brokerage-1 Account, DESALVO falsely claimed to Investment Group investors that their money had been lost because of poor market conditions.

h. DESALVO used Investment Group funds for personal expenditures, including renovations on DESALVO’S personal residence.

i. DESALVO provided Investment Group investors with fake trading records purportedly related to trades made by DESALVO on behalf of the Investment Group.

In violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

FORFEITURE ALLEGATION

1. The allegations contained in this Information are incorporated by reference as though set forth in full herein for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981, and Title 28, United States Code, Section 2461.

2. As a result of committing the offenses charged in Counts One and Two of this Information, the defendant,

JOHN DESALVO,

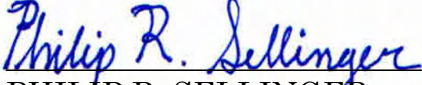
shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981, and Title 28, United States Code, Section 2461, all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the offenses charged in Counts One and Two of this Information, and all property traceable thereto.

Substitute Assets Provision

3. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third person;
- (c) has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be subdivided without difficulty,

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of the defendant up to the value of the above-described forfeitable property.


PHILIP R. SELLINGER
United States Attorney