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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING) Order No.: S-15-1672-16-CO01
Whether there has been a violation of the)
Securities Act of Washington by:) CONSENT ORDER AS TO SOLOMATRIX, INC. &
) ROBERT SOLOMON
SoloMatrix, Inc.;)
Robert Solomon;)
James Lisowsky;)
)
Respondents.)

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INTRODUCTION

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On August 1, 2016, the Securities Administrator of the Securities Division of the Department of Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose Fines, and to Charge Costs (“Statement of Charges”), Order Number S-15-1672-16-SC01, against Respondents SoloMatrix, Inc.; Robert Solomon; and James Lisowsky. Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division and Respondents SoloMatrix, Inc. and Robert Solomon do hereby enter into this Consent Order in settlement of the matters set forth in the Statement of Charges and as alleged below. Respondents SoloMatrix, Inc. and Robert Solomon neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

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FINDINGS OF FACT

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Respondents

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1. SoloMatrix, Inc. (“SoloMatrix”) is a Washington entity formed on July 31, 2008 with its principal place of business in Bainbridge Island, Washington. SoloMatrix develops cell phone accessories.
 2. Robert Solomon (“Solomon”) resides in Bainbridge Island, Washington. Solomon is the Chief Executive Officer of SoloMatrix.
 3. James Lisowsky (“Lisowsky”) resides in Burkeville, Texas. Lisowsky solicited investments on behalf of SoloMatrix.

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Nature of the Conduct

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Overview

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4. Between October 2008 and November 2014, SoloMatrix raised over \$660,000 from 14 investors for its cell phone accessory business. SoloMatrix primarily sold investors debt instruments, but

1 also sold common stock. To solicit some of its investors, SoloMatrix paid commissions to Lisowsky, an
2 unregistered salesperson with a criminal record for theft. SoloMatrix did not repay most of its debt
3 obligations to investors and instead negotiated with investors to convert those investments to equity.

4 SoloMatrix Offerings

5 *Method of Solicitation*

6 5. In 2008, SoloMatrix sought to raise funds to develop three products for use with mobile
7 devices: a folding keyboard with a docking station; a detachable, thumb-operated keyboard integrated with a
8 cell phone case; and a device that would convert an iPhone into a small laptop. Primarily SoloMatrix
9 focused on developing a wireless, driverless keyboard for an iPhone. In soliciting for investors, SoloMatrix
10 provided statistics for the rapidly growing smart phone market, including the percentages of consumers who
11 would like a physical keyboard for their iPhone. SoloMatrix generally provided potential investors with
12 three-year revenue forecasts which projected millions of dollars in revenue. While SoloMatrix performed
13 market research to formulate its projections, SoloMatrix failed to present this research to potential investors
14 and provide them with a reasonable basis for these projections.

15 6. Based on a recommendation of an attorney, SoloMatrix paid Lisowsky to find investors.
16 SoloMatrix did not enter into a written compensation agreement with Lisowsky, but from October 2008
17 through May 2009 SoloMatrix paid Lisowsky at least \$102,000. During that same time period, Lisowsky
18 solicited four investors who invested \$200,000 with SoloMatrix. In 2010, Lisowsky raised an additional
19 \$62,500 for SoloMatrix from six investors. Respondents failed to disclose the compensation paid by
20 SoloMatrix to Lisowsky for the sale of its securities.

21 7. Lisowsky represented to at least one investor that an investment in SoloMatrix was safe and
22 that the investment could result in a “windfall” of a return in the near future. Respondents failed to provide a
23 reasonable basis for such claims.

24 8. Lisowsky provided at least one investor with an offering document in which SoloMatrix
25 projected that it was positioned to have revenues in the range of \$100 million within three years.
Respondents failed to provide a reasonable basis for the projected revenues.

26 9. SoloMatrix relied on its attorney’s recommendation of Lisowsky and did not conduct its own
27 background check. SoloMatrix and Solomon failed to disclose to investors that SoloMatrix had not
28 conducted a background check on Lisowsky. In December 2000, Grand Jurors for Jefferson County, Texas
29 presented an indictment against Jim Lisowsky for felony theft in the second degree. The indictment alleged
30 that Lisowsky stole at least \$100,000, but less than \$200,000 from an individual. In August 2001, Lisowsky

1 entered into a pleas admonishment with the Jefferson County District Court in which Lisowsky pled guilty
2 to the charge of felony theft in the second degree. In May 2002 the 252nd District Court of Jefferson County
3 entered a Deferred Adjudication Order in the matter which placed Lisowsky under community supervision
4 and ordered him to pay restitution to his victim through installments totaling \$147,512.62. In 2005 and
5 2007, the District Court discharged Lisowsky from his community supervision and dismissed the case.
Lisowsky failed to disclose his criminal record to investors.

6 Offering Types

7 10. Initially SoloMatrix offered convertible debentures to investors. The convertible debentures
8 offered an interest rate of 12% for 18 months. At the end of the 18 month term, investors had the option of
9 converting the investment to common stock. SoloMatrix sold convertible debentures to at least three
10 investors, including two Washington investors. SoloMatrix raised \$170,000 through the sale of convertible
11 debentures.

12 11. In 2009, SoloMatrix sold 150,000 shares of common stock to one of the convertible
13 debenture investors. SoloMatrix sold the shares to the investor at a price of \$0.20 per share, raising \$30,000.

14 12. In 2010, SoloMatrix offered promissory notes in which SoloMatrix promised to double an
15 investor's principal in 18 months ("2X Notes"). SoloMatrix also provided 2X Note purchasers with warrants
16 to buy SoloMatrix common stock at a price of \$0.01 per share. SoloMatrix raised \$50,000 from the sale of
17 the 2X Notes to four investors. SoloMatrix raised an additional \$5,000 through the sale of 25,000 shares of
18 common stock to one investor in 2010.

19 13. During 2010, the convertible debentures that SoloMatrix sold in 2008 matured. SoloMatrix
20 did not have funds available to repay those investments at maturity, and instead asked the debt holders to
21 convert to stock. In offering materials provided to at least one 2X Note purchaser, SoloMatrix failed to
22 disclose that the company had not repaid earlier convertible debenture investments which had matured.

23 14. In early 2011, SoloMatrix negotiated to convert one of the convertible debenture investors to
24 shares of SoloMatrix common stock. With at least one other convertible debenture holder whose debt had
25 matured, SoloMatrix agreed to continue accruing interest on the principal at a rate of 12%. In offering
materials provided to at least one 2X Note purchaser, SoloMatrix failed to disclose that the company had not
repaid these earlier matured debt obligations.

15 15. While SoloMatrix worked with its investors to convert earlier debentures into stock in the
16 company, SoloMatrix started to offer convertible promissory notes, which had similar terms to the earlier
17 convertible debentures. In the convertible promissory notes, SoloMatrix offered to pay investors an interest

1 rate of 12% for a period of 18 months. At the end of the 18 months, SoloMatrix offered the investor the
2 option to convert the principal and accumulated interest to shares of common stock at a price of \$0.20 per
3 share. SoloMatrix raised \$82,000 from the sale of convertible promissory notes to two investors.

4 16. In August of 2011, SoloMatrix sold a promissory note to one investor for an investment of
5 \$7,000. SoloMatrix agreed to pay a 12% interest rate for six months. The investor borrowed funds from a
6 credit card to make the investment to SoloMatrix. SoloMatrix failed to repay this investment and entered
7 into an agreement with the investor to convert the investment to 77,000 shares of SoloMatrix common stock
8 in July of 2012.

9 17. In late 2011 and early 2012, SoloMatrix raised \$160,000 through the sale of SoloMatrix
10 common stock to three investors at a price of \$0.25 per share.

11 18. In May 2012, SoloMatrix approached one of its original convertible debenture investors
12 whose debt remained outstanding and proposed that the investor convert the debt to SoloMatrix common
13 stock. SoloMatrix represented to the investor that the outstanding debt could impact its ability to raise
14 capital. SoloMatrix also represented that it had stopped issuing debt. That investor, and another convertible
15 debenture investor, agreed to convert their debt to shares of SoloMatrix common stock in October of 2012.

16 19. During the same time period that SoloMatrix worked to convert earlier debt investments to
17 equity, the company solicited additional debt investments from other investors. In July 2012, SoloMatrix
18 sold a promissory note to one investor for an investment of \$15,000. SoloMatrix agreed to pay the investor
19 an interest rate of 12% and paid off the note as agreed in 35 days. In late 2012, SoloMatrix entered into two
20 convertible promissory notes with an investor who invested a total of \$125,000. SoloMatrix offered to pay a
21 12% interest rate on the notes. At maturity of the notes, SoloMatrix offered to convert the balance due on
22 the promissory note to common stock at a price of \$0.25 per share. In written materials provided to the
23 investor, SoloMatrix failed to disclose that it had not repaid earlier matured debt obligations and was instead
24 seeking to convert the debt to equity.

25 20. In 2013, SoloMatrix sold a promissory note promising to pay an interest rate of 12% to one
investor for an investment of \$7,500. SoloMatrix promised to repay the note in approximately two months,
but failed to do so.

21 21. SoloMatrix successfully repaid one of the debt offerings described above, paying \$15,212 to
22 the investor. SoloMatrix converted the rest of the debt offerings it sold to equity. There is currently no
23 market for those equity holders to sell their shares.

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Robert Solomon's Compensation

22. SoloMatrix had no set compensation for Solomon, other than the board had approved reasonable compensation based upon the availability of funds. Solomon withdrew funds from the SoloMatrix bank account when he needed funds, provided SoloMatrix had funds available. Solomon did not need approval from any other officer at SoloMatrix to withdraw funds. Solomon initially withdrew funds and booked them as a loan to himself, though there were no written terms to the loans, and it was the intent that at the end of the year SoloMatrix would report the amount of the "loans" to the IRS as income to Solomon. In 2011, Solomon began withdrawing funds from SoloMatrix in his wife's name rather than his own. Between 2008 and 2014, Solomon made payments to himself and his wife for compensation from SoloMatrix's bank account totaling approximately \$269,572, an average of \$35,510 per year. Respondents failed to disclose that Solomon had the ability to withdraw funds for his personal use from SoloMatrix's bank accounts.

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Registration Status

23. SoloMatrix is not currently registered to sell its securities in the state of Washington and has not previously been so registered. On or about August 3, 2012 SoloMatrix filed a claim of exemption from registration under Regulation D, Rule 506 with the Securities and Exchange Commission. On August 7, 2012 SoloMatrix notice filed the claim of exemption with DFI. SoloMatrix filed the claim of exemption for a \$45,000 offering of options, warrants, or other right to acquire another security. On or about August 30, 2012 SoloMatrix filed a claim of exemption from registration under Regulation D, Rule 506 with the Securities and Exchange Commission. SoloMatrix filed the claim of exemption for a \$500,000 offering of convertible notes. SoloMatrix did not notice file the August 30, 2012 claim of exemption with DFI.

24. Robert Solomon is not currently registered as a securities salesperson or broker-dealer in the state of Washington and has not previously been so registered.

25. James Lisowsky is not currently registered as a securities salesperson or broker-dealer in the state of Washington and has not previously been so registered.

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Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

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CONCLUSIONS OF LAW

1. The offer and/or sale of the convertible debentures, 2X Notes, promissory notes, and stock described above constitute the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).

1 2. SoloMatrix, Inc. and Robert Solomon have each violated RCW 21.20.140, because, as set
2 forth in the Tentative Findings of Fact, Respondents offered and/or sold securities for which no registration
3 is on file with the Securities Administrator.

4 3. Robert Solomon has violated RCW 21.20.040 by offering and/or selling said securities while
5 not being registered as a securities salesperson or broker-dealer in the state of Washington.

6 4. SoloMatrix, Inc. and Robert Solomon have each violated RCW 21.20.010, because, as set
7 forth in the Tentative Findings of Fact, Respondents made untrue statements of material fact or omitted to
8 state material facts necessary to make the statements made, in light of the circumstances in which they were
9 made, not misleading.

10 Based upon the foregoing and finding it in the public interest:

11 **CONSENT ORDER**

12 IT IS AGREED AND ORDERED that Respondents SoloMatrix, Inc.; Robert Solomon, their agents,
13 and employees each shall cease and desist from violating RCW 21.20.140, the securities registration section
14 of the Securities Act of Washington.

15 IT IS FURTHER AGREED AND ORDERED that Respondent Robert Solomon, his agents, and
16 employees each shall cease and desist from violating RCW 21.20.040, the securities salesperson and broker-
17 dealer registration section of the Securities Act of Washington.

18 IT IS FURTHER AGREED AND ORDERED that Respondents SoloMatrix, Inc., Robert Solomon,
19 their agents and employees each shall cease and desist from violating RCW 21.20.010, the anti-fraud section
20 of the Securities Act of Washington.

21 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

22 IT IS FURTHER AGREED that Respondents SoloMatrix, Inc. and Robert Solomon entered into this
23 Consent Order freely and voluntarily and with a full understanding of its terms and significance.
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1 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents, SoloMatrix, Inc.
2 and Robert Solomon, waives their right to a hearing and to judicial review of this matter pursuant to RCW
3 21.20.440 and Chapter 34.05 RCW.
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5 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**
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7 Signed this 28th day of February 2017.
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9 Signed by:
10 SoloMatrix, Inc.
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12 /s/
13 Robert Solomon
14 Chief Executive Officer

15 Signed by:
16 /s/
17 Robert Solomon, Individually
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19 Approved as to form by:
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21 /s/
22 Michael Gossler, Attorney for SoloMatrix, Inc.
23 & Robert Solomon
24 WSBA # 11044
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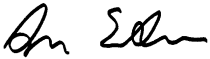
SIGNED and ENTERED this 3rd day of March 2017.

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William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Jack McClellan
Financial Legal Examiner