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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-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND
SoloMatrix, Inc.;) NOTICE OF INTENT TO
Robert Solomon;) ENTER ORDER TO CEASE AND DESIST,
James Lisowsky;) TO IMPOSE FINES,
) AND TO CHARGE COSTS
Respondents.)
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THE STATE OF WASHINGTON TO: **SoloMatrix, Inc.
Robert Solomon
James Lisowsky**

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents, SoloMatrix, Inc.; Robert Solomon, and James Lisowsky have each violated the Securities Act of Washington. The Securities Administrator believes those violations justify the entry of an order against the Respondents to cease and desist from such violations and to charge costs pursuant to RCW 21.20.390, and under RCW 21.20.395 to impose fines. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondent

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.

Nature of the Conduct

Overview

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 converted those investments to equity. The majority of those
4 investments remain outstanding.

5 SoloMatrix Offerings

6 *Method of Solicitation*

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

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

27 9. SoloMatrix and Solomon failed to disclose to investors that SoloMatrix had not conducted a
28 background check on Lisowsky. In December 2000, Grand Jurors for Jefferson County, Texas presented an
29 indictment against Jim Lisowsky for felony theft in the second degree. The indictment alleged that
30 Lisowsky stole at least \$100,000, but less than \$200,000 from an individual. In August 2001, Lisowsky
31 entered into a pleas admonishment with the Jefferson County District Court in which Lisowsky pled guilty

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

5 Offering Types

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

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

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

15 13. During 2010, the convertible debentures that SoloMatrix sold in 2008 matured, but
16 SoloMatrix did not repay those investments. In offering materials provided to at least one 2X Note
17 purchaser, SoloMatrix failed to disclose that the company had not complied with the repayment terms of the
18 earlier convertible debenture investments.

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

24 15. While SoloMatrix worked to renegotiate the convertible debentures it sold, the company
25 started to offer convertible promissory notes, which had similar terms to the earlier convertible debentures.
In the convertible promissory notes, SoloMatrix offered to pay investors an interest rate of 12% for a period
of 18 months. At the end of the 18 months, SoloMatrix offered the investor the option to convert the

1 principal and accumulated interest to shares of common stock at a price of \$0.20 per share. SoloMatrix
2 raised \$82,000 from the sale of convertible promissory notes to two investors.

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

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

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

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

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

26 21. SoloMatrix successfully repaid one of the debt offerings described above, paying \$15,212 to
the investor. SoloMatrix converted the rest of the debt offerings it sold to equity and those investments
remain outstanding.

Robert Solomon's Compensation

22. SoloMatrix had no set compensation for Solomon. Solomon withdrew funds from the SoloMatrix bank account when he needed funds, provided SoloMatrix had funds available. Solomon did not need approval from anyone at SoloMatrix to withdraw funds. Solomon initially withdrew funds as a loan to himself, though there were no terms to the loans, and at the end of the year SoloMatrix reported 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. Solomon made payments to himself and his wife from SoloMatrix's bank account totaling approximately \$269,572. Respondents failed to disclose that Solomon had the ability to withdraw funds for his personal use from SoloMatrix's bank accounts.

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.

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

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).

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

1 3. Robert Solomon and James Lisowsky have each violated RCW 21.20.040 by offering and/or
2 selling said securities while not being registered as a securities salesperson or broker-dealer in the state of
3 Washington.

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

8 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

9 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
10 Administrator intends to order, pursuant to RCW 21.20.390(1), that SoloMatrix, Inc.; Robert Solomon;
11 James Lisowsky, their agents and employees, each shall cease and desist from violations of RCW 21.20.010
12 and RCW 21.20.140, and that Respondents Robert Solomon, James Lisowsky, their agents and employees,
13 each shall cease and desist from violations of RCW 21.20.040.

14 **NOTICE OF INTENT TO IMPOSE FINES**

15 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of
16 Law, the Securities Administrator intends to order that:

- 17 a. Respondent SoloMatrix, Inc. shall be liable for and shall pay a fine of \$15,000;
- 18 b. Respondent Robert Solomon shall be liable for and shall pay a fine of \$10,000;
- 19 c. Respondent James Lisowsky shall be liable for and shall pay a fine of \$7,500.

20 **NOTICE OF INTENT TO CHARGE COSTS**

21 Pursuant to 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the
22 Securities Administrator intends to order that:

- 23 a. Respondent SoloMatrix, Inc. shall be liable for and shall pay the costs, fees, and other
24 expenses incurred in the administrative investigation and hearing of this matter, in an
25 amount not less than \$5,000.
- b. Respondent Robert Solomon shall be liable for and shall pay the costs, fees, and other
expenses incurred in the administrative investigation and hearing of this matter, in an
amount not less than \$2,500.

1 c. Respondent James Lisowsky shall be liable for and shall pay the costs, fees, and other
2 expenses incurred in the administrative investigation and hearing of this matter, in an
3 amount not less than \$1,000.

4 **AUTHORITY AND PROCEDURE**

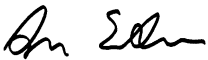
5 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is
6 subject to the provisions of Chapter 34.05 RCW. The Respondents, SoloMatrix, Inc.; Robert Solomon; and
7 James Lisowsky, may each make a written request for a hearing as set forth in the NOTICE OF
8 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a
9 Respondent does not make a hearing request in the time allowed, the Securities Administrator intends to
10 adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order
11 to cease and desist as to that Respondent, to impose any fines sought against that respondent, and to charge
12 any costs sought against that Respondent.

13 Signed and Entered this 1st day of August 2016.

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15 _____
16 William M. Beatty
17 Securities Administrator

18 Approved by:

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20 _____
21 Suzanne Sarason
22 Chief of Enforcement

23 Presented by:

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25 _____
26 Jack McClellan
27 Financial Legal Examiner