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

IN THE MATTER OF DETERMINING
whether there has been a violation of the
Securities Act of Washington by:

MICHAEL PALOMA;
PINE CANYON ENTERPRISES, INC.;
KEITH ROBERTSON,

Respondents.

Order Number S-05-008-07-SC01

STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ENTER AN ORDER TO
CEASE AND DESIST, AND NOTICE OF
INTENT TO DENY FUTURE
REGISTRATION, IMPOSE FINES, AND
RECOVER COSTS

THE STATE OF WASHINGTON TO:

Michael Paloma
Pine Canyon Enterprises, Inc.
Keith Robertson, CRD # 2644885

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STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents, Michael Paloma; Pine Canyon Enterprises, Inc.; and Keith Robertson have violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator against each to cease and desist from such violations under RCW 21.20.390, to deny future registration pursuant to RCW 21.20.110(1), to impose fines pursuant to RCW 21.20.395, and to charge costs pursuant to RCW 21.20.390(5). The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Michael Paloma ("Paloma") is a resident of Mesa, Arizona. Paloma is an entertainer and owner of Pine Canyon Enterprises, Inc., a Nevada corporation.

1 Robertson had met with Michael Paloma who had indicated to Robertson that he could raise \$1 million for
2 Courtside through a public offering. At the conclusion of her conversation with Robertson, Emter agreed
3 that Courtside should go public in order to raise money.

4 7. Robertson did not inform Emter of either the steps of going public or the pros and cons of
5 going public. Robertson suggested doing a Regulation D Rule 504 offering and listing the stock on the Pink
6 Sheets. Emter did not know what the Pink Sheets were and assumed Courtside would trade on the New
7 York Stock Exchange. The Pink Sheets is not an exchange, but a publication which provides bid and ask
8 prices for over-the-counter stocks. Robertson did not adequately inform Emter of the nature of a Regulation
9 D, Rule 504 offering. Under Regulation D, Rule 504, a company is exempt from federal securities
10 registration requirements for offerings up to \$1 million in any 12-month period. However, under Rule 504 a
11 company may not advertise or publicly offer its securities to investors unless the security is registered in the
12 state where it is offered, or qualifies for an exemption from registration which allows for public solicitation.
13 In Texas, where the Courtside stock was initially sold, the shares were not registered. Advertising and
14 general solicitation were not allowed under a Texas exemption, so any unregistered shares offered pursuant
15 to the Rule 504 exemption had to be restricted. Purchasers of restricted stock can sell their shares only under
16 limited circumstances. Essentially, restricted stock could not be traded in the over-the-counter market. By
17 offering its securities under Rule 504, Courtside would not have a resale market available to it for at least
18 several years.

19 8. Robertson and Emter orally agreed that Robertson would act as a consultant who would hire
20 the people who would take Courtside public. Robertson and Emter signed a fee agreement on May 26, 2004
21 stating that Robertson would receive a 10% commission on all funds C3 Consultants provided for Courtside
22 up to \$2 million, a 5% commission on funds raised between \$2 and \$5 million, and a 2% commission on any

1 funds raised in excess of \$5 million. Robertson received 1 million shares of Courtside stock directly from
2 Courtside as payment for his consultant services for the “Rule 504” offering.

3 9. In his role as consultant, Robertson arranged for Michael Paloma and his company Pine
4 Canyon Enterprises, Inc. (“Pine Canyon”) to help Courtside make its public offering. On August 16, 2004,
5 an agreement was signed between Courtside and Pine Canyon. Under the agreement, Pine Canyon would
6 file the paperwork to list Courtside in the Pink Sheets. Courtside agreed to issue five percent of its shares to
7 Pine Canyon or its designees as payment for services. Two and a half percent of Courtside’s stock would be
8 made available for a sale under Regulation D, Rule 504 in which Pine Canyon promised at least \$250,000
9 would be raised for Courtside.

10 10. Pine Canyon and its attorney Ken Christison drafted the documents necessary for Emter to
11 sign to create the offering. Pine Canyon hired First American Stock Transfer as the transfer agent.
12 Robertson remained involved throughout the offering process as a middleman or “conduit” between the
13 parties. Robertson helped explain the transaction and the documents which needed to be completed. Emter
14 never met Paloma.

15 11. On September 17, 2004, Courtside issued 18.25 million shares under Regulation D, Rule 504.
16 At the direction of Paloma, these shares were issued equally to three different companies owned by Paloma
17 and all located at the same address in Texas: Great Northern Equity, Inc., SS Viking Group, and Estrella
18 Mountain Express, Inc. Paloma did not inform Emter why she needed to issue the stock to these companies.
19 Emter issued the stocks as directed and believed that these shares would be publicly traded through the
20 companies. The forms prepared by Paloma and signed by Emter denoted that the stock being transferred
21 was “Rule 504 Regulation D No Restrictions.” The transfer forms were misleading because Rule 504 stock
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1 is restricted under Texas law. Emter believed that because the form denoted the stock had no restrictions,
2 Courtside stock could be freely traded.

3 12. Robertson received a referral fee from Paloma for referring Courtside to Pine Canyon. The
4 referral fee consisted of 2 million shares of Courtside stock that had originally been issued to the companies
5 designated by Paloma.

6 13. Courtside was quoted in the Pink Sheets October 11, 2004. A Form D was never filed with
7 the U.S. Securities and Exchange Commission ("SEC"), which is required within fifteen days of the first
8 sale made in reliance of Rule 504.

9 14. Paloma hired promoters in Florida who sent out "blast" faxes and emails to promote the stock.
10 Thousands of unsolicited faxes and emails were sent, often as serial transmissions to the same recipient.
11 These faxes and emails were titled "Market Adviser Report" or "Emerging Equity Alert." They promoted
12 Courtside stock as a "top pick" and "strong buy" and stated that Courtside was a prime target for takeover by
13 Nike or Reebok. The statements that Courtside was a prime target for a takeover had no factual basis. The
14 faxes and emails were sent to recipients in numerous states. The blasts continued from October 2004 to
15 January 2005. The blasts led the SEC to issue an Order on January 28, 2005 (File No. 500-1), which
16 suspended trading of Courtside stock until February 10, 2005 for failing to comply with the restrictions of
17 Regulation D, Rule 504. Paloma failed to inform Emter that the stock would be advertised with blast faxes
18 and emails in violation of the advertising and solicitation restrictions of Rule 504 under which it was
19 purportedly offered. The use of the blast faxes meant that Courtside did not qualify for the Rule 504
20 exemption and was therefore offering unregistered securities. Moreover, the suspension of trading and bad
21 press limited Courtside's ability to find investors and raise funds.

1 15. Prior to the suspension of trading, Robertson sold 300,000 shares of the Courtside stock he
2 received as a referral fee for a profit. Robertson did not inform Emter of the sale. To date, Courtside has
3 received only \$75,000 of the \$250,000 in capital promised by Paloma in exchange for giving up 7.5% of its
4 stock.

5 16. The SEC filed a civil complaint in an unrelated matter against Michael Paloma in *Sec. & Exch.*
6 *Comm'n v. Paloma, Bardasian & Desert Winds Ent. Corp.*, No. 1:02CV00645 (D. D.C.). The complaint
7 alleged violations of the registration and anti-fraud provisions of the federal securities laws. On April 8,
8 2002, Paloma consented to entry of a final judgment requiring him to pay \$442,319 in disgorgement,
9 \$27,070 in prejudgment interest, and a \$65,000 civil fine. The judgment permanently enjoined Paloma from
10 violating Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, and Section 10(b) and Rule 10b-5
11 under the Securities Exchange Act of 1934. These provisions make the sale of unregistered securities
12 unlawful, and prohibit any acts or omissions that result in fraud or deceit in connection with the offer,
13 purchase, or sale of securities. Neither Robertson nor Paloma informed Emter of Paloma's previous
14 securities violations prior to Courtside signing the agreement to give 7.5% of its stock to Paloma and Pine
15 Canyon.

16 17. At approximately the same time that Robertson was assisting Courtside with its Rule 504
17 offering, he was also providing equity consulting services to Xtreme Technologies, Inc. ("Xtreme"), a
18 Washington corporation and telecommunications company doing business at 14004 E. Arrowleaf, Spokane,
19 Washington 99206 (now known as Xtreme Oil and Gas, Inc.). Robertson advised Xtreme that it could raise
20 up to \$1 million through a public offering with Paloma. Robertson connected Xtreme with Paloma and Pine
21 Canyon to do a Regulation D Rule 504 offering on the Pink Sheets. Robertson remained involved as a
22 middleman. Xtreme signed an agreement on August 16, 2004 with Pine Canyon which, like the Courtside

1 agreement signed the same day, stated that Xtreme agreed to issue five percent of its shares to Pine Canyon
2 or its designees as payment for services. Two and a half percent of Xtreme's stock would be made available
3 for a sale under Regulation D, Rule 504 in which Pine Canyon promised to raise at least \$250,000 for
4 Xtreme. Shares of Xtreme were issued to Paloma's companies Great North Equity, Inc. and SS Viking
5 Group. Robertson received 4.5 million shares of Xtreme stock as payment for consultant services directly
6 from Xtreme. Robertson also received a referral fee of 2 million shares of Xtreme stock from Paloma and
7 Pine Canyon. As with Courtside, Xtreme stock was advertised with spam faxes and emails. Xtreme did not
8 receive the \$250,000 promised by Paloma and Pine Canyon. Robertson sold all 2 million shares of Xtreme
9 stock that he received from Paloma for a profit. A Form D was never filed with the SEC for the Washington
10 corporation Xtreme Technologies, Inc., which is required within fifteen days of the first sale made in
11 reliance on Regulation D, Rule 504.

12 18. Keith Robertson, while employed in 2003 as securities salesperson at Alliant Securities, Inc.
13 ("Alliant"), made an unauthorized sale of restricted stock to a client. Robertson solicited the sale, touted the
14 stock as a safe investment, failed to explain the nature of restricted stock, and completed a direct sale
15 transaction without the knowledge or authorization of Alliant. Robertson made a second unauthorized sale
16 of the same restricted stock to a relative. Alliant discovered the sales after Robertson had left its
17 employment. Alliant filed an amended Form U-5 in 2005 reporting the occurrences.

18 Registration Status

19 19. Michael Paloma is not currently registered as a broker-dealer, investment adviser, investment
20 adviser representative, or securities salesperson in the State of Washington and has not previously been
21 registered.

1 SEC for securities fraud prior to Courtside agreeing to do business with Pine Canyon. Robertson and
2 Paloma failed to file a Form D with the SEC following the first sale of securities made in reliance on
3 Regulation D Rule 504.

4 3. Keith Robertson dba C3 Consultants acted as an investment adviser as defined in
5 RCW 21.20.005(6) because C3 Consultants was in the business of providing advice, in exchange for
6 compensation, on the sale of securities. By receiving shares of Courtside and Xtreme stock, Robertson
7 received compensation, and by advising Courtside and Xtreme to make Regulation D, Rule 504 offerings
8 through Pine Canyon, Robertson engaged in the business of advising others on selling securities.

9 4. Keith Robertson and Michael Paloma each acted as a broker-dealer or salesperson as defined
10 in RCW 21.20.005(2) and (3) when they arranged for the sale of Courtside and Xtreme stock.

11 5. Pine Canyon Enterprises, Inc. acted as a broker-dealer as defined in RCW 21.20.005(3) in
12 connection with the sale of Courtside and Xtreme stock.

13 6. Keith Robertson violated RCW 21.20.040, the section of the Securities Act requiring
14 registration of broker-dealers, securities salespersons, and investment advisers, because he aided, made
15 recommendations or otherwise rendered advice regarding the sale of securities while not registered as a
16 broker-dealer, securities salesperson, investment adviser or investment adviser representative in the State of
17 Washington when he effected transactions in the stock of Courtside and Xtreme.

18 7. Michael Paloma violated RCW 21.20.040, the section of the Securities Act requiring
19 registration of broker-dealers, securities salespersons, and investment advisers, because Michael Paloma
20 acted as a broker-dealer or securities salesperson in connection with the sale of Courtside and Xtreme stock
21 while not being registered as a broker-dealer or securities salesperson in the State of Washington.

1 8. Pine Canyon Enterprises, Inc. violated RCW 21.20.040, the section of the Securities Act
2 requiring registration of broker-dealers, securities salespersons, and investment advisers, because Pine
3 Canyon acted as a broker-dealer in connection with the sale of Courtside and Xtreme stock while not being
4 registered as a broker-dealer in the State of Washington.

5 9. Keith Robertson violated RCW 21.20.020, the investment adviser anti-fraud provision of the
6 Securities Act, by receiving shares of Courtside stock as compensation for consulting services which tended
7 to operate as a fraud or deceit upon Courtside.

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

9 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and Conclusions
10 of Law, the Securities Administrator intends to order that Respondents Keith Robertson, Michael
11 Paloma, and Pine Canyon Enterprises, Inc. each permanently cease and desist from violations of RCW
12 21.20.010 and RCW 21.20.040, and that Respondent Keith Robertson permanently cease and desist from
13 violations of RCW 21.20.020.

14 **NOTICE OF INTENT TO DENY FUTURE APPLICATION**

15 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and
16 Conclusions of Law, the Securities Administrator intends to order that any future broker-dealer,
17 securities salesperson, investment adviser and/or investment adviser representative application of Keith
18 Robertson be denied.

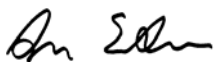
19 **NOTICE OF INTENT TO IMPOSE FINES**

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

- 22 a. Respondents Michael Paloma shall be liable for and pay a fine of \$10,000;

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Approved by:



Suzanne Sarason
Chief of Compliance and Exams

Presented by:



Jill M. Vallely
Financial Legal Examiner