

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

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

7 VALKYRIE, INC.; ROBERT STORSETH,

8 Respondents.

Order Number S-07-303-08-SC01

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

9 THE STATE OF WASHINGTON TO:

Valkyrie, Inc.
Robert Storseth

10 **STATEMENT OF CHARGES**

11 Please take notice that the Securities Administrator of the State of Washington has reason to
12 believe that Respondents, Valkyrie, Inc. and Robert Storseth, have violated the Securities Act of
13 Washington and that their violations justify the entry of an order of the Securities Administrator under
14 RCW 21.20.390 against each to cease and desist from such violations, and to impose fines and recover
15 costs. The Securities Administrator finds as follows:

16 **TENTATIVE FINDINGS OF FACT**

17 Respondents

18 1. Valkyrie, Inc. (“Valkyrie”), a Delaware corporation, was formed on October 19, 1999.
19 Valkyrie’s last known place of business was 157 Rockaway Ave., Valley Stream, NY 11580. Valkyrie
20 was formed to acquire licensing rights to explore and produce oil and gas.

21 2. Robert Storseth (“Storseth”), a Washington resident, is the President and CEO of Valkyrie.
22

1 Nature of the Conduct

2 *Background*

3 3. Storseth formed Valkyrie, Inc. to procure licensing rights in oil and gas deposits in
4 countries such as Colombia, Ecuador, and the Phillipines. Storseth worked with Oswaldo Pinilla, a
5 partner in New York who purportedly had connections to political figures in Colombia which could
6 help Valkyrie secure oil rights there. Oswaldo Pinilla acted as Vice President of Valkyrie.

7 4. Storseth had no background in the oil and gas industry but had read books about the oil
8 industry and previously had been an investor in an unsuccessful oil deal. Storseth intended for
9 Valkyrie to participate in the bidding process for oil and gas licensing in Colombia. In order to
10 participate in the bidding process, Valkyrie needed a \$1.5 million standing letter of credit. Once
11 obtained, the rights would be exercised or sold for profit.

12 5. Obtaining and executing on an oil license can require several million dollars. In general,
13 once the oil rights are obtained, seismic and geologic studies still need to be funded and performed to
14 locate potential oil deposits. Then exploratory wells must be drilled. If the exploratory wells are
15 successful, production wells can be drilled and oil produced and sold from those wells.

16 6. Storseth attempted without success to secure financing for Valkyrie from institutional
17 investors, venture capitalists, and hedge funds. Storseth sought funds from individual investors while
18 attempting to locate a bigger source of funding for Valkyrie. Funds from individual investors were
19 used to pay travel and other operational expenses.

1 *Offering of Investments*

2 7. Between 1999 and 2005, Robert Storseth offered and sold investments in Valkyrie, Inc.
3 totaling at least \$257,000 to at least eight Washington residents. Amounts invested ranged from
4 \$5,000 to \$87,000. Not all of the investors were accredited or sophisticated.

5 8. Storseth located several investors through his membership at the Washington Athletic
6 Club. Storseth informed investors that he had connections in the oil business that would help Valkyrie
7 obtain oil licensing rights. Storseth orally represented to at least two investors that they would double
8 or triple their investment. Storseth orally represented to at least one investor that he would receive a
9 five-fold return on his investment.

10 9. Investors would provide funds for Valkyrie's operations and receive shares of stock in
11 the company in return. Funds also went towards recapture of Storseth's capital expenditures. The
12 shares were offered to different individuals at different prices. Investors paid \$1,000, \$1,500, or
13 \$2,000 per share. At least one investor was told he was receiving a better deal than prior investors.
14 Investors would share in the profits once Valkyrie obtained and executed an oil license.

15 10. Storseth provided different documentation concerning Valkyrie and the investment in
16 Valkyrie to different individuals. For instance, Storseth provided a document entitled "Valkyrie, Inc.:
17 A Business Plan" to at least one investor. The business plan stated that "Valkyrie is offering
18 participation to individual investors at the initial offering price. This opportunity will only be
19 available in the short term and will expire as the business develops." Storseth supplied a document
20 titled "Offering Summary" to another investor. The Offering Summary stated that Valkyrie "is
21 prepared to offer investors the opportunity to participate." The Offering Summary further stated that
22 "Valkyrie, due to certain political and business relationships, has the opportunity to execute on

1 multiple blocks being offered by Ecopetrol.” The Offering Summary further represented that Valkyrie
2 “is fully capable of delivering a developed field to the point of commercial licensing and recovery
3 operations” and “Valkyrie will execute its contract in the next sixty days and subsequently will begin
4 operations for recovery.” To a least one investor, Storseth provided a copy of a of letter apparently
5 memorializing discussions for a third-party to contribute \$600,000 and a \$1.5 million letter of credit.
6 To a different investor, Storseth provided a memorandum from a petroleum company offering to do
7 business with Valkyrie if Valkyrie provided a \$1.5 million letter of credit.

8 11. Storseth documented the investments in Valkyrie in multiple ways. Some but not all
9 investors received stock certificates representing the shares they owned in Valkyrie. At least one
10 investor signed two different Stock Subscription and Purchase Agreements. One subscription
11 agreement stated that the investor would purchase 10 shares of Valkyrie for \$10,000. A second
12 subscription agreement stated that the investor would purchase 100 shares of Valkyrie for \$100,000.
13 Another investor signed a promissory note agreeing to pay \$100,000 in exchange for 100 shares of
14 Valkyrie stock. However, most investors did not sign promissory notes or subscription agreements.

15 12. Storseth accepted funds from investors in various ways. Investors were instructed to
16 either write checks to Robert Storseth or to wire the money to the personal bank account of Oswaldo
17 Pinilla in New York. Storseth also accepted cash payments. At least two investors were instructed to
18 write a personal check to Storseth for part of the investment and wire the other part of their investment
19 to Oswaldo Pinilla. At least one investor was advised to use a portion of his investment funds to
20 directly pay certain bills, including Storseth’s travel expenses, Storseth’s attorney’s fees, and the bill
21 for a yacht chartered by Storseth to celebrate Valkyrie’s success. This investor was also instructed to
22 pay a portion of his investment to a previous investor.

1 13. Storseth represented to at least one investor that the oil deal was about to become
2 successful. Storseth encouraged this investor to contribute more funds so that Storseth could complete
3 the deal

4 14. At least three investors requested return of their investment from Storseth. To date, funds
5 have not been returned.

6 15. Since its incorporation, Valkyrie has not secured any oil licenses. Valkyrie has not made
7 any profits. Valkyrie currently has no assets and no income streams. Valkyrie has not obtained a \$1.5
8 million letter of credit.

9 16. Investors invested with the expectation of eventual profits and did not otherwise
10 participate in the business. Investors were not screened for sophistication, suitability, or accredited
11 status. Not all of the investors were sophisticated or accredited. Investors did not sign any agreements
12 not to resell or distribute shares. In addition, Valkyrie maintained company records in New York
13 which precluded access or inspection by the investors in Washington. Certain records, including but
14 not limited to financial statements, were not maintained at all.

15 Misrepresentations and Omissions

16 17. Storseth and Valkyrie failed to provide material information regarding investing in
17 Valkyrie, including but not limited to: financial statements, use of proceeds, the business background
18 and experience of Storseth and Pinilla, the general risks of investing, and the specific risks of investing
19 in a new, undercapitalized company in the oil and gas industry.

20 18. Storseth represented to investors that Valkyrie was just about to become profitable when
21 in fact it had no finalized agreements or funding which would make profits possible.

1 4. The offer or sale of the investments described above was made in violation of
2 RCW 21.20.010 because, as set forth in the Tentative Findings of Fact, Valkyrie, Inc. and Robert
3 Storseth made misstatements of material facts or omitted to state material facts necessary in order to
4 make the statements made, in light of circumstances under which they were made, not misleading.
5

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

7 Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and Conclusions
8 of Law, the Securities Administrator intends to order that Respondents, Valkyrie, Inc. and Robert
9 Storseth, and their agents and employees, shall each cease and desist from violations of RCW 21.20.140,
10 RCW 21.20.040, and RCW 21.20.010.

11 **NOTICE OF INTENT TO IMPOSE FINES**

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

- 14 a. Respondent Robert Storseth shall be liable for and pay a fine of \$10,000; and
15 b. Respondent Valkyrie, Inc. shall be liable for and pay a fine of \$10,000.
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17 **NOTICE OF INTENT TO RECOVER COSTS**

18 Pursuant to RCW 21.20.390(5), and based upon the Tentative Finds of Fact and Conclusions of
19 Law, the Securities Administrator intends to order that the Respondents Valkyrie, Inc. and Robert
20 Storseth shall be liable for and pay the Securities Division the costs, fees, and other expenses incurred
21 in the conduct of the administrative investigation and hearing of this matter of not less than \$2,000.
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1 **AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered pursuant to the provisions of the RCW 21.20.390 and
3 RCW 21.20.395 and is subject to the provisions of RCW 34.05. The Respondents may each make a
4 written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
5 OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

6 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the
7 above Tentative Findings of Fact and Conclusions of Law as final, enter a permanent cease and desist
8 order as to that Respondent, and impose the fines and costs sought.

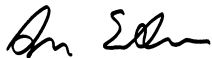
9 DATED AND ENTERED this 26th day of August, 2008.

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13 MICHAEL E. STEVENSON
14 Securities Administrator

15 Approved by:

15 Presented by:

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18 _____
19 SUZANNE SARASON
20 Chief of Compliance & Examinations

18 _____
19 JILL M. VALLELY
20 Enforcement Attorney