

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

IN THE MATTER OF DETERMINING) Order No.: S-15-1672-16-FO01
Whether there has been a violation of the)
Securities Act of Washington by:) ENTRY OF FINDINGS OF FACT AND CONCLUSIONS
) OF LAW AND FINAL ORDER TO CEASE AND DESIST
SoloMatrix, Inc.;) AS TO JAMES LISOWSKY
Robert Solomon;)
James Lisowsky;)
)
Respondents.)

THE STATE OF WASHINGTON TO: James Lisowsky

On August 1, 2016, the Securities Administrator of the state of Washington issued Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose Fines, and to Charge Costs, Order No. S-15-1672-16-SC01, hereinafter referred to as "Statement of Charges." The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as "Notice of Opportunity for Hearing," and an application for Adjudicative Hearing, hereinafter referred to as "Application for Hearing," were served on Respondent James Lisowsky on August 2, 2016.

The Notice of Opportunity for Hearing advised Respondent James Lisowsky that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. Respondent James Lisowsky failed to request an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided, or otherwise.

The Securities Administrator therefore will adopt as final the following Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enter a final order against Respondent James Lisowsky to cease and desist from violations of the Securities Act, and to impose the fine and costs sought in the Statement of Charges.

The Securities Administrator makes the following findings of fact and conclusion of law:

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 also sold common stock. To solicit some of its investors, SoloMatrix paid commissions to Lisowsky, an unregistered salesperson with a criminal record for theft. SoloMatrix did not repay most of its debt obligations to investors and instead converted those investments to equity. The majority of those investments remain outstanding.

SoloMatrix Offerings

Method of Solicitation

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

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

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

8. Lisowsky provided at least one investor with an offering document in which SoloMatrix 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.

1 9. SoloMatrix and Solomon failed to disclose to investors that SoloMatrix had not conducted a
2 background check on Lisowsky. In December 2000, Grand Jurors for Jefferson County, Texas presented an
3 indictment against Jim Lisowsky for felony theft in the second degree. The indictment alleged that
4 Lisowsky stole at least \$100,000, but less than \$200,000 from an individual. In August 2001, Lisowsky
5 entered into a pleas admonishment with the Jefferson County District Court in which Lisowsky pled guilty
6 to the charge of felony theft in the second degree. In May 2002 the 252nd District Court of Jefferson County
7 entered a Deferred Adjudication Order in the matter which placed Lisowsky under community supervision
8 and ordered him to pay restitution to his victim through installments totaling \$147,512.62. In 2005 and
2007, the District Court discharged Lisowsky from his community supervision and dismissed the case.
Lisowsky failed to disclose his criminal record to investors.

9 Offering Types

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

14 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.

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

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

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

1 materials provided to at least one 2X Note purchaser, SoloMatrix failed to disclose that the company had not
2 complied with the repayment terms of these earlier debt obligations.

3 15. While SoloMatrix worked to renegotiate the convertible debentures it sold, the company
4 started to offer convertible promissory notes, which had similar terms to the earlier convertible debentures.
5 In the convertible promissory notes, SoloMatrix offered to pay investors an interest rate of 12% for a period
6 of 18 months. At the end of the 18 months, SoloMatrix offered the investor the option to convert the
7 principal and accumulated interest to shares of common stock at a price of \$0.20 per share. SoloMatrix
8 raised \$82,000 from the sale of convertible promissory notes to two investors.

9 16. In August of 2011, SoloMatrix sold a promissory note to one investor for an investment of
10 \$7,000. SoloMatrix agreed to pay a 12% interest rate for six months. The investor borrowed funds from a
11 credit card to make the investment to SoloMatrix. SoloMatrix failed to repay this investment and entered
12 into an agreement with the investor to convert the investment to 77,000 shares of SoloMatrix common stock
13 in July of 2012.

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

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

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

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

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

Robert Solomon's Compensation

7 22. SoloMatrix had no set compensation for Solomon. Solomon withdrew funds from the
8 SoloMatrix bank account when he needed funds, provided SoloMatrix had funds available. Solomon did not
9 need approval from anyone at SoloMatrix to withdraw funds. Solomon initially withdrew funds as a loan to
10 himself, though there were no terms to the loans, and at the end of the year SoloMatrix reported the amount
11 of the "loans" to the IRS as income to Solomon. In 2011, Solomon began withdrawing funds from
12 SoloMatrix in his wife's name rather than his own. Solomon made payments to himself and his wife from
13 SoloMatrix's bank account totaling approximately \$269,572. Respondents failed to disclose that Solomon
14 had the ability to withdraw funds for his personal use from SoloMatrix's bank accounts.

Registration Status

15 23. SoloMatrix is not currently registered to sell its securities in the state of Washington and has
16 not previously been so registered. On or about August 3, 2012 SoloMatrix filed a claim of exemption from
17 registration under Regulation D, Rule 506 with the Securities and Exchange Commission. On August 7,
18 2012 SoloMatrix notice filed the claim of exemption with DFI. SoloMatrix filed the claim of exemption for
19 a \$45,000 offering of options, warrants, or other right to acquire another security. On or about August 30,
20 2012 SoloMatrix filed a claim of exemption from registration under Regulation D, Rule 506 with the
21 Securities and Exchange Commission. SoloMatrix filed the claim of exemption for a \$500,000 offering of
22 convertible notes. SoloMatrix did not notice file the August 30, 2012 claim of exemption with DFI.

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

25 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 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 2. James Lisowsky violated RCW 21.20.140, because, as set forth in the Tentative Findings of
3 Fact, Respondents offered and/or sold securities for which no registration is on file with the Securities
4 Administrator.

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

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

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

10 **FINAL ORDER**

11 IT IS HEREBY ORDERED that Respondent James Lisowsky, his agents and employees, each shall cease and
desist from offering and/or selling securities in any manner in violation of RCW 21.20.140, the section of the
12 Securities Act of Washington requiring registration.

13 IT IS FURTHER ORDERED that Respondent James Lisowsky, his agents and employees, each shall cease
and desist from violating RCW 21.20.040, the securities salesperson registration section of the Securities Act of
14 Washington.

15 IT IS FURTHER ORDERED that Respondent James Lisowsky, his agents and employees, each shall cease
and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

16 IT IS FURTHER ORDERED that Respondent James Lisowsky shall be liable for and pay a fine in the amount
17 of \$7,500.

18 IT IS FURTHER ORDERED that Respondent James Lisowsky shall be liable for and pay a fine in the amount
19 of \$1,000.

20 **AUTHORITY AND PROCEDURE**

21 This FINAL ORDER is entered pursuant to the provisions of 21.20.390, and is subject to the provisions of
RCW 34.05. Respondents have the right to petition the superior court for judicial review of this agency action under
22 the provisions of RCW 34.05. For the requirements for Judicial Review, see RCW 34.05.510 and sections following.
23 Pursuant to RCW 21.20.395, a certified copy of this Order may be filed in Superior Court. If so filed, the clerk shall
24 treat the Order in the same manner as a Superior Court judgment as to the fine, and the fine may be recorded,
enforced, or satisfied in like manner.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

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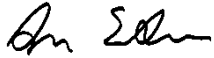
SIGNED and ENTERED this 29th day of August 2016.



William M. Beatty
Securities Administrator

Approved by:

Presented by:



Suzanne Sarason
Chief of Enforcement

Jack McClellan
Financial Legal Examiner