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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

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| SECURITIES AND EXCHANGE COMMISSION, |) | |
| |) | |
| |) | |
| Plaintiff, |) | |
| |) | <u>COMPLAINT</u> |
| v. |) | |
| |) | |
| MSGI TECHNOLOGY SOLUTIONS, INC. and J. JEREMY BARBERA, |) | ECF CASE |
| |) | |
| Defendants. |) | |

COMPLAINT

Plaintiff Securities and Exchange Commission (the “Commission”) alleges the following against defendants MSGI Technology Solutions, Inc. (“MSGI”) and J. Jeremy Barbera (“Barbera”) (collectively, “Defendants”):

SUMMARY OF ALLEGATIONS

1. This case involves a fraud that materially misled investors about the true business operations and finances of MSGI, a publicly traded microcap company. Acting together with a purported business partner named Christopher Plummer (“Plummer”), MSGI issued multiple

press releases falsely portraying MSGI as a successful venture with valuable assets and lucrative business opportunities. Barbera, MSGI's chief executive officer, caused MSGI to issue those press releases. In fact, MSGI was a failing enterprise and the assets and business opportunities touted in the press releases did not exist.

2. Plummer is a recidivist felon currently serving a 51-month prison term after pleading guilty to federal conspiracy and wire fraud charges arising from unrelated conduct dating back to 2007. Plummer has two prior convictions for fraud-related offenses. Plummer approached MSGI in or about 2009 and proceeded to engage in the fraud alleged herein with MSGI and Barbera.

3. Plummer, working with MSGI and Barbera, disseminated false information to the public in March 2010 about a joint venture that Franklin Power & Light LLC ("Franklin"), a retail electricity provider purportedly operated by Plummer, had supposedly formed a joint venture with MSGI. Plummer and Barbera made extravagant claims in MSGI press releases about the expected revenue and other benefits flowing from the financial and other contributions made by Franklin to the joint venture, but Franklin was essentially a sham, possessing none of the revenue, assets or financing it was supposedly contributing to the joint venture.

4. MSGI and Barbera simply reiterated in MSGI's press releases Plummer's false and unsupported claims about Franklin's assets and the joint ventures' anticipated profitability. While lacking any factual basis for the statements, Barbera caused MSGI to issue a series of press releases touting a joint venture to own and operate solar energy farms across the country on land purportedly owned and developed by Franklin.

5. Barbera also made material misstatements about MSGI's business operations that had nothing to do with Franklin. For example, Barbera described MSGI in press releases and on

its website as an operational security company with customers all over the world, despite the fact that MSGI had long lacked the financial means to manufacture any of its security products on a commercial scale and was then “operating” out of an apartment. Although it was once a security services company with operating revenue, MSGI has essentially been a dormant and debt-ridden shell since 2008. Rather than disclose those facts, Barbera issued the press releases about Franklin and other false press releases, including press releases which falsely claimed that MSGI had retired millions of dollars in debt and was actively developing solar energy farms with a company unrelated to Franklin.

6. The false press releases had a material market impact. For example, MSGI’s stock price approximately doubled during the two-week period in which the press releases about its purported joint venture with Franklin were issued in March 2010. In 2011, the Commission suspended trading in MSGI stock. Despite the Defendants’ efforts to portray MSGI as a rapidly growing and hugely promising technology venture, MSGI remains essentially dormant with little or no capital.

7. By virtue of the conduct alleged herein, each of the Defendants, directly or indirectly, singly or in concert, violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

8. Unless the Defendants are permanently restrained and enjoined, they will again engage in the acts, practices, transactions and courses of business set forth in this complaint and in acts, practices, transactions and courses of business of similar type and object.

JURISDICTION AND VENUE

9. The Commission brings this action pursuant to authority conferred by Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)], and seeks to restrain and permanently

enjoin the Defendants from engaging in the acts, practices, transactions and courses of business alleged herein. The Commission also seeks a final judgment ordering Barbera to pay civil monetary penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], and a final judgment against Barbera imposing an officer-and-director bar under Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] and a penny stock bar under Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)].

10. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331 and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

11. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b)(2) and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Certain of the events constituting or giving rise to the alleged violations occurred in the Southern District of New York, where MSGI maintained its principal office and where Barbera resided during the relevant period.

12. In connection with the conduct alleged in this complaint, the Defendants, directly or indirectly, have made use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange.

DEFENDANTS

13. **MSGI** is a Nevada corporation purportedly headquartered in New York, New York, among other locations, and was formerly known as MSGI Security Solutions, Inc. During the relevant period, MSGI claimed to be “a provider of proprietary solutions to commercial and government organizations.” MSGI’s common stock was registered pursuant to Section 12(g) of the Exchange Act and traded on the OTC Bulletin Board until June 7, 2011, when the Commission issued an order temporarily suspending trading in its securities. It is required to file periodic reports with the Commission pursuant to Section 13(a) of the Exchange Act, but it has

not filed any such reports since filing its Form 10-Q for the quarter ended December 31, 2010 on February 22, 2011. MSGI stock is currently trading in the so-called “grey market.”

14. **Barbera**, age 57, is the Chairman and CEO of MSGI. He resides in New York, New York. Barbera is currently also the CEO of two other companies, which were not involved in the events alleged herein. According to corporate filings, Barbera is a physicist with two master’s degrees and worked as a research associate at NASA’s Goddard Institute for Space Studies between 1977 and 1984.

RELEVANT PERSONS AND ENTITIES

15. **Plummer** was CEO of Franklin and affiliated entities known as Franklin Energy and Madison & Wall Investments, LLC (“Madison & Wall”) during the relevant period. He resided in Connecticut prior to his incarceration in federal prison, where he is serving a 51-month sentence imposed after he plead guilty to federal conspiracy and wire fraud charges arising from unrelated conduct dating back to 2007. His criminal history includes two prior convictions for fraud-based offenses.

16. **Franklin** purportedly was a Delaware limited liability company run by Plummer and affiliated with an entity called Franklin Energy, also run by Plummer. Plummer conducted both companies’ activities out of an office building in Middletown, Connecticut.

17. **Madison and Wall** purportedly was a Delaware limited liability company run by Plummer from the same office building in Middletown, Connecticut.

THE DEFENDANTS’ FRAUD

Overview

18. In 2010, MSGI issued several press releases that contained materially false and misleading statements relating to purportedly lucrative business ventures and financing

transactions with private companies controlled by Plummer and other matters. MSGI also maintained a website that contained some of the same materially false and misleading statements. Barbera participated in preparing and authorized the issuance of the relevant MSGI press releases and posted the website content. Plummer supplied the materially false and misleading information about Franklin and himself that appeared in those press releases and otherwise played a key role in the preparation and issuance of some of the relevant press releases. Plummer also was quoted in some of the MSGI press releases making materially false and misleading statements about Franklin and its purported joint venture with MSGI.

19. The other materially false and misleading statements about MSGI included misstatements made by Barbera about the overall scope of MSGI's business operations and misstatements by Barbera about the purported retirement of outstanding debt owed by MSGI.

Misstatements About The Overall Scope of MSGI's Business Operations

20. MSGI purportedly transformed its business several times starting in 2009, when it was still known as MSGI Security Solutions. On its website, which was taken down only after the events at issue transpired, MSGI promoted itself as a security company that used technology, such as encryption software and video surveillance systems, "for actionable surveillance and intelligence monitoring." MSGI claimed to be "viewed by its customers as an important partner in the fight against crime and terrorism."

21. However, in October 2009, MSGI announced that it would focus on renewable energy and medical testing using nanotechnology. In March 2010, MSGI announced, as more fully detailed below, that it was now also developing solar energy farms through a joint venture with Plummer's companies. On November 23, 2010, MSGI announced that it was changing its name to MSGI Technology Solutions to reflect its supposed expansion from the homeland

security sector to the life science and renewable energy sectors, now generically purporting to be “a provider of proprietary solutions to commercial and government organizations.”

22. Barbera knew, or recklessly disregarded, that these statements about MSGI’s business activities were, at best, either historical or aspirational and therefore inaccurate at the time in question. MSGI had not actually produced or sold any security products, or any products at all, since 2008. MSGI was in dire financial straits and lacked the financial or logistical capability after 2008 to produce commercially any product of any kind, let alone to develop the solar energy farms and nanotechnology referred to in its press releases and on its website in 2010. In fact, as Barbera knew, MSGI had no operating business, no customers, and no revenue at all during this period.

23. MSGI has not reported any revenue since the year ended June 30, 2009, when it reported \$282,000 in revenues and \$7,958,349 in net losses. For the year ended June 30, 2010, MSGI reported no revenue and a net loss of approximately \$13.4 million, with a working capital deficit of \$26.6 million. As of June 30, 2010, MSGI’s reported total assets were \$742,000, and its reported total current liabilities were \$26,993,000. All of its debt was either past due, due on demand or due within the next twelve months. For the quarter ended December 31, 2010, MSGI reported no revenue, total assets of \$167,000 and total current liabilities of \$29,320,000.

24. While purportedly transforming itself from a security firm to a nanotechnology company to a solar energy producer, MSGI issued several press releases and posted information on its website touting specific business developments with purportedly huge near term profit potential. Many of the statements made in these press releases and postings lacked any factual support and were materially false or misleading.

Misstatements About Solar Energy Farm Development

25. In a rapid-fire series of press releases issued from March 15 through March 23, 2010, and also published on the MSGI website, MSGI made several materially false and misleading statements regarding a purported joint venture with Franklin Energy, supposedly a subsidiary of Franklin, the purported retail electricity provider controlled by Plummer. Barbera authorized the issuance of these press releases and participated in their preparation. Plummer wrote at least two of the press releases, either on his own or together with Barbera, and was the source of the information conveyed in the press release about the Franklin entities. In the press releases, MSGI and Franklin claimed that the joint venture would build, own, and operate solar energy farms across the United States beginning as early as the latter part of 2010.

26. For example, MSGI issued press releases dated March 15 and 17, 2010, stating that Franklin Energy “owns and controls extensive Solar Energy and Geothermal Energy assets in the United States,” and that MSGI and Franklin “will form and operate solar farms across America fueled by stimulus grants provided by the American Recovery and Reinvestment Act of 2009.” In the press release dated March 17, 2010, Plummer is quoted as saying that the joint venture will be a “top-tier energy company that will assume a key leadership role in the future of our industry,” and that the “vast real estate land holdings of Franklin Energy and its affiliated companies” will enable an “aggressive expansion of Solar and Geothermal Operations in the coming year.”

27. One week later, in a press release dated March 23, 2010, MSGI announced that it “will build and operate ‘Solar One’” located on a “parcel of land owned by Franklin Energy” in Connecticut, claiming that “Solar One is the first of more than ten solar farms that MSGI Energy will establish in partnership with Franklin Energy during 2010.” More specifically, the press

release claimed that MSGI and Franklin Energy “expect to break ground by June 1, 2010 and will submit the paperwork for stimulus grants to the United States Treasury by May 1, 2010,” and that the “first megawatt of power will be online in the next 120 days.” According to the press release, “[a]ll solar farms will produce revenue in the year in which they are installed.”

28. All the statements in these press releases were false, as Franklin did not have vast real estate holdings or existing solar or geothermal energy assets of any kind. Nor did Franklin have the financial means to fund the development of any such assets. Moreover, none of the Franklin entities actually engaged in any of the business activities described in the press releases, and Franklin did not even have its own functional computer network, relying instead on Plummer’s personal laptop to generate crude documents.

29. In authorizing the issuance of the foregoing press releases, Barbera relied solely on oral statements and other assertions made to him by Plummer. However, Franklin did not provide, and MSGI did not obtain, any documentary or other independent factual support for any of Plummer’s sweeping claims about Franklin. Not only did MSGI and Franklin fail to develop or even break ground on a single solar energy farm in 2010, but Franklin was unable to provide, and MSGI did not possess, any documentary or other reasonably reliable evidence that: (i) Franklin actually owned any real estate, much less the “vast” real estate holdings touted in the press releases; (ii) either MSGI or Franklin ever applied for, much less received, stimulus grants from the government; or (iii) MSGI and Franklin otherwise had the financial resources and expertise to develop solar farms or the ability to achieve any of the supposed objectives of their partnership.

30. In fact, MSGI did not even have a written joint venture agreement with Franklin. At most, MSGI had a so-called “memorandum of understanding” with Franklin that was dated

November 20, 2009 and, by its terms, expired either sixty or ninety days later, well before MSGI, Barbera and Plummer began their flurry of announcements about MSGI's purported joint venture with Franklin.

31. Barbera repeated Plummer's extravagant -- and false -- claims about Franklin's assets and capabilities in the MSGI press releases even though documentary support for those claims from Plummer never materialized. In doing so, Barbera acted recklessly, at best. In addition, Barbera knew that MSGI had never applied for any stimulus grants from the government and had no knowledge at the time as to whether or not Franklin had ever done so. Rather than waiting to see if Plummer's unsupported claims panned out before issuing a press release touting those claims, Barbera chose instead to authorize the issuance of the press releases without corroborating those claims.

32. Barbera also caused MSGI to issue materially false and misleading press releases about solar farms that it purportedly was developing with a different company ("Entity A"), which had nothing to do with Plummer. On May 10, 2010, MSGI issued a press release stating that "MSGI Energy and [Entity A] are initially planning a series of five solar farms in Connecticut, Massachusetts, and New York located on the properties of major academic institutions." The press release further stated that "MSGI Energy and [Entity A] are already using the American Recovery and Reinvestment Act of 2009 to apply for solar farm grants."

33. The statements in the May 10, 2010 press release were materially false and misleading. As Barbera knew, no such solar farms were built or even started, and there were never any agreements with academic institutions to build solar farms on their premises. Barbera also knew that MSGI had not applied for any solar farm grants and that Entity A had not applied for any solar farm grants for any projects in which MSGI was involved. The only project on

which Entity A had ever applied for a solar farm grant had nothing to do with MSGI or the purported projects described in MSGI's press release.

Misstatements About Retiring Debt

34. In addition to the misstatements about plans to operate solar energy farms, MSGI and Barbera also made materially false and misleading statements in March 2010 about a financing arrangement involving another entity controlled by Plummer, Madison and Wall. In a March 15, 2010 press release prepared and authorized by Barbera, MSGI announced that Madison and Wall had agreed to purchase \$12 million in MSGI debt from the current debt-holders and then to extinguish that debt by converting it to MSGI stock. Although there was a written agreement, dated March 4, 2010, between Madison and Wall and the debt-holders, the agreement soon unraveled, as Madison never paid the debt-holders for their debt. As a result, the debt was never extinguished.

35. Prior to issuing the March 15, 2010 press release, Barbera made no attempt to determine whether Madison and Wall had any assets or any ability to pay for the debt that it purportedly was buying. In fact, Barbera knew absolutely nothing about Madison and Wall apart from his conversations with Plummer. Nevertheless, on March 18, 2010, Barbera caused MSGI to issue a press release titled "MSGI Retires \$2.6 Million in Debt," in which he falsely stated that MSGI had "retired \$15 million in debt this month, dramatically improving our balance sheet." As Barbera knew, none of the debt referred to in this press release -- neither the \$12 million supposedly purchased by Madison and Wall nor the additional \$2.6 million held by other creditors -- had been retired or come off of MSGI's balance sheet.

36. On October 18, 2010, Barbera caused MSGI to issue a press release belatedly disclosing that Madison did not, in fact, perform its agreement to purchase the \$12 million debt,

but nevertheless stating that a multi-national entity (“Entity B”), purportedly an American company with operations in Romania and Dubai, had now stepped in to purchase that debt and had formed a “strategic partnership” with MSGI. The statement about Entity B was also inaccurate.

37. As Barbera knew, Entity B had not, in fact, completed the purchase of any of MSGI’s debt. Rather, MSGI’s reported current liabilities rose dramatically over the course of 2010 -- from \$18,827,000 as of December 31, 2009, to \$20,398,000 as of March 31, 2010, to \$26,993,000 as of June 30, 2010, and ending at \$29,320,000 as of December 31, 2010. In fact, Barbera knew little, if anything at all, about Entity B, such as where it was incorporated or headquartered. Barbera did know, or recklessly disregarded, that there was no written agreement documenting the purported “strategic partnership” between MSGI and Entity B that was referred to in the press release.

Market Impact of the Misstatements

38. The MSGI press releases described above had a material impact on the price and trading volume of MSGI stock. For example, MSGI’s stock price approximately doubled during the two-week period in which the three press releases about its purported joint venture with Franklin were issued. During the week preceding the issuance of the first such press release on March 15, 2010, the stock price closed between \$0.075 and \$0.137 per share. Starting on March 15, the price shot up, closing at \$0.153 that day and hitting a high of \$.182 on March 16. The stock price remained elevated through the period ending on March 23, during which the two other Franklin-related press release were issued, closing at \$.179 on March 22 and \$.160 on March 23.

39. The volume also spiked during the period from March 15 through March 23,

ranging from 1.25 million to 1.62 million shares on each day from March 15 through March 17, substantially higher than the prior week's typical daily volume. After March 23, the price slid slightly back toward its prior levels, but it still remained well above the price at which it traded before the materially false and misleading press releases were issued. The March 29, 2010 close was \$0.13 and the stock closed above \$0.11 for most of April 2010. The stock price did not return to its pre-March 2010 levels until July 2010, when it dropped to as low as \$0.03 per share. The increase in volume also lasted until at least April 2010, and the average daily volume of 653,000 shares in March 2010 was well above that of prior months.

CLAIM FOR RELIEF

**Violations of Section 10(b) of the Exchange Act and Rule 10b-5
(Both Defendants)**

40. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 39.

41. The Defendants, directly or indirectly, singly or in concert, by use of the means or instrumentalities of interstate commerce or of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of securities, knowingly or recklessly, have: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material fact, or omitted to state material facts necessary in order to make statements made, in the light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices and courses of business which operated or would have operated as a fraud or deceit upon purchasers of securities and upon other persons.

42. By reason of the foregoing, the Defendants, singly or in concert, directly or indirectly, have violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests a Final Judgment:

I.

Permanently enjoining MSGI and Barbera from committing the violations of the federal securities laws alleged against them in this complaint;

II.

Prohibiting Barbera, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l], or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)];

III.

Prohibiting Barbera, pursuant to Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)], from participating in an offering of penny stock, as defined in Section 3(a)(51) of the Exchange Act [15 U.S.C. § 78c(a)(51)] and Rule 3a51-1 thereunder [17 C.F.R. § 240.3a51-1];

IV.

Ordering Barbera to pay civil monetary penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and

V.

Granting such other and further relief as the Court may deem just and proper.

Dated: July 29, 2014
New York, New York

By: Sanjay Wadhwa

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