**IN THE UNITED STATES DISTRICT COURT**
**FOR THE NORTHERN DISTRICT OF TEXAS**
**LUBBOCK DIVISION**

| | |
|---|---|
| **SECURITIES AND EXCHANGE COMMISSION,** | |
| Plaintiff, | |
| v. | |
| | **Civil Action No. 5:10-CV-95** |
| **SEISMA OIL RESEARCH, LLC,** | |
| **a/k/a SEISMA ENERGY RESEARCH, LLC** | |
| **SEISMA ENERGY RESEARCH, AVV,** | |
| **a/k/a SEISMA OIL RESEARCH, AVV,** | |
| **PERMIAN ASSET MANAGEMENT, AVV,** | |
| **and JUSTIN SOLOMON,** | |
| Defendants. | |

## COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") alleges:

## INTRODUCTION

1. This is an offering fraud case. Since 2007, Justin Solomon ("Solomon") and his companies, Florida-based Seisma Oil Research, LLC ("Seisma Florida") and Aruba-based Seisma Energy Research, AVV ("Seisma Aruba") and Permian Asset Management, AVV ("Permian"), have raised at least $25 million from more than 400 non-U.S. investors through a fraudulent offering of units in six joint ventures. The joint ventures, formed under Texas law, purported to engage in the business of owning and operating working interests in oil and gas wells in Yoakum County, Webb County, Liberty County and Live Oak County, Texas.

2. Solomon, Seisma Florida, Seisma Aruba, and Permian (collectively "Defendants") employed high-pressure salesmen located in offshore boiler rooms to contact investors. In soliciting investors, the Defendants and their salesmen, at various times, made the

following false and misleading statements, among others: (a) investors would receive a quick return of their investment; (b) the wells were already producing or would quickly begin production; (c) investors would receive monthly production payments of $10,000 to $15,000; (d) Credit Suisse, Exxon Mobil, and sovereign wealth funds were investing in the joint venture wells or were partnering with the well operators; (e) investors can sell their units for three or four times their purchase price; and (f) sales commissions were just 1% of the investment. Moreover, after the investors purchased the units, they were told that the only way they could sell their units was by purchasing shares of the Stock Exchange of the Caribbean ("SXC"), which purportedly would give them access to the exchange and allow them to sell their units.

3. In reality: (a) investors never received the promised return on their investments (in fact, investors have received no returns); (b) Defendants did not acquire any working interest in the wells associated with two of the six ventures; (c) of the $25 million raised from investors, just $9.5 million (38%) was used to acquire working interests in oil and gas wells on behalf of the ventures, $10 million (40%) was used to pay commissions and marketing expenses, and the remaining $5.5 million (22%) was expended on boating, automobile and various expenses associated with running the scheme; (d) neither Credit Suisse, Exxon Mobil, nor sovereign wealth funds invested/partnered in any of the wells; and (e) the joint venture units could not be sold via the non-existent Stock Exchange of the Caribbean.

4. By the conduct detailed in this Complaint, Defendants violated Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and of Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

5. The Commission, in the interest of protecting the public from further such fraudulent activities and harm, brings this action seeking permanent injunctive relief, disgorgement of Defendants' ill-gotten gains plus prejudgment interest, and civil monetary penalties.

## JURISDICTION AND VENUE

6. The Court has jurisdiction over this action under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78(aa)].

7. Defendants, directly or indirectly, made use of the means or instruments of transportation and communication, and the means or instrumentalities of interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein.

8. Venue is proper under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78(aa)] because certain of the transactions, acts, practices, and courses of business alleged herein took place in the Northern District of Texas.

## DEFENDANTS

9. **Seisma Oil Research, LLC** (a/k/a Seisma Energy Research, LLC) is a Florida limited liability company. Seisma Florida was incorporated in July 2007 and maintains an office in Boca Raton, Florida. Seisma Florida is the managing venturer for the six joint ventures. Seisma Florida has been ordered by the Saskatchewan Financial Services Commission to cease violating Saskatchewan securities laws. The Australian Securities and Investments Commission ("ASIC") has warned investors not to deal with Seisma Florida because it has made unsolicited calls to Australians, does not hold a current license from ASIC, and may be running an

investment scam. Siesma Florida has also been placed on a "warning list" by the United Kingdom Financial Services Authority. The list includes firms that are engaged in "boiler room activities" and "pose a high degree of risk to consumers."

10. **Seisma Energy Research, AVV** (a/k/a/ Seisma Oil Research, AVV) is an Aruban limited liability company. Seisma Aruba was incorporated in June 2009, when Seisma Florida supposedly relocated to Aruba. Seisma Aruba's operations were run out of Boca Raton. Seisma Aruba has been ordered by the Saskatchewan Financial Services Commission to cease violating Saskatchewan securities laws. The Australian Securities and Investments Commission ("ASIC") has warned investors not to deal with Seisma Aruba because it has made unsolicited calls to Australians, does not hold a current license from ASIC, and may be running an investment scam.

11. **Permian Asset Management AVV** is an Aruban limited liability company. Permian was incorporated in September 2008 and is an affiliate of Seisma Florida. Permian falsely claims to be a "Registered Broker Dealer."

12. **Justin Solomon**, 32, of Deerfield Beach, Florida, is president and managing partner of Seisma Florida and controls Seisma Aruba and Permian. Solomon asserted the Fifth Amendment privilege against self-incrimination rather than testify substantively during the SEC's investigation. Solomon has been ordered by the Saskatchewan Financial Services Commission to cease violating Saskatchewan securities laws

## OTHER RELEVANT ENTITIES

13. **EnerMax, Inc.** is a Texas corporation headquartered in Hurst, Texas that agreed to sell Seisma Florida a percentage of the working interest in four projects located in Texas. The four projects are: Bigger Badder Wolf (located in Liberty County) and the West Janice #1, West

Janice #2, and McKenzie Draw #1, a/k/a West Janice #3 (located in Yoakum County).

14. **Evans Energy LLC** is a Mississippi limited liability company headquartered in Laurel, Mississippi that agreed to sell Seisma Florida a percentage of the working interest in two projects located in Texas. The two projects are: South Braslau (located in Live Oak County) and Los Dos Apaches (located in Webb County).

15. **Stock Exchange of the Caribbean** is an Aruban corporation wholly owned by another Aruban corporation, Solaris International Trading, AVV. Solomon acquired control of the two companies in October 2009, via a Panamanian nominee. SXC is not an operating stock exchange. SXC has been ordered by the Saskatchewan Financial Services Commission to cease violating Saskatchewan securities laws.

## STATEMENT OF FACTS

### I. The Joint Venture Units

16. In September 2007, Solomon met with the principals of EnerMax and Evans Energy in Texas. Solomon agreed to have Seisma Florida purchase working interests in their wells. Thereafter, Defendants began offering foreign investors units in Texas joint ventures formed to purchase the working interests Seisma Florida had agreed to acquire from EnerMax and Evans Energy. The units are securities.

17. Defendants offered investors units in the following six joint ventures: South Braslau; Los Dos Apaches; Bigger Badder Wolf; West Janice #1; West Janice #2; and McKenzie Draw #1 (a/k/a West Janice #3).

18. Defendants never acquired written assignments of the working interests in the South Braslau and Los Dos Apaches wells because they failed to fully pay Evans Energy for the interests.

## II. Defendants Solicited Investors through Websites and an Infomercial

***The Websites***

19. From about September 2007 through at least March 2010, Seisma Florida and Seisma Aruba offered joint venture units to investors over the Internet via www.seismaresearch.com and www.seismaoilresearch.com (collectively, the "Seisma Websites"). Www.seismaoilresearch.com automatically directed investors to the www.seismaresearch.com website.

20. Solomon was the administrator and technical contact for www.seismareseach.com. The Seisma Websites identified Solomon as Seisma Florida's president and managing partner and linked to reports authored by him about supposed positive developments at the EnerMax and Evans Energy wells.

21. Although Defendants never acquired a working interest in the Los Dos Apaches well, the Seisma Websites marketed the project—falsely—as a "Great Success" and "Proven Success."

22. On Permian's website, www.permianco.com, Defendants offered "Joint Venture Partnership Investments", including units in Seisma Florida's joint ventures. According to its website, Permain is a "Registered Broker Dealer."

23. In fact, Permian is not, and never has been, a registered broker dealer.

***Infomercial***

24. Seisma Florida, Seisma Aruba, and Solomon further marketed the investment through an infomercial broadcast on various cable stations in the United States beginning in March 2009. The infomercial included an interview of Solomon at one of the Texas well sites. Solomon touted oil and gas investments and Seisma Florida's expertise. The infomercial closed

by referring viewers to www.seismaoilresearch.com. The Seisma Websites gave broadcast times and carried clips from the infomercial.

## III. Defendants Used Boiler Rooms to Sell the Joint Venture Units

25. Defendants used salesmen in call centers located in Costa Rica and Thailand to pitch investors. Solomon was responsible for recruiting and hiring the salesmen. The salesmen worked as "qualifiers," "closers," and "loaders."

26. Qualifers cold-called investors from lead lists and contacted them when they requested information through Defendants' websites. The qualifiers pressed investors to make quick investment decisions.

27. If a potential investor expressed an interest in investing, the qualifiers transferred the call to a "closer." The closers would complete the sale.

28. After investing, investors were then contacted by "loaders." The loaders offered and attempted to sell investors additional joint venture units and later shares of SXC.

29. Although the salesmen called investors from Costa Rica and Thailand, they falsely told investors that they were calling from Seisma Florida's Boca Raton office.

30. Due to their unsolicited high-pressure selling efforts, Seisma Florida, Seisma Aruba, SXC, and Justin Solomon have all been the subject of regulatory orders/warnings by foreign securities regulators.

## IV. Oral Misrepresentations

### *The Wells*

31. In connection with the sale of the joint venture units, Defendants and their salesmen made various false statements and misrepresentations. For example, investors, at various times, were told: (a) you will receive a quick return on your investment; (b) the wells are

already producing or will quickly begin production; (c) you will receive monthly production payments of $10,000 to $15,000; (d) Credit Suisse, Exxon Mobil, and sovereign wealth funds are investing in the joint venture wells or are partnering with the well operators; (e) you can sell your units for three or four times your purchase price; and (f) sales commissions are just 1% of the investment.

32. These representations were false. In reality: (a) investors never received the promised return on their investments (in fact, investors have received no returns); (b) Defendants did not acquire any working interest in the wells associated with two of the six ventures; (c) of the $25 million raised from investors, a whopping $10 million (40% of total funds raised) was used to pay commissions and marketing expenses; and (d) neither Credit Suisse, Exxon Mobil, nor sovereign wealth funds invested/partnered in any of the wells.

***The Caribbean Stock Exchange***

33. In October 2009, Defendants and their salesmen began offering shares in SXC to joint venture investors at $2 per share in amounts of 500 or more shares. Defendants and their salesmen claimed that SXC stock ownership would provide investors access to an exchange on which they could sell their otherwise illiquid joint venture units.

34. In fact, SXC is not, and never has been, an operating exchange. Furthermore, owning SXC shares never provided any means for investors to sell their joint venture units.

## V. Written Offering Materials

35. Prior to purchasing the joint venture units, investors were typically provided a program summary, subscription agreement, and an invoice for investment.

36. The program summary contained geologic and technical information about the drilling prospect, and listed a mailing address for Seisma Florida of Boca Raton.

37. The subscription agreement set forth, among other things, the payment obligations of investors for drilling, testing and completion expenses.

38. The invoice described the amount of investment, provided wire instructions, and listed an "administration fee" of 1% of the investment amount.

39. Solomon signed the subscription agreements on behalf of Siesma Florida and Seisma Aruba, and sent investors letters congratulating them on their investment. Solomon did so from Florida.

40. Before investors made their investments, Defendants did not disclose, in any offering materials, that 40% of the offering proceeds would be used by Defendants for sales and marketing expenses. Moreover, investors were not informed that 22% of the offering proceeds would be used by Defendants for personal, general, and miscellaneous expenses.

41. Only *after* investing were certain investors that requested the data given access to a fuller term sheet. The term sheet disclosed that Defendants intended to: (a) use as much as 35% of the offering proceeds for sales commissions and marketing expenses; and (b) retain 25% of the proceeds as a management and due diligence fee.

42. The term sheets were inconsistent with oral representations made by Defendants and their salesmen, as well as the written invoices provided to investors.

## VI. Actual Use of Investor Funds

43. Defendants raised approximately $25 million from 400 investors in 32 countries. Of the $25 million raised from investors, just $9.5 million (38%) was used to acquire working interests in oil and gas wells on behalf of the ventures, $10 million (40%) was used to pay sales commissions and marketing expenses, and the remaining $5.5 million (22%) was expended on boating, automobile and various expenses associated with running the scheme.

44. From about September 2007 through June 2009, Solomon caused Seisma Florida to receive and disburse investor funds from various banks in Florida.

45. Beginning about July 2009 through at least March 2010, Solomon caused Seisma Aruba and Permian to receive and disburse investor funds via foreign bank accounts.

**VII. Defendant Solomon Refused to Answer Questions Regarding Scheme**

46. On or about February 1, 2010, in connection with the SEC's investigation into Defendants activities, the staff subpoenaed the testimony of Solomon.

47. Solomon, however, on March 10, 2010, asserted his Fifth Amendment privilege against self-incrimination and refused to answer any questions regarding, among other things: (a) his business activities; (b) control over Seisma Florida, Seisma Aruba, and Permian; and (c) his involvement with selling the joint venture units.

**FIRST CLAIM**

**Fraud in the Offer or Sale of Securities**
**Violations of Section 17(a) of the Securities Act**

48. Plaintiff Commission repeats and incorporates paragraphs 1 through 47 of this Complaint by reference as if set forth *verbatim*.

49. Defendants, directly or indirectly, singly or in concert with others, in the offer or sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails have: (a) employed devices, schemes, and artifices to defraud; (b) obtained money or property by means of untrue statements of a material fact and omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices, and courses of business which operate or would operate as a fraud and deceit upon the purchasers.

50. As a part of and in furtherance of their scheme, Defendants, directly and indirectly, prepared, disseminated, or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material facts and misrepresentations of material facts, and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

51. For these reasons, Defendants have violated and, unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

## SECOND CLAIM

### Fraud in Connection with the Purchase or Sale of Securities
### Violations of Section 10(b) of the Exchange Act and Rule 10b-5

52. Plaintiff Commission repeats and incorporates paragraphs 1 through 47 of this Complaint by reference as if set forth *verbatim*.

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

54. As a part of and in furtherance of their scheme, Defendants, directly and indirectly, prepared, disseminated, or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue

statements of material facts and misrepresentations of material facts, and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

55. Defendants made the above-referenced misrepresentations and omissions knowingly or with severe recklessness regarding the truth.

56. For these reasons, Defendants violated and, unless enjoined, will continue to 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].

## RELIEF REQUESTED

Plaintiff Commission respectfully requests that the Court:

**I.**

Permanently enjoin: (i) Defendants from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 of the Exchange Act [17 C.F.R. § 240.10b-5]; and (ii) Defendants from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**II.**

Order Defendants to disgorge an amount equal to the funds and benefits they obtained illegally, or to which they are otherwise not entitled, as a result of the violations alleged, plus prejudgment interest on that amount.

**III.**

Order Defendants to pay civil monetary penalties in an amount determined appropriate by the Court pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] for the violations alleged herein.

**IV**.

Order such further relief as this Court may deem just and proper.

Dated: June 16, 2010

Respectfully submitted,

*s/ Robert Long*
ROBERT LONG
Arizona Bar No. 019180
ROBERT C. HANNAN
Texas Bar No. 08924700

U.S. Securities and Exchange Commission
Burnett Plaza, Suite 1900
801 Cherry Street, Unit #18
Fort Worth, TX 76102-6882
(817) 978-6477 (Robert Long)
(817) 978-4927 (fax)
LongR@sec.gov