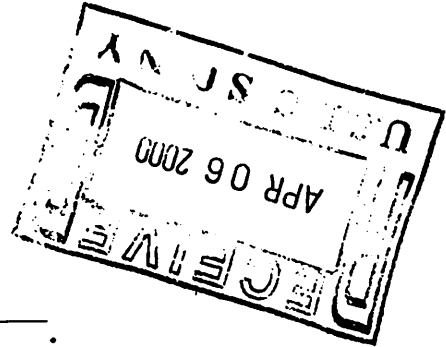


JUDGE CEDARBAUM

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



**SECURITIES AND EXCHANGE COMMISSION  
450 Fifth Street, N.W.  
Washington, D.C. 20549,**

**Plaintiff,**

**v.**

**ENTERPRISES SOLUTIONS, INC.,  
HERBERT S. CANNON, and  
DR. JOHN A. SOLOMON,**

**Defendants,**

**and**

**ROWEN HOUSE LIMITED  
and  
MONTVILLE LIMITED**

**Relief Defendants.**

**VERIFIED  
COMPLAINT**

Plaintiff Securities and Exchange Commission alleges:

## **SUMMARY**

1. Defendant Enterprises Solutions, Inc. ("ESI") was established, and has been secretly controlled, by defendant Herbert S. Cannon, a Florida stock promoter who has been convicted of felony fraud violations on two separate occasions, enjoined by federal courts in two prior securities fraud cases brought by the Commission, and barred by the Commission from the securities industry. For all practical purposes, ESI is a successor entity to Infotex Holdings, Ltd., another public company with which Cannon was actively but secretly involved. After the Commission suspended trading in Infotex stock in July 1998 based on concerns about the accuracy of its publicly disseminated information, Cannon resurrected the business through a separate corporate shell that ultimately became ESI. Although Cannon established and has controlled ESI in all material respects, neither his involvement with the company nor even his name is publicly disclosed in ESI's registration statement filed with the Commission (which defendant Dr. John A. Solomon signed as ESI's President and CEO), on ESI's Internet web site, in any of ESI's press releases, or in any other information available to the investing public.

2. ESI has publicly claimed, among other things, to be "backed with 13 years of industry experience," to have "developed a suite of products and solutions for Internet security," and to have "established a business relationship with customers that will last a lifetime!" All three claims are false and misleading; the company purported to be in the casino gambling business until a year ago, it has not developed a suite of products, and it has no customers.

3. The company's most recent financial statements filed with the Commission report only \$160,087 in total assets as of September 30, 1999 and only \$328 in total revenues since January 1, 1998, while expressing "substantial doubt" about the company's ability to continue as a going concern. Nevertheless, the price of ESI's stock has surged from less than \$3 per share during most of January 2000 to more than \$20 per share on March 29, 2000, after which the Commission issued an order suspending trading in the stock until April 12, 2000.

4. Contemporaneous with this surge in the price of ESI's stock, brokers in Fort Lauderdale with close personal ties to defendant Cannon aggressively sold ESI stock to investors through high-pressure "cold calls" that included such things as price predictions for the stock and unfounded touts about ESI being "the next Microsoft." During the same time period, Cannon used offshore accounts, including those of relief defendants Rowen House Limited and Montville Limited, to control and sell hundreds of thousands of shares of ESI stock, resulting in millions of dollars in profits.

5. Defendants ESI, Cannon, and Solomon have committed, and are continuing to commit, securities fraud in violation of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5]. Moreover, approximately \$2.4 million in proceeds from that fraud are currently held in this district in brokerage accounts nominally maintained in the names of relief defendants Rowen House Limited and Montville Limited, but over which defendant Cannon exercises control. However, the brokerage firm at which these accounts are maintained has received instructions to immediately transfer the funds out of the account.

6. The defendants' securities law violations are ongoing and continuing.

Unless enjoined, the defendants are likely to repeat and continue these violations or similar violations.

### **JURISDICTION**

7. This Court has jurisdiction pursuant to Exchange Act Sections 21(e) and 27 [15 U.S.C. §§ 78u(e) and 78aa].

8. The Commission brings this action pursuant to Exchange Act Sections 21(d) and (e) [15 U.S.C. §§ 78u(d) and (e)].

9. The defendants used the means and instrumentalities of interstate commerce and the mails in connection with the conduct alleged herein, certain of which occurred within the Southern District of New York.

### **THE DEFENDANTS AND RELIEF DEFENDANTS**

10. Defendant Enterprises Solutions, Inc. ("ESI") is a Nevada corporation claiming to have its principal executive offices at the home address of defendant Solomon in Canton, Massachusetts. ESI purports to be in the business of developing products and encryption technology for Internet security. ESI's common stock is registered with the Commission pursuant to Exchange Act Section 12(g) [15 U.S.C. § 78l(g)], and is listed on the OTC Bulletin Board under the trading symbol "EPSO.OB." In its most recent financial statements filed with the Commission, ESI reports total assets of \$160,087 as of September 30, 1999, and total revenues of \$328 since January 1, 1998. On March 30, 2000, the Commission issued an order temporarily suspending trading in the stock of ESI until April 12, 2000 pursuant to Exchange Act Section 12(k).

11. Defendant Herbert S. Cannon lives in Boca Raton, Florida and is the principal of HSC Consulting, Inc. Cannon established ESI, raised most or all of the company's initial capital, has played a central role in virtually all aspects of the business of ESI, and, through HSC Consulting, was paid \$3,000 per month and issued 200,000 shares of ESI stock for his services to the company. By exercising de facto trading authority and by other means, Cannon controls the brokerage accounts he helped establish for relief defendants Rowan House Ltd. and Montville Ltd. Cannon has two separate felony fraud convictions, is subject to two separate securities fraud injunctions entered by federal courts in cases brought by the Commission, and has been barred by the Commission from the securities industry.

12. Defendant Dr. John A. Solomon lives in Canton, Massachusetts and has been President, Chief Executive Officer, and a director of ESI since October 1999.

13. Relief defendants Rowen House Limited and Montville Limited are two of several offshore entities for which defendant Cannon helped open brokerage accounts in New York City and through which Cannon has controlled and sold hundreds of thousands of shares of ESI stock. Rowen House and Montville share a common address and nominal principal in Gibraltar.

**CLAIM FOR RELIEF**  
**(Securities Fraud)**

14. Paragraphs 1 through 13 are realleged and incorporated by reference.

15. On July 23, 1998, the Commission issued an order temporarily suspending trading in the stock of Infotex Holdings, Ltd., a Virginia company for which defendant Cannon had actively raised capital and performed other roles, although his

involvement with the company was never publicly disclosed. After the Infotex trading suspension, Cannon enlisted a Minneapolis-based brokerage firm, Global Financial Group, to file an application with NASD Regulation, Inc. ("NASDR") to reestablish trading in Infotex stock on the OTC Bulletin Board. Cannon turned to Global Financial because he had a prior business and personal relationship with one or more principals of Global Financial in the firm's Fort Lauderdale office. In January 1999, having been unsuccessful in obtaining NASDR approval of its application to reestablish trading in Infotex, Global Financial withdrew its application.

16. Contemporaneously with the withdrawal of Global Financial's application, Cannon initiated a plan to use a separate, publicly-traded shell company he controlled, called American Casinos International, Inc. ("ACII"), to acquire Infotex, salvage his clients' investment in Infotex, and, in his words, "close the door to any NASD/SEC past problems." Throughout the relevant period until late March 2000, Cannon was paid \$3,000 per month by ACII (and later by ESI after the corporate name change) in "consulting fees" to manage the company's affairs.

17. On March 23, 1999, ACII issued a press release, drafted by Cannon, announcing that it had agreed to acquire the outstanding shares of Infotex and was renaming the combined company Enterprise Solutions, Inc. "to better reflect its new business direction" into the field of Internet security. Over a two-week period in late April and early May 1999, ESI issued additional press releases, also drafted by defendant Cannon, baselessly projecting revenues of \$30 million to \$50 million and falsely claiming multi-million dollar contracts with GSA, Lockheed Martin, and United Airlines. Some of these press releases bore a striking resemblance to those that led the Commission to

suspend trading in Infotex. On July 30, 1999, ESI issued another press release, also drafted by Cannon, announcing the cancellation of its pending acquisition of Infotex, allegedly because ESI's due diligence on Infotex had revealed that "material and necessary financial information [was] missing, contracts [were] questionable and liabilities [were] substantial."

18. In or about the late summer of 1999, Cannon caused ESI's attorney in New York City to begin preparing a Form 10-SB registration statement to register ESI's common stock with the Commission. In September 1999, Cannon caused ESI to hire defendant Solomon as its President and Chief Executive Officer. Until Solomon commenced his duties in October 1999, the business of ESI, and of ACII before the corporate name change, was controlled and managed in all material respects by Cannon. Cannon in some instances controlled the company through two of his closest business associates, one of whom nominally held the position of ESI's President but in fact had only a superficial understanding of ESI's purported business, and the other of whom held the position of ESI's treasurer. Both of these ESI officers have also hold nominal positions as officers and directors in other Cannon-controlled companies, many of which share an address with ESI in Boca Raton.

19. ESI filed its Form 10-SB registration statement with the Commission in November 1999, using defendant Solomon's home address in Canton, Massachusetts as the company's principal executive office. The registration statement deliberately concealed Cannon's active role with the company, and did not even disclose his name. The seven officers and directors listed were defendant Solomon, Cannon's daughter (using only her married surname), the two close Cannon business associates noted above, and

three scientists recently hired by ESI with Cannon's active involvement and approval. Among the major shareholders listed were relief defendant Rowen House (misspelled "Rowan House"), along with another entity having the same Gibraltar address as both of the relief defendants, although there was no disclosure of Cannon's control over Rowen House's brokerage account. Cannon's identity was likewise completely concealed in ESI's amended Form 10-SB filed in January 2000. ESI's registration statement became effective on January 18, 2000. Defendants Cannon and Solomon knew or were reckless in not knowing that ESI's registration statement fraudulently concealed Cannon's identity and his control over the company and substantial quantities of its outstanding stock.

20. During the relevant period, ESI hosted an Internet web site at [www.epso.net](http://www.epso.net). Among other things, the web site claimed that ESI was "backed with 13 years of industry experience," had "developed a suite of products and solutions for Internet security," and had "established a business relationship with customers that will last a lifetime!" All three claims are materially false and misleading; the company purported to be in the casino gambling business until a year ago when it changed its name to ESI, it has not developed a suite of products, and it has no customers. Defendants Cannon and Solomon knew or were reckless in not knowing that these claims on ESI's web site were materially false and misleading.

21. On January 31, 2000, at Cannon's request, Global Financial Group -- the same firm Cannon had previously enlisted in his unsuccessful attempt to reestablish trading in the stock of Infotex -- filed an application with the NASDR to become the first market maker to quote ESI's stock on the OTC Bulletin Board. That application was approved on February 17, 2000, and ESI's stock has been listed on the OTC Bulletin



Board since then. For most of January 2000, before Global Financial filed its application with the NASDR, ESI's stock was quoted in the "pink sheets" at less than \$3 per share with average daily trading volume below 50,000 shares. During the next three weeks, while Global Financial's application was under review by the NASDR, the price of ESI's stock steadily increased to nearly \$8 per share, with daily trading volume on several occasions exceeding 100,000 shares.

22. During the six-week period following its initial listing on the OTC Bulletin Board, ESI's stock surged to a high of \$22 per share on March 29, 2000. Most of that price increase occurred between March 23 and March 29, on daily trading volume ranging from 122,600 shares to 502,600 shares. On March 30, 2000, the Commission issued an order temporarily suspending trading in ESI's stock until April 12, 2000.

23. Beginning at least as early as January 2000 and continuing through March 2000, brokers in the Fort Lauderdale office of Global Financial, under the direct supervision of two principals of the firm having close personal and business relationships with defendant Cannon, aggressively sold ESI stock to existing and new customers through high-pressure "cold calls" that included predictions of impending price surges and baseless claims suggesting such things as ESI being "the next Microsoft." These sales accounted for a substantial portion of the overall trading volume in ESI stock during the period.

24. Since at least April 1999, Cannon has controlled and sold hundreds of thousands of shares of ESI stock through relief defendants Rowen House and Montville, among other offshore accounts he secretly controls, resulting in millions of dollars of profits.

25. By reason of the foregoing, defendants ESI, Cannon, and Solomon have committed, and are continuing to commit, securities fraud in violation of Exchange Act Section 10(b) and Rule 10b-5 promulgated thereunder.

**RELIEF REQUESTED**

WHEREFORE, the Commission respectfully requests that this Court enter a judgment that:

(a) enjoins defendants ESI, Cannon, and Solomon from violating Exchange Act Section 10(b) and Exchange Act Rule 10b-5;


(b) orders defendant Cannon to account for and disgorge, with interest, all profits he has realized as a result of his fraudulent conduct, including, without limitation, profits realized from any sales of ESI stock through brokerage firms over which he had any direct or indirect control, including those of relief defendants Rowen House and Montville;

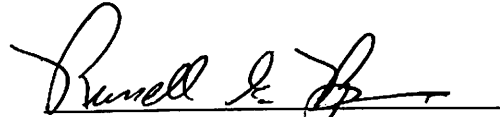
(c) imposes a constructive trust upon any and all proceeds from ESI stock sales being held in the brokerage accounts of relief defendants Rowen House and Montville;

(d) orders defendants Cannon and Solomon to pay appropriate civil penalties; and

- (g) grants such other relief as the Court deems appropriate.

Dated: April 6, 2000

  
Stephen J. Crimmins (SC2714)

  
Charles D. Stodghill  
Russell G. Ryan (RR8733)  
Leo J. Kane

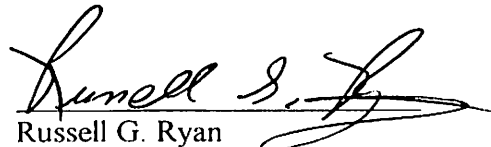
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#### VERIFICATION

Russell G. Ryan declares under penalty of perjury as follows:

1. I am a member of the Bar of this Court and a member of the staff of the U.S. Securities and Exchange Commission in Washington, DC. I have personally and actively participated in the Commission's investigation leading to the filing of the foregoing Complaint, which I personally drafted.

2. Based upon my participation in the investigation, including interviews of witnesses and review of relevant documents and records, the allegations set forth in the Complaint are true and correct, to the best of my information and belief.

  
Russell G. Ryan