

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO.: _____

SECURITIES AND EXCHANGE COMMISSION,)
)
 Plaintiff,)
 v.)
)
 KEITH HOULIHAN,)
)
 Defendant.)
 _____)

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission (“Commission”) alleges as follows:

INTRODUCTION

1. The Commission brings this action against Keith Houlihan (“Defendant”) for violating the antifraud and registration provisions of the federal securities laws.

2. From April 2009, through August 2015, while he was president of Sanomedics International Holdings, Inc. (“Sanomedics”), Defendant participated in a fraudulent scheme that raised approximately \$21 million from approximately 700 investors, by: (1) directly soliciting prospective investors to purchase Sanomedics shares based on false statements; (2) hiring a boiler room to pitch Sanomedics’ stock to prospective investors using false statements regarding the price and limited number of Sanomedics shares being sold; (3) supporting the boiler room by paying sales agents undisclosed commissions; and (4) signing Sanomedics’ periodic filings with the Commission that contained materially false and misleading statements and omissions regarding Sanomedics’ use of an illegal boiler room to finance its operations.

3. From May 2009 to May 2010, Defendant solicited, offered and sold shares of Sanomedics stock to prospective investors falsely stressing that for a limited time only, a

“limited number” of Sanomedics shares were available to investors for purchase at a steep discount to the current price of Sanomedics’ shares then quoted on the Over-the-Counter Bulletin Board (“OTCBB”), an electronic trading service that offers investors price and volume information for equity securities.

4. Defendant used money received from Sanomedics’ investors to hire a boiler room operator to solicit prospective investors to purchase Sanomedics stock.

5. Defendant used money received from Sanomedics’ investors for sales commissions, fees, and other monetary distributions to support a boiler room operation whose sales agents offered and sold Sanomedics stock.

6. Defendant, as Sanomedics’ president, signed Sanomedics’ stock certificates representing ownership interests for investors who bought shares from the boiler room operation.

7. Defendant signed Sanomedics’ false filings with the Commission that failed to disclose that Sanomedics was fraudulently raising money through a boiler room operation.

8. Through his fraudulent conduct, the Defendant received over \$100,000 of investors’ proceeds for his own personal benefit and use.

9. Through this misconduct, Houlihan: (a) violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder; (b) aided and abetted the boiler room operator’s violations of Section 15(a) of the Exchange Act; (c) aided and abetted Sanomedics’ violations of Section 13(a) of the Exchange Act, and Rules 12b-20, 13a-1 and 13a-13 thereunder; and (d) violated Rule 13a-14 of the Exchange Act. Unless enjoined, the Defendant is reasonably likely to engage in future violations of the federal securities laws.

THE DEFENDANT

10. **Houlihan**, age 50, was a resident of Boca Raton, Florida and the co-founder and president of Sanomedics. Houlihan is not, and was not at the time of the conduct described herein, registered with the Commission as a broker or dealer.

BACKGROUND OF SANOMEDICS

11. Sanomedics, f/k/a “Sanomedics International Holdings, Inc.,” is a company incorporated in Delaware with its principal place of business in Miami, Florida. It was purportedly in the business of developing and selling non-contact infrared thermometers. Sanomedics became a publicly-traded company in July 2009 through a reverse merger with a public shell company. It was an SEC-reporting company and was quoted on OTC Link, which is operated by OTC Markets Group Inc., under the symbol “SIMH,” from October 27, 2010 until May 2, 2017, when the Commission filed a settled administrative proceeding against Sanomedics pursuant to Section 12(j) of the Exchange Act revoking its registration.

12. Sanomedics’ stock is a “penny stock” as defined by the Exchange Act. At all times relevant to this action, the stock’s shares traded at less than one dollar per share. During the same time period, Sanomedics’ stock did not meet any of the exceptions to penny stock classification pursuant to Exchange Act Section 3(a)(51), 15 U.S.C. § 78c(a)(51), and Rule 3a51-1, 17 C.F.R. § 240.3a51-1. For example Sanomedics’ stock: (a) did not trade on a national securities exchange; (b) was not an “NMS stock,” as defined in 17 C.F.R. § 242.600(b)(47); (c) did not have tangible assets (i.e., total assets less intangible assets and liabilities) in excess of \$5,000,000; and (d) did not have average revenue of approximately \$6,000,000 for the last three years.

JURISDICTION AND VENUE

13. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d) and 77v(a); and Sections 21(d), 21(e), and 27(a) of the Exchange Act, 15 U.S.C. §§ 78u(d), 78u(e) and 78aa(a).

14. This Court has personal jurisdiction over the Defendant and venue is proper in the Southern District of Florida because many of the acts and transactions constituting the violations alleged in this complaint occurred in this District. Moreover, Defendant resided in the Southern District of Florida when the acts and transactions alleged in this complaint occurred and Sanomedics had its principal office in this District.

15. In connection with the conduct alleged in the complaint, Defendant, directly or indirectly, singly or in concert with others, made use of the means or instrumentalities of interstate commerce or the mails.

THE FRAUD SCHEME

A. The Fraudulent Offer and Sale of Sanomedics Stock

16. In 2009, Houlihan, together with Sanomedics' co-founder, hired an unregistered broker and his boiler room operation (the "Boiler Room Operator") to solicit, offer, and sell shares of Sanomedics stock to the public.

17. Beginning in 2009 and continuing until approximately 2015, the Boiler Room Operator supervised the boiler room sales agents as they solicited prospective investors, through cold calling, to raise approximately \$21 million from the fraudulent sale of shares of Sanomedics stock to about 700 investors nationwide.

18. From May 2009 to May 2010, Houlihan also personally solicited investors to purchase Sanomedics shares falsely telling them that, for a limited time, he was able to offer a

limited number of Sanomedics shares at a steep discount to the stock's then current quoted price on the OTCBB.

19. Houlihan and the co-founder used money received from Sanomedics' investors to pay undisclosed sales commissions, fees, and other monetary distributions to the Boiler Room Operator, the sales agents, and to themselves. Houlihan knew that approximately 50% of investors' proceeds were paid as commissions and fees to the sales agents and the Boiler Room Operator, and as monetary payments to himself and others.

20. Defendant, as Sanomedics' president, signed Sanomedics' stock certificates representing ownership interests for investors who bought shares from the boiler room operation.

21. From 2013 until 2015, Houlihan received approximately \$110,106 in proceeds from the fraudulent sale of Sanomedics stock for his own personal benefit and use.

B. Material Misrepresentations and Omissions to Sanomedics Investors

1. False Promise Offering Sanomedics Shares at a Steep Discount

22. Beginning in May 2009 until May 2010, Houlihan solicited prospective investors by telling them that, for a limited time, he was able to offer them a limited number of Sanomedics shares at a steep discount to the stock's then current quoted price on the OTCBB. Houlihan knew his statement to investors was false because he controlled the number of Sanomedics shares and authorized stock splits to generate those shares. And, contrary to his representation to investors that he was selling them Sanomedics shares at a steep discount, at least two investors purchased shares at \$1.50 per share when the then prevailing quoted price was no greater than \$0.20.

2. False Filings that Omitted the Boiler Room Operation

23. In his capacity as Sanomedics' president, Houlihan signed Sanomedics' periodic filings with the Commission, including its fiscal years 2013 and 2014 annual reports (Forms 10-K), and its quarterly filings (Forms 10-Q) during that same period. Those filings contained false statements and statements that were rendered false or misleading by the failure to disclose that Sanomedics was obtaining substantial financing through the fraudulent sale of stock by the boiler room.

24. Sanomedics' 2013 Form 10-K/A falsely stated that the cash received from financing activities during the fiscal year came primarily from the issuance of convertible notes and from debt issued to an affiliate of the co-founder. In fact, the money was not a loan, but was instead raised from the issuance of stock sold by the undisclosed boiler room.

25. Sanomedics' 2014 Form 10-K falsely portrayed its financing as principally the issuance of debt. In fact, Sanomedics' principal source of financing was the funds it received from the boiler room.

C. Scheme Conduct

26. Houlihan engaged in a long running scheme to defraud investors using the Boiler Room Operator's operation. Houlihan hired the Boiler Room Operator and used the Boiler Room Operator's unlicensed sales agents to market and sell Sanomedics' stock. Houlihan used at least 50% of the investor proceeds to pay sales commissions and fees to the sales agents—and to himself—without disclosing those payments to investors. After investors purchased Sanomedics stock, Houlihan signed stock certificates representing an ownership interest in Sanomedics' shares sold by the boiler room.

COUNT I

**Fraud in the Offer or Sale of Securities in Violation of
Section 17(a)(1) of the Securities Act**

27. The Commission repeats and realleges Paragraphs 1 through 26 of this Complaint as if fully set forth herein.

28. Beginning no later than 2009 and continuing through in or about August 2015, the Defendant, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, knowingly or recklessly employed devices, schemes or artifices to defraud.

29. By reason of the foregoing, the Defendant directly and indirectly violated, and unless enjoined, is reasonably likely to continue to violate, Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT II

**Fraud in the Offer or Sale of Securities in Violation of
Section 17(a)(2) of the Securities Act**

30. The Commission repeats and realleges Paragraphs 1 through 26 of this Complaint as if fully set forth herein.

31. Beginning no later than 2009 and continuing through in or about August 2015, the Defendant, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities, negligently obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.

32. By reason of the foregoing, the Defendant directly and indirectly violated, and unless enjoined, is reasonably likely to continue to violate, Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

COUNT III

**Fraud in the Offer or Sale of Securities in
Violation of Section 17(a)(3) of the Securities Act**

33. The Commission repeats and realleges Paragraphs 1 through 26 of this Complaint as if fully set forth herein.

34. Beginning no later than 2009 and continuing through in or about August 2015, the Defendant, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities negligently engaged in acts, transactions, practices and courses of business which have operated as a fraud or deceit upon purchasers and prospective purchasers of such securities.

35. By reason of the foregoing, the Defendant directly and indirectly violated, and unless enjoined, is reasonably likely to continue to violate, Section 17(a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(3).

COUNT IV

**Fraud in the Purchase or Sale of Securities in Violation
of Section 10(b) and Rule 10b-5 of the Exchange Act**

36. The Commission repeats and realleges Paragraphs 1 through 26 of this Complaint as if fully set forth herein.

37. Beginning no later than 2009 and continuing through in or about August 2015, the Defendant, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce or of the mails, directly or indirectly knowingly or recklessly, (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of

material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, or courses of business which operated as a fraud or deceit upon other persons.

38. By reason of the foregoing, the Defendant directly and indirectly violated, and unless enjoined, is reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

COUNT V

Aiding and Abetting the Unlawful Operation of a Broker-Dealer not Registered with the Commission in Violation of Exchange Act Section 15(a)

39. The Commission repeats and realleges paragraphs 1 through 26 of this Complaint as if fully restated herein.

40. Beginning no later than 2009 and continuing through in or about August 2015, the Boiler Room Operator made use of the emails or means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce, the purchase or sale of securities, without being registered as a broker or dealer, or being associated with a registered broker or dealer in accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b).

41. Beginning no later than 2009 and continuing through in or about August 2015, Defendant Houlihan knowingly or recklessly provided substantial assistance to the Boiler Room Operator in his violations of Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

42. By reason of the foregoing acts, Defendant Houlihan aided and abetted and, unless enjoined, is reasonably likely to continue to aid and abet violations of Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

COUNT VI

Aiding and Abetting Sanomedics' Violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 Thereunder

43. The Commission repeats and realleges paragraphs 1 through 26 of this Complaint as if fully restated herein.

44. Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), requires issuers of securities registered under Section 12 of the Exchange Act, 15 U.S.C. § 78l, to file reports in conformity with the Commission's rules and regulations. Rule 13a-1 of the Exchange Act, 17 C.F.R. § 240.13a-1, requires the filing of accurate annual reports, and Rule 13a-13 of the Exchange Act, 17 C.F.R. § 240.13a-13, requires the filing of accurate quarterly reports. Rule 12b-20 of the Exchange Act, 17 C.F.R. § 240.12b-20, requires an issuer to include in its annual and quarterly reports material information as may be necessary to make the required statements, in light of the circumstances in which they are made, not misleading.

45. From October 27, 2010 until May 2, 2017, Sanomedics had a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, and was required to file accurate annual and quarterly reports with the Commission. In 2014 and 2015, Sanomedics failed to comply with the required reporting provisions of the federal securities laws, and by reason of the foregoing, violated Section 13(a) and Rules 12b-20, 13a-1, and 13a-13 of the Exchange Act, 15 U.S.C. § 78m(a) and 17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13.

46. In 2014 and 2015, as Sanomedics' president, Defendant knowingly or recklessly provided substantial assistance to Sanomedics' violations of Section 13(a) and Rules 12b-20, 13a-1, and 13a-13 of the Exchange Act, 15 U.S.C. § 78m(a) and 17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13.

47. By reason of the foregoing, Defendant aided and abetted and, unless enjoined, is reasonably likely to continue to aid and abet violations of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1, and 13a-13 thereunder, 17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13.

COUNT VII

False Certifications in Violation of Exchange Act Rule 13a-14

48. The Commission repeats and realleges paragraphs 1 through 26 of this Complaint as if fully restated herein.

49. In 2014 and 2015, Defendant Houlihan in violation Rule 13a-14 of the Exchange Act, directly or indirectly, as an officer or director of an issuer, falsely certified in annual and quarterly reports that based on his knowledge, the disclosure reports did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report.

50. By reason of the foregoing, Defendant Houlihan, directly or indirectly, violated, and, unless enjoined, is reasonably likely to continue to violate Rule 13a-14 of the Exchange Act, 17 C.F.R. § 240.13a-14.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court find that the Defendant committed the violations of the federal securities laws alleged in this Complaint, and:

I.

Permanent Injunctive Relief

Issue a Permanent Injunction enjoining Defendant Houlihan from: (1) violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act and Rule

10b-5 thereunder, 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5; (2) aiding and abetting violations of Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a); (3) aiding and abetting violations of Section 13(a) and Rules 12b-20, 13a-1, and 13a-13 of the Exchange Act, 15 U.S.C. § 78m(a) and 17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13; and (4) violating Rule 13a-14 of the Exchange Act, 17 C.F.R. § 240.13a-14.

II.

Disgorgement

Issue an Order directing the Defendant to disgorge all ill-gotten profits or proceeds received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest thereon.

III.

Penny Stock Bar

Issue an Order pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d)(6) of the Exchange Act, 15 U.S.C. § 78u(d)(6), permanently barring Defendant from participating in any offering of a penny stock.

IV.

Officer and Director Bar

Issue an Order permanently barring Defendant Houlihan from serving as an officer or director of any public company pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e), and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2).

V.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

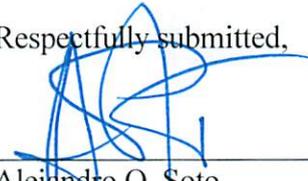
VI.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Dated: May 4, 2018

Respectfully submitted,

By: 

Alejandro O. Soto
Senior Trial Counsel
Florida Bar No. 172847
Telephone: (305) 982-6313
Email: sotoal@sec.gov

Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
801 Brickell Avenue, Suite 1800
Miami, Florida 33131
Telephone: (305) 982-6300
Facsimile: (305) 536-4154