# STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS SECURITIES DIVISION

IN THE MATTER OF DETERMINING whether there has been a violation of the Securities Act of Washington by:

VALKYRIE, INC.; ROBERT STORSETH,

Order Number S-07-303-09-FO01

ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF LAW AND FINAL ORDER TO CEASE AND DESIST AND IMPOSE FINES AS TO VALKYRIE, INC.

Respondents.

THE STATE OF WASHINGTON TO:

Valkyrie, Inc.

On August 26, 2008, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Enter an Order to Cease and Desist, Impose Fines, and Recover Costs, hereinafter referred to as "Statement of Charges," against Valkyrie, Inc. and Robert Storseth.

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 personally served on Valkyrie, Inc. on September 6, 2008.

The Notice of Opportunity for Hearing advised Valkyrie, Inc. 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. Valkyrie, Inc. failed to request an administrative hearing within 20 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 findings of fact and conclusions of law as set forth in the Statement of Charges.

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ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF LAW AND FINAL ORDER TO CEASE AND DESIST AND IMPOSE FINES AS TO VALKYRIE, INC.

# **FINDINGS OF FACT** Respondents 1. Valkyrie, Inc. ("Valkyrie"), a Delaware corporation, was formed on October 19, 1999. Valkyrie's last known place of business was 157 Rockaway Ave., Valley Stream, NY 11580. Valkyrie was formed to acquire licensing rights to explore and produce oil and gas. 2. Robert Storseth ("Storseth"), a Washington resident, is the President and CEO of Valkyrie. Nature of the Conduct Background 3. Storseth formed Valkyrie, Inc. to procure licensing rights in oil and gas deposits in countries such as Colombia, Ecuador, and the Philippines. Storseth worked with Oswaldo Pinilla, a partner in New York who purportedly had connections to political figures in Colombia which could help Valkyrie secure oil rights there. Oswaldo Pinilla acted as Vice President of Valkyrie. 4. Storseth had no background in the oil and gas industry but had read books about the oil industry and previously had been an investor in an unsuccessful oil deal. Storseth intended for Valkyrie to participate in the bidding process for oil and gas licensing in Colombia. In order to participate in the bidding process, Valkyrie needed a \$1.5 million standing letter of credit. Once obtained, the rights would be exercised or sold for profit. 5. Obtaining and executing on an oil license can require several million dollars. In general, once the oil rights are obtained, seismic and geologic studies still need to be funded and performed to locate potential oil deposits. Then exploratory wells must be drilled. If the exploratory wells are successful, production wells can be drilled and oil produced and sold from those wells.

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6. Storseth attempted without success to secure financing for Valkyrie from institutional investors, venture capitalists, and hedge funds. Storseth sought funds from individual investors while attempting to locate a bigger source of funding for Valkyrie. Funds from individual investors were used to pay travel and other operational expenses.

#### Offering of Investments

Between 1999 and 2005, Robert Storseth offered and sold investments in Valkyrie, Inc.
totaling at least \$257,000 to at least eight Washington residents. Amounts invested ranged from
\$5,000 to \$87,000. Not all of the investors were accredited or sophisticated.

8. Storseth located several investors through his membership at the Washington Athletic Club. Storseth informed investors that he had connections in the oil business that would help Valkyrie obtain oil licensing rights. Storseth orally represented to at least two investors that they would double or triple their investment. Storseth orally represented to at least one investor that he would receive a five-fold return on his investment.

9. Investors would provide funds for Valkyrie's operations and receive shares of stock in the company in return. Funds also went towards recapture of Storseth's capital expenditures. The shares were offered to different individuals at different prices. Investors paid \$1,000, \$1,500, or \$2,000 per share. At least one investor was told he was receiving a better deal than prior investors. Investors would share in the profits once Valkyrie obtained and executed an oil license.

10. Storseth provided different documentation concerning Valkyrie and the investment in Valkyrie to different individuals. For instance, Storseth provided a document entitled "Valkyrie, Inc.: A Business Plan" to at least one investor. The business plan stated that "Valkyrie is offering participation to individual investors at the initial offering price. This opportunity will only be

available in the short term and will expire as the business develops." Storseth supplied a document titled "Offering Summary" to another investor. The Offering Summary stated that Valkyrie "is prepared to offer investors the opportunity to participate." The Offering Summary further stated that "Valkyrie, due to certain political and business relationships, has the opportunity to execute on multiple blocks being offered by Ecopetrol." The Offering Summary further represented that Valkyrie "is fully capable of delivering a developed field to the point of commercial licensing and recovery operations" and "Valkyrie will execute its contract in the next sixty days and subsequently will begin operations for recovery." To a least one investor, Storseth provided a copy of a of letter apparently memorializing discussions for a third-party to contribute \$600,000 and a \$1.5 million letter of credit. To a different investor, Storseth provided a memorandum from a petroleum company offering to do business with Valkyrie if Valkyrie provided a \$1.5 million letter of credit.

11. Storseth documented the investments in Valkyrie in multiple ways. Some but not all investors received stock certificates representing the shares they owned in Valkyrie. At least one investor signed two different Stock Subscription and Purchase Agreements. One subscription agreement stated that the investor would purchase 10 shares of Valkyrie for \$10,000. A second subscription agreement stated that the investor would purchase 100 shares of Valkyrie for \$100,000. Another investor signed a promissory note agreeing to pay \$100,000 in exchange for 100 shares of Valkyrie stock. However, most investors did not sign promissory notes or subscription agreements.

12. Storseth accepted funds from investors in various ways. Investors were instructed to either write checks to Robert Storseth or to wire the money to the personal bank account of Oswaldo Pinilla in New York. Storseth also accepted cash payments. At least two investors were instructed to write a personal check to Storseth for part of the investment and wire the other part of their investment

to Oswaldo Pinilla. At least one investor was advised to use a portion of his investment funds to directly pay certain bills, including Storseth's travel expenses, Storseth's attorney's fees, and the bill for a yacht chartered by Storseth to celebrate Valkyrie's success. This investor was also instructed to pay a portion of his investment to a previous investor.

13. Storseth represented to at least one investor that the oil deal was about to become successful. Storseth encouraged this investor to contribute more funds so that Storseth could complete the deal

14. At least three investors requested return of their investment from Storseth. To date, funds have not been returned.

15. Since its incorporation, Valkyrie has not secured any oil licenses. Valkyrie has not made any profits. Valkyrie currently has no assets and no income streams. Valkyrie has not obtained a \$1.5 million letter of credit.

16. Investors invested with the expectation of eventual profits and did not otherwise participate in the business. Investors were not screened for sophistication, suitability, or accredited status. Not all of the investors were sophisticated or accredited. Investors did not sign any agreements not to resell or distribute shares. In addition, Valkyrie maintained company records in New York which precluded access or inspection by the investors in Washington. Certain records, including but not limited to financial statements, were not maintained at all.

### Misrepresentations and Omissions

17. Storseth and Valkyrie failed to provide material information regarding investing in Valkyrie, including but not limited to: financial statements, use of proceeds, the business background

ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF LAW AND FINAL ORDER TO CEASE AND DESIST AND IMPOSE FINES AS TO VALKYRIE, INC. and experience of Storseth and Pinilla, the general risks of investing, and the specific risks of investing in a new, undercapitalized company in the oil and gas industry.

18. Storseth represented to investors that Valkyrie was just about to become profitable when in fact it had no finalized agreements or funding which would make profits possible.

19. Storseth and his wife had a civil judgment of \$500,000 entered against them in January 1996. Storseth and his wife filed for Chapter 7 bankruptcy in late 1996 and received a discharge in February 1997. The civil judgment was not discharged during the bankruptcy, but the court ordered the civil judgment reduced to \$250,000. As of November 30, 2005, Storseth and his wife still owed \$459,608.55 on the civil judgment which represented the \$250,000 judgment plus \$235,643.84 in interest and less \$26,035.28 in that had been taken in garnishments. Storseth did not disclose the existence of the civil judgment or bankruptcy to investors.

# **Registration Status**

20. Valkyrie, Inc. is not currently registered to sell its securities in the State of Washington and has not previously been registered.

21. Robert Storseth 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 Findings of Fact, the following Conclusions of Law are made:

# CONCLUSIONS OF LAW

1. The offer or sale by Valkyrie, Inc. of the investments described above constitute the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12).

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ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF LAW AND FINAL ORDER TO CEASE AND DESIST AND IMPOSE FINES AS TO VALKYRIE, INC. DEPARTMENT OF FINANCIAL INSTITUTIONS Securities Division PO Box 9033 Olympia, WA 98507-9033 360-902-8760 2. The offer or sale of said securities violated RCW 21.20.140 because Valkyrie, Inc. was not registered to sell securities in the State of Washington.

3. The offer or sale of the investments described above was made in violation of RCW 21.20.010 because, as set forth in the Tentative Findings of Fact, Valkyrie, Inc. made misstatements of material facts or omitted to state material facts necessary in order to make the statements made, in light of circumstances under which they were made, not misleading.

#### FINAL ORDER

Based on the foregoing and finding it in the public interest:

It is hereby ORDERED that Respondent Valkyrie, Inc., and its agents and employees, each cease and desist from violation of RCW 21.20.140, the securities registration section of the Securities Act.

It is further ORDERED that Respondent Valkyrie, Inc., and its agents and employees, each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

It is further ORDERED that Respondent Valkyrie, Inc. shall be liable for and pay a fine in the amount of \$10,000.

## **AUTHORITY AND PROCEDURE**

This Final Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395 and is subject to the provisions of RCW 21.20.440 and Chapter 34.05 RCW. The Respondent has the right to petition the superior court for judicial review of this agency action under the provisions of chapter 34.05 RCW. For the requirements for filing a Petition for Judicial Review, see RCW

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34.050.510 and sections following. Pursuant to 21.20.395, a certified copy of this order may be filed in Superior Court. If so filed, the clerk shall 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.
DATED AND ENTERED this 30th day of June, 2009.

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MICHAEL E. STEVENSON Securities Administrator

Approved by:

Presented by:

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SUZANNE SARASON Chief of Enforcement JILL M. VALLELY Enforcement Attorney

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