

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
DIVISION OF SECURITIES
233 RICHMOND STREET
PROVIDENCE, RHODE ISLAND 02903-4232

IN THE MATTER OF	:	<u>EMERGENCY ORDER TO CEASE</u>
	:	<u>AND DESIST; NOTICE OF</u>
SOUNDBOX CORPORATION	:	<u>OPPORTUNITY FOR A HEARING;</u>
THOMAS CARLEY, PRESIDENT,	:	<u>AND NOTICE OF INTENT TO</u>
Respondents.	:	<u>IMPOSE CIVIL PENALTY UNDER</u>
	:	<u>SECTION 602 AND 712</u>

I.

Pursuant to Sections 602 and 712 of the Rhode Island Uniform Securities Act of 1990 (“RIUSA”), § 7-11-101 *et seq.* of the Rhode Island General Laws, 1989, as amended, the Director of the Rhode Island Department of Business Regulation (“Director”) issues this Emergency Order to Cease and Desist; Notice of Opportunity for a Hearing (“Notice”) and Notice of Intent to Impose Civil Penalty under Sections 602 and 712 with regard to the above referenced Respondents. This Order is effective upon issuance.

II.

The Director makes the following findings of fact and conclusions of law with respect to this order:

1. Soundbox Corporation (“Respondent Soundbox”), a business entity incorporated in the State of Delaware, is registered as a Foreign Corporation with the Rhode Island Secretary of State, with a Date of Qualification of August 23, 2005, and principal offices

located at Building E12, 250 Centerville Road, Warwick, Rhode Island (the "Corporation Registration").

2. Thomas Carley ("Respondent Carley") is identified on the Corporation Registration as the President of Respondent Soundbox.
3. The Corporation Registration lists "*The total number of shares and par value, if any, of each class of stock which the business entity is authorized to issue:*" as follows:

<u>Class of Stock</u>	<u>Series</u>	<u>Par Value/Share</u>	<u>Total Authorized Shares</u>	<u>Total Issued</u>
STK	A	\$0.01	0.00	2,003,000
CWP	A	\$0.01	2,187,000	0.00
CWP	A	\$0.01	1,873,000	0.00

4. On November 19, 2007 the Rhode Island Department of Business Regulation, Securities Division, (the "Division") was made aware of a complaint filed by a Rhode Island Resident (the "Complainant") alleging a fraudulent scheme surrounding the sale and purchase of securities issued in a private offering by Respondent Soundbox in the latter part of 2005. In the complaint, the Complainant alleged Respondent Carley represented that all of the licenses and patents for the product being offered by Respondent Soundbox were secured when, in fact they had not, and that the money raised through the private offering was used by Respondent Carley, acting in his capacity as President of Respondent Soundbox, for personal use rather than for the benefit of the corporation and its shareholders.
5. On December 3, 2007, in an interview with Respondent Carley, he stated that in August, 2005 Respondent Soundbox conducted a private offering of securities exempt from registration under Regulation D, Rule 504, of the Securities Act of 1933. As a result of

the offering twenty-eight (“28”) investors participated and approximately \$500,000 was raised (the “Offering”, the “Private Placement”).

6. A review of EDGAR, (“Electronic Data Gathering, Analysis, and Retrieval System”) maintained by the U. S. Securities and Exchange Commission (the “SEC”) failed to disclose any Regulation D, Rule 504 filings, required by the SEC, made on behalf of Respondent Soundbox through Offering Form D describing the private placement.
7. A review of the private offering/private placement securities registrations Notice Filed by issuers with the State of Rhode Island Securities Division (the “Division”), after an initial filing with the SEC, failed to disclose any Regulation D, Rule 504 filings made on behalf of Respondent Soundbox as required under § 7-11-304 (c) of RIUSA and Rule 304 (c)-1 A. promulgated thereunder.
8. At all times relevant to this Order it has been unlawful to offer to sell or sell a security in this State in violation of § 7-11-301 unless the security is registered or exempt from registration under RIUSA.
9. In an undated document titled SOUNDBOX CORPORATION SUBSCRIPTION AGREEMENT provided by Respondent Carley, Paragraph 7. reads: “The following states securities laws are applicable to this offering for individuals and entities domiciled in Rhode Island: the Rhode Island Uniform Securities Act § 7-11-101 et seq....”
10. At all times relevant to this Order it has been unlawful to offer to sell or sell a security in this State in violation of § 7-11-505, prohibiting unlawful representations concerning licensing, registration or exemption of the securities being offered. Based on information and belief Respondent Soundbox sold securities in violation of § 7-11-301, without the benefit of registration or an exemption from registration under RIUSA. This constitutes a

violation of § 7-11-505 (b) to represent to the purchasers of the Placement a material fact inconsistent with the provisions of § 7-11-505 (a).

11. Effecting transactions in securities by the offer to sell or sell unregistered securities not disclosing relevant information thereto creates an immediate danger to the public welfare in that it invites the public to place funds with an unregistered entity without the benefit of full disclosure directed by § 7-11-501 of RIUSA. Further, the person or persons involved appear not to have complied with the registration requirements of Section 301, exacerbating the likelihood that non-accredited, non-sophisticated, investors will become victims of securities fraud schemes. Specifically, investors will not be adequately protected from illegal sales practices and/or material misstatements or omissions if unregistered securities are permitted to be sold outside of the regulatory scheme.

III.

Based upon the foregoing, the Director determines that the following action is necessary to prevent or avoid an immediate danger to the public welfare, that it is in the public interest, appropriate for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of RIUSA.

Accordingly, IT IS HEREBY ORDERED THAT:

- (1) Respondents and any person associated therewith shall immediately cease and desist from any further violation of Sections 301, 501 and 505 of RIUSA.
- (2) Respondents and any person associated therewith shall retain and maintain all written records, computer records, and banking and financial records and statements regarding its business activities and the subject offers and sales until further order of the Director.

Therefore, unless the Director receives a written request for a hearing and answer to this Notice within thirty (30) days of the date of this Notice, the Director will regard Respondents as having been provided notice and an opportunity for hearing, and as having waived the right to a hearing, and the Order will become final. If the Director receives a request for a hearing within thirty (30) days of the date of this Notice, the Director shall set the matter for hearing no more than sixty (60) nor less than twenty (20) days from the receipt of the request for hearing and shall promptly notify the parties of the time and place for hearing. If no hearing is requested and none is ordered by the Director, the Order becomes permanent on the thirtieth (30th) day after its entry and remains in effect unless or until modified or vacated by the Director.

Pursuant to § 7-11-602, if the Director reasonably believes that a violation of RIUSA has occurred, he may (after such further notice and hearing in an administrative proceeding unless the right to notice and hearing is waived by a person against whom the sanction is imposed), impose a civil penalty up to a maximum of ten thousand (\$10,000) for a single violation, in addition to any specific powers granted under R.I. Gen. Laws § 7-11-101 et seq.

Dated this 28th day of January, 2008.

Order No. CF-017



A. Michael Marques, Director
Rhode Island Department of Business Regulation

THE DIRECTOR RESERVES THE RIGHT TO PUBLISH A NOTICE OF THIS ORDER IN A NEWSPAPER OF GENERAL CIRCULATION IN THE STATE OF RHODE ISLAND.

CERTIFICATION

I hereby certify on this 29th day of January, 2008 that a copy of the within Emergency Cease and Desist Order was mailed by certified mail and first class mail to Thomas Carley, President, Soundbox Corporation, 40 Wilson Street, West Warwick, RI 02893

Susan Seva