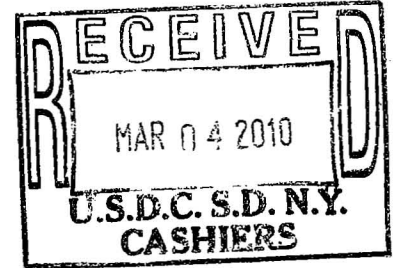


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**JUDGE CHIN**

10 CV 1720

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



-----X  
SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

SEAN DAVID MORTON,  
VAJRA PRODUCTIONS, LLC,  
27 INVESTMENTS, LLC, and  
MAGIC EIGHT BALL DISTRIBUTING, INC.,

Defendants,

- and -

MELISSA MORTON, and  
PROPHECY RESEARCH INSTITUTE,

Relief Defendants  
-----X

10 Civ. \_\_\_\_ ( )

COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”) for its Complaint against defendants Sean David Morton (“Morton”), Vajra Productions, LLC (“Vajra”), 27 Investments, LLC (“27 Investments”), and Magic Eight Ball, Inc. (“Magic Eight Ball”) (the three entities are referred to herein as the “Entities” and Morton and the Entities, collectively, are referred to as the “Defendants”), and relief defendants Melissa Morton and Prophecy Research Institute (“PRI”) (together, the “Relief Defendants”) alleges as follows:

## SUMMARY

1. From the summer of 2006 to the end of 2007, Morton, a nationally-recognized psychic who bills himself as “America’s Prophet,” fraudulently solicited individuals to invest in the Delphi Associates Investment Group (“Delphi Investment Group”). In soliciting these individuals, Morton claimed that he would use his psychic expertise to provide investment guidance to his investing team, and falsely touted his historical success in psychically predicting the various rises and falls of the market. Morton further claimed that he would use the pooled funds to trade in foreign currencies and distribute pro rata the trading profits among the investors. However, Morton lied to investors about his past successes, and about key aspects of the Delphi Investment Group, including the use of investor funds and the liquidity of the funds, and that the profits in the accounts were audited and certified.

2. All together, Morton fraudulently raised more than \$6 million from more than 100 investors for the Delphi Investment Group.

3. Morton enticed investors through his monthly newsletter, The Delphi Associates Newsletter (“Newsletter”), his website, [www.delphiassociates.org](http://www.delphiassociates.org) (“Website”), his appearances on a nationally syndicated radio show with an average audience of nearly three million listeners called Coast to Coast AM (“Radio Broadcast”), and at public events, including in New York City, to promote his psychic abilities.

4. In his Newsletter, on the Radio Broadcast, and at public events, Morton made numerous materially false representations relating to his psychic abilities in order to solicit investors for the Delphi Investment Group. For example, Morton wrote to potential investors in his Newsletter dated July 20, 2006 that: “I have called ALL the highs and lows of the market,

giving EXACT DATES for rises and crashes over the last 14 years.” (emphasis in original.)

This assertion, like others Morton made in soliciting investors, is false.

5. Morton, who did not seek accreditation status from the Delphi Investment Group investors, placed investor funds in the bank accounts of the Entities, which were shell companies controlled by Morton and his wife, Melissa Morton. Morton and/or Melissa Morton commingled the investors’ funds among the Entities’ accounts.

6. While Morton promised investors that all of their funds would be used to trade foreign currencies, in fact, he invested only about half of the funds with foreign currency trading firms. Unbeknownst to the investors, instead of investing all of the funds into foreign currency trading firms, Morton, and/or his wife, Melissa Morton, diverted some of the investor funds. For instance, the Mortons diverted at least \$240,000 of investor funds to their own nonprofit religious organization, PRI.

7. In raising more than \$6 million from investors around the country, the Defendants violated the registration provisions of the federal securities laws by failing to file a registration statement with the Commission. None of the Entities has filed registration statements for any offering of securities.

8. By virtue of the conduct alleged herein, each of the Defendants, directly or indirectly, singly or in concert, engaged in acts, practices, transactions, or courses of business that violated Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

9. Unless each of the Defendants is permanently restrained and enjoined, they will again engage in the acts, practices, transactions, or courses of business set forth herein and in acts, practices, transactions, or courses of business of similar type and object.

#### **NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT**

10. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], and seeks to permanently restrain and enjoin Morton, Vajra, 27 Investments, and Magic Eight Ball from future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], and 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]. The Commission also seeks a final judgment ordering the Defendants to disgorge their ill-gotten gains and pay prejudgment interest thereon on a joint and several basis, and to pay civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]. The Commission further seeks a final judgment ordering the Relief Defendants to disgorge their ill-gotten gains and to pay prejudgment interest thereon, and ordering the Defendants and Relief Defendants to provide a verified accounting. Finally, the Commission seeks all other just and appropriate relief.

#### **JURISDICTION AND VENUE**

11. The 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 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

12. Venue lies in this District pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. The Defendants,

directly or indirectly, have made use of the means or instrumentalities of, or the means or instruments of transportation or communication in, interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein. Certain of these transactions, acts, practices, and courses of business occurred within the Southern District of New York. For instance, Morton solicited investors for the Delphi Investment Group at a "New Life Expo" held in New York City in October 2006 (the "New York Expo"). Morton provided investors and potential investors, including investors residing in New York, with a letter titled "RE: Foreign Exchange Trading with The Delphi Associates Investment Group" (the "Offering Letter"), which described the three investment vehicles -- Vajra, for investments of \$5,000 - \$25,000; 27 Investments, for investments of \$25,001 - \$50,000; and Magic Eight Ball, for investments of greater than \$50,000.

#### **DEFENDANTS**

13. **Morton** is 51 years old and resides in Hermosa Beach, California. Morton is the founder, writer and publisher of the Newsletter, and was a regular guest on the Radio Broadcast. Morton is a co-owner and officer of Vajra, 27 Investments, and Magic Eight Ball. Morton is also a co-owner and managing trustee of PRI. Morton is currently a defendant in two pending private civil actions: Dunn v. Morton, et al., No. 021136/07 (NY. Civ. Ct. 2007), and Saunders v. Morton, et al., No. 2:09-cv-00125 (D. Ct. Vt. 2009). Morton was also a defendant in Bass v. Morton, et al., No. CV-08-253-EFS (E.D. Wa.) in which the court entered final judgment against all defendants, including Morton, and held Morton jointly and severally liable for more than \$217,000 plus prejudgment interest, attorneys fees and other costs. In all three of these cases, an investor in the Delphi Investment Group has alleged that Morton, Vajra, 27 Investments, Magic Eight Ball, and other individuals conducted a fraudulent investment scheme.

14. **Vajra** is a Nevada New Mexico registered limited liability company, with a registered address of 14290 Freshwater Avenue, Burbank, California 91502. During the summer of 2006 to the end of 2007, investor correspondence for Vajra was addressed to Morton and sent to Morton's residential address. Vajra has not filed a registration statement in connection with the securities offered in the Delphi Investment Group. Vajra was named a defendant in all three of the actions listed in paragraph 13.

15. **27 Investments** is a New Mexico registered limited liability company, with a registered address of 3600 Cerillos, Suite 714C-899, Santa Fe, New Mexico 87507. During the summer of 2006 to the end of 2007, investor correspondence for 27 Investments was addressed to Morton and sent to Morton's residential address. 27 Investments has not filed a registration statement in connection with the securities offered in the Delphi Investment Group. 27 Investments was named a defendant in all three of the actions listed in paragraph 13.

16. **Magic Eight Ball** is a California registered corporation, with a registered address of 3600 Cerillos, Suite 714C-899, Santa Fe, New Mexico 87507. During the summer of 2006 to the end of 2007, investor correspondence for Magic Eight Ball was addressed to Morton and sent to Morton's residential address. Magic Eight Ball has not filed a registration statement in connection with the securities offered in the Delphi Investment Group. Magic Eight Ball was named a defendant in all three of the actions listed in paragraph 13.

#### **RELIEF DEFENDANTS**

17. **Melissa Morton** is 42 years old and resides in Hermosa Beach, California. Melissa Morton and Morton had sole access to the funds deposited with the Entities described above. Melissa Morton is a co-owner of Vajra, Magic Eight Ball, 27 Investments, and PRI. Melissa Morton was named a defendant in all three of the actions listed in paragraph 13.

18. **PRI** is a nonprofit religious organization set up pursuant to Internal Revenue Code § 501(c)(3). Morton's Newsletter is published through PRI. PRI's address is the same as the Mortons' residential address. The Mortons are the owners and sole directors of PRI.

### FACTS

#### **A. Morton Solicited Investors for the Delphi Investment Group**

19. Beginning in or around the summer of 2006, Morton solicited individuals to invest in the Delphi Investment Group which was not an actual company but was simply a moniker Morton used for the group. Morton represented to investors that the Delphi Investment Group would use the pooled investor funds to trade in foreign currencies and would distribute pro rata the trading profits among the investors.

20. Morton solicited investors through mailings as well as on the Radio Broadcast, at public conferences, including the New York Expo, and at a retreat which took place from September 7 through September 10, 2007 at the Mount Shasta Resort, Mount Shasta, California ("Mount Shasta Retreat"). Morton also listed the Delphi Investment Group on his Website and directed investors to email him at his email address, DAIG888@aol.com.

21. Morton's Newsletter is a paid subscription-only periodical sent out on an approximately monthly basis to approximately 20,000 subscribers worldwide. In the Newsletter, Morton solicited investors by touting the success of the Delphi Investment Group. For example, in a July 20, 2006, Newsletter, Morton wrote that the Delphi Investment Group had already been extremely successful: "[W]e are averaging 3 to 5% PER DAY, and in the last month we have had gains of 12%, 19% and 26% in a single day." (emphasis in original.)

22. On the Radio Broadcast, Morton also touted the success of the Delphi Investment Group. For instance, during a February 27, 2007 Radio Broadcast, Morton stated that his

psychic advice and management had proven to be extremely profitable: “We started with about \$35,000 and right now we’re managing, I’m actually managing four separate funds that are worth about \$4.5 million total...”

23. At the New York Expo, Morton solicited attendees to invest in the Delphi Investment Group by claiming that every one of the current investors had already received huge profits and that investing in the Delphi Investment Group would also bring about spiritual happiness and promote good works. And, at the Mount Shasta Retreat, Morton held “financial survival” workshops, and solicited attendees by telling them that the Delphi Investment Group was the best investment they could make, and that he could make the investors “piles of money” but that they should act quickly.

24. Morton also solicited investors in his Offering Letter, where Morton explained that he would use so-called psychic techniques to make his investment projections. The Offering Letter further states that Morton would then create a chart of his projections, which he would send to his trader, who was to rely on the charts to “place[]... positions based on [Morton’s] analysis and projections.”

25. The Offering Letter also states that Morton and the investors will share in the profits from the investments in the foreign currencies and divide the returns on the investments as a “50/50 SPLIT of **PROFITS ONLY!**” and that the process will “be completely **TRANSPARENT** and **TOTALLY ON THE UP AND UP!**” (emphasis in original.). Morton also falsely assured his investors that “the Feds can’t look over our shoulder, interfere or regulate any of it.”

26. In one-on-one correspondence with potential investors, Morton was even more aggressive in his solicitation. For example, on October 7, 2006, Morton wrote to a potential



investor, Investor G, in two separate emails: “The more [money] you get me the MORE I can make for you” and “[g]ive ME enough money to help YOU! Give me enough so that the average profits will make a DIFFERENCE in your life.” (emphasis in original.) In a subsequent email, after Investor G had already invested with the Delphi Investment Group, Investor G told Morton that he would like to invest in other types of investments such as the stock market. Morton replied, “for RIGHT NOW you will make the most with [the Delphi Investment Group]. Once the DOLLAR starts to DROP, which will happen soon, we are set to make a FORTUNE!” (emphasis in original.)

**B. Morton Made Material Misrepresentations to Investors in the Delphi Investment Group**

**i. Misrepresentations Concerning Past Predictions of the Market**

27. Morton knowingly, or with reckless disregard, made materially false representations about the accuracy of his past market predictions to solicit investors for the Delphi Investment Group. For example, in his July 20, 2006 Newsletter, Morton falsely wrote that: “I have called ALL the highs and lows of the market, giving EXACT DATES for rises and crashes over the last 14 years.” (emphasis in original.) Morton repeated this false claim in the Offering Letter, which stated, among other things, that: Morton “gave EXACT DATES and NUMBERS for various highs of gold and silver.” (emphasis in original.)

28. Similarly, Morton’s Website falsely states that the “**ASTONISHING PSYCHIC HITS**” Morton has made in his Newsletter include “The EXACT dates for prices of GOLD” from 2004 to 2007 (emphasis in original) and that Morton “predicted exact dates for the post-90’s decline of the [DJIA] and NASDAQ, and has given the exact levels – and timing – of their subsequent rise and fall.” These representations about Morton’s prior predictions about the market, like the ones in Morton’s Offering Letter and in the July 20, 2006 Newsletter, are false,

as shown by the following examples summarizing some of Morton's false representations and the actual market activity that took place:

| <b>Mortons' False Representations</b>   | <b>Actual Market Activity</b>   |
|---|---|
| <p>Predicted in an October 20, 2000 Newsletter that "around October 31... [a] serious plunge in the market will come directly before the elections .... [M]id February will be the next abject bottom, as once again the market will continue to go up and bounce providing [a] sucker's rally. Feb/March 2001 will see the abject floor of 8000.... "</p>                | <p>From October 30, 2000 through November 17, 2000, the DJIA was steady; with a high closing price of 10,977.21 on November 6, and a low closing price of 10,517.25 on November 13. From October 31, 2000 through the end of the year, the DJIA moved generally within the mid 10,000's. Prices remained relatively steady through mid-February 2001, and there was no "bottom," as the market moved within the 10,900's and the 10,400's throughout February. In February and March, 2001, the DJIA never hit the lower reaches of 9,000, let alone 8,000.</p> |
| <p>Predicted in an April 13, 2001 Newsletter that the NASDAQ "should hit 2000" in mid-May, "zig zag" between 2000 and 2395.03 all summer, "plummet" down to 1034.51 and then 701.78, before "skyrocket[ing]" in 2002 to 4100 and beyond to 7321.74 in 2003 "or at least 6035."</p>  | <p>The NASDAQ: (a) first closed above 2000 in mid-April, just days after Morton's prediction, not in mid-May; (b) did not reach a high of 2395.03 during the summer; (c) did not plummet in 2001 to anywhere close to 1,034, instead staying above 1,387 all year; and (d) did not skyrocket to anywhere near 4,100 in 2002 or 6,035 in 2003, instead staying under 2,100 during those two years.</p>   |
| <p>Predicted during a November 21, 2001 Radio Broadcast: "I'll give you the exact date... April 2002.... [B]etween April and June of 2002 [the DJIA] is going to be the steady rise in the market. That's where it's going to really pick up and pick up stability. By December of next year, ... it'll be back up into the realm [of] high 11,000, 12,000 or so...."</p> | <p>From April through June, 2002, the DJIA generally trended downward from a high of 10,381.73 on April 10, 2002 to a low close of 9,120.11 on June 26, eventually closing the year at 8,341, nowhere near 11,000.</p>  |

|   |   |
|---|---|
| <p>Urged in a June 23, 2000 Newsletter: “Buy GOLD! <b>RIGHT NOW!</b> AT \$290 per oz. by the end of this year that will be a STEAL!...” Gold will “skyrocket... to upwards of around \$350 over the summer, and \$375 and above by the fall.” (emphasis in original).</p> | <p>Gold in fact did not “skyrocket” during the summer of 2000 or reach \$375 per ounce by the fall. In fact, gold prices never hit \$300 per ounce during this period: After peaking at just over \$292, it trended downward during the summer to the low \$270’s before moving back to the upper \$270’s in late August, and then trending slightly downward through September to the mid-\$270’s.</p> |
| <p>Stated in an October 17, 2002 Newsletter: “Forget about gold. It’s going NOWHERE.” (emphasis in original).</p>   | <p>Gold, which was trading around \$311 per ounce at the time of this Newsletter, rose over 10% to almost \$350 per ounce by the end of 2002, and almost 20% to over \$415 per ounce by the end of 2003.</p>  |

**ii. Misrepresentations Concerning the Use of Investor Funds**

29. Morton knowingly, or with reckless disregard, made material misrepresentations to investors concerning the use of the funds they invested with the Delphi Investment Group. For example, in the Offering Letter, Morton assured investors that the investor funds will “be used EXCLUSIVELY for FX trading. **ANY OTHER USE OF THE FUNDS IS STRICTLY PROHIBITED, IS MISAPPROPRIATION and a CRIMINAL ACT.**” (emphasis in original.) In the Offering Letter, Morton also told investors that their funds would be placed into accounts with Bank of America “and are then directly transferred to the corresponding accounts with [the foreign exchange trading firm] to be used for trading on the Foreign Exchange markets.” However, between June 2006 and November 2007, investors invested approximately \$6 million with the Delphi Investment Group, and only about \$3.2 million of the \$6 million raised was deposited into the foreign exchange trading accounts.

30. Instead of being deposited into foreign exchange trading accounts, some investor funds were transferred directly to various individuals or other entities – including approximately \$240,000 to PRI, a nonprofit religious organization set up and owned by the Mortons.

31. In the Offering Letter, Morton knowingly, or with reckless disregard, falsely told investors that their funds would be placed into one of three investment accounts: Vajra (for investments of \$5,000 - \$25,000); 27 Investments (for investments of \$25,001 - \$50,000); or Magic Eight Ball (for investments of greater than \$50,000). Morton also explained to investors in the Offering Letter that only he and his wife, Melissa Morton, had access to the funds deposited in any of the Entities.

32. However, the investor funds were not always deposited into the accounts held in the name of each of the Entities. Instead, at times, and unbeknownst to the investors, the investor funds were deposited into one of the other Entity accounts.

33. Furthermore, while Morton maintained a separate account at Bank of America for each of the Entities, he controlled all of the accounts, and unbeknownst to the investors, transferred funds between the accounts thereby commingling the investor funds. For instance, from December 2006 through March 2007, Morton transferred at least \$185,000 from the 27 Investments account to the Magic Eight Ball account, and at least \$178,000 from the Vajra account to the Magic Eight Ball account. In April and July 2007, Morton transferred a total of \$25,000 from the Magic Eight Ball account back to the Vajra account. In August 2006, Morton also transferred more than \$350,000 from the Vajra account to the 27 Investments account, and in April 2007, Morton transferred at least \$150,000 from the 27 Investments account back to the Vajra account.

**iii. Misstatements Concerning an Audit of Delphi Investment Group**

34. Morton knowingly, or with reckless disregard, also made material misrepresentations concerning alleged audits performed by PricewaterhouseCoopers for the Delphi Investment Group. During a February 27, 2007 Radio Broadcast, Morton falsely stated: “we’ve had a Pricewaterhouse audit actually on the accounts that shows from ... the first of June through November 15<sup>th</sup>, a 117% profit on those accounts.” Similarly, in a January 27, 2007 email responding to a potential investor’s inquiries about investing with Morton, Morton falsely stated: “Recently we had the accounts audited by PRICE-WATERHOUSE who gave us their certification and verified our profits at 117% from June 1 to Nov. 15.” (emphasis in original.) In fact, these accounts were never audited by PriceWaterhouseCoopers, and no auditors “certified and verified” profits in any of the Entities’ accounts.

**iv. Investors Found Morton’s Misrepresentations to be Material**

35. More than 100 people from numerous states invested over \$6 million in the Delphi Investment Group. Many invested with Morton after hearing Morton on the Radio Broadcast; reading his Newsletter; attending the New York Expo; attending the Mount Shasta Retreat; and/or after learning about Morton from another potential investor.

36. Many investors did not have a pre-existing relationship with Morton, but invested in the Delphi Investment Group based upon Morton’s representations in the Newsletter, the Radio Broadcast, and/or the New York Expo or Mount Shasta Retreat.

37. For instance, Investor S first learned through the Newsletter – which he subscribed to – that Morton was seeking investors for the Delphi Investment Group. Investor S emailed Morton inquiring about the Delphi Investment Group, and, in response, received the Offering Letter. Investor S’s decision to invest was influenced, in part, by the Offering Letter

and the July 20, 2006 Newsletter discussed above, including Morton's statement in both documents that he "called ALL the highs and lows of the market, giving EXACT DATES for rises and crashes over the last 14 years." Investor S initially invested \$5,000 in Vajra in April 2007. Based on several accounting statements he received which indicated that his investment was profitable, and the claims made by Morton in the Offering Letter and the July 20, 2006 Newsletter, Investor S invested an additional \$130,000 in Vajra in July 2007. Although Investor S subsequently sought to redeem his investment, to date, Investor S has not received any of his funds.

38. Investor M heard Morton discuss the Delphi Investment Group on the Radio Broadcast on January 1, 2007 and contacted Morton, requesting information on investing with the Delphi Investment Group. On January 27, 2007, Morton responded to Investor M's request in an email stating that he had "already turned down some very big money firms wanting to use my unique abilities...." With knowledge or reckless disregard, Morton also falsely wrote that "[r]ecently we had the accounts audited by PRICE-WATERHOUSE who gave us their certification and verified our profits at 117% from June 1 to Nov. 15." (emphasis in original.) Morton further wrote to Investor M that the Delphi Investment Group began with \$35,000, and that the accounts were then worth "about \$3.5 million with about 70 investors" and that, despite the "GLOBAL MELTDOWN of the US dollar... we have STILL averaged about 10% per month." (emphasis in original.) Morton attached the Offering Letter to his email. Based on Morton's discussion on the Radio Broadcast, and the correspondence, including the misrepresentations in the Offering Letter discussed above, on or around February 23, 2007, Investor M invested \$10,000 with the Delphi Investment Group. Subsequently, Investor M sought to redeem his investment, but, to date, he has not received any of his funds.

**C. Morton Sold Unregistered Securities in Non-Exempt Transactions**

39. Despite pooling all of the investor funds for the alleged purpose of investing in the foreign currency market, informing investors that they were to share in the profits and that they would receive pro rata distributions of the profits made from the efforts of Morton's trading team, none of the Entities has filed with the Commission registration statements for any offering of securities.

40. Morton did not take steps to ensure that his investors were accredited or sophisticated.

41. In fact, Morton disregarded evidence that certain investors were not accredited or sophisticated. For instance, on March 1, 2007, Investor B – who had already invested \$80,000 – emailed Morton and told him she was considering investing an additional \$90,000, plus another \$125,000 for her 91 year-old mother. Investor B told Morton, “both my mother and I would need to withdraw the earnings quarterly or semi-annually as we are both living off the earnings of these funds.” Morton responded that “[t]he funds are liquid, so OF COURSE we can do payouts on a regular basis.” (emphasis in original.) Investor B invested her additional \$90,000 but when she hesitated investing her mother's funds, Morton stated that a major investor was coming on board, “which means higher margins, more security and bigger profits for everyone.” As a result, Investor B's mother invested \$125,000. The so-called “major investor” never made this investment in Morton's enterprise.

**FIRST CLAIM FOR RELIEF**  
**Violations of Section 17(a) of the Securities Act**  
**(Morton, Vajra, 27 Investments, and Magic Eight Ball)**

42. The Commission realleges and incorporates by reference paragraphs 1 - 41, as though fully set forth herein.

43. From at least 2006 through 2007, Morton, Vajra, 27 Investments, and Magic Eight Ball directly or indirectly, singly or in concert, by use of the means or instrumentalities of interstate commerce, or of the mails, in connection with the offer and sale, of securities, knowingly or recklessly: (a) employed devices, schemes and artifices to defraud; (b) obtained money or property by means of, or otherwise made, untrue statements of material fact or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged in transactions, acts, practices, and courses of business which operated or would have operated as a fraud or deceit upon purchasers of securities offered and sold by the Defendants and upon other persons.

44. As part and in furtherance of the violative conduct, Morton, Vajra, 27 Investments, and Magic Eight Ball directly or indirectly, singly or in concert, employed the deceptive devices, schemes, artifices, contrivances, acts, transactions, practices, and courses of business and/or made misrepresentations and/or omitted to state the facts alleged above.

45. The false and misleading statements and omissions made by Morton, Vajra, 27 Investments, and Magic Eight Ball, more fully described above in paragraphs 1-6, 21-34, 37, 38, and 41, were material.

46. Morton, Vajra, 27 Investments, and Magic Eight Ball knew, or recklessly disregarded, that these material misrepresentations and omissions more fully described above in paragraphs 1-6, 21-34, 37, 38, and 41, were false or misleading.

47. The material misrepresentations and omissions were in connection with the offer or sale of securities.



48. By reason of the foregoing, Morton, Vajra, 27 Investments, and Magic Eight Ball, singly or in concert, directly or indirectly, violated, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**SECOND CLAIM FOR RELIEF**  
**Violations of Section 10(b) of the Exchange Act and Rule 10b-5**  
**(Morton, Vajra, 27 Investments, and Magic Eight Ball)**

49. The Commission realleges and incorporates by reference paragraphs 1 through 41, as though fully set forth herein.

50. From at least 2006 through 2007, Morton, Vajra, 27 Investments, and Magic Eight Ball, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in, or the means or instrumentalities of, interstate commerce, or by the use of the mails, in connection with the purchase or sale of securities, knowingly or recklessly: (a) employed devices, schemes, or artifices to defraud; (b) obtained money or property by means of, or otherwise made, untrue statements of material fact or have 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; and/or (c) engaged in acts, transactions, practices, and courses of business which operated or would have operated as a fraud or deceit upon the purchasers of the securities offered and sold by the Defendants and other persons.

51. As part and in furtherance of this violative conduct, Morton, Vajra, 27 Investments, and Magic Eight Ball, directly or indirectly, singly or in concert, employed the deceptive devices, schemes, artifices, contrivances, acts, transactions, practices, and courses of business and/or made misrepresentations and/or omitted to state the facts alleged above in paragraphs 1-6, 21-34, 37, 38, and 41.

52. The false and misleading statements and omissions made by Morton, Vajra, 27 Investments, and Magic Eight Ball, more fully described above in paragraphs 1-6, 21-34, 37, 38, and 41, were material.

53. Morton, Vajra, 27 Investments, and Magic Eight Ball knew, or recklessly disregarded, that these material misrepresentations and omissions, more fully described above in paragraphs 1-6, 21-34, 37, 38, and 41, were false or misleading.

54. The material misrepresentations and omissions were in connection with the purchase or sale of securities.

55. By reason of the foregoing, Morton, Vajra, 27 Investments, and Magic Eight Ball, singly or in concert, directly or indirectly, each violated 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].

**THIRD CLAIM FOR RELIEF**  
**Violations of Section 5(a) and 5(c) of the Securities Act**  
**(Morton, Vajra, 27 Investments, and Magic Eight Ball)**

56. The Commission realleges and incorporates by reference paragraphs 1 - 41, as though fully set forth herein.

57. The investments through the Delphi Investment Group into Vajra, 27 Investment, and Magic Eight Ball as alleged herein constitute "securities" as defined in the Securities Act and the Exchange Act.

58. Morton, Vajra, 27 Investments, and Magic Eight Ball singly or in concert, directly or indirectly have made use of the means or instruments of transportation or communication in interstate commerce, or of the mails, to offer and sell securities through the use or medium of a prospectus or otherwise when no registration statement has been filed or was in effect as to such securities and when no exemption from registration was available.

59. By reason of the foregoing, Morton, Vajra, 27 Investments, and Magic Eight Ball, singly or in concert, directly or indirectly, violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

**FOURTH CLAIM FOR RELIEF**  
**Unjust Enrichment**  
**(Melissa Morton and PRI)**

60. The Commission realleges and incorporates by reference paragraphs 1 - 41, as though fully set forth herein.

61. Melissa Morton and Morton had sole control of the Entities' accounts. Investor funds were diverted from these accounts to other third parties. PRI, owned and controlled by the Mortons, received at least \$240,000 of investor funds invested in the Delphi Investment Group.

62. Melissa Morton and PRI obtained the funds alleged above as part, and in furtherance of, the securities violations alleged in paragraphs 1, 4-7, 21-34, 37-41, and under circumstances in which it is not just, equitable or conscionable for Melissa Morton or PRI to retain the funds. As a result of the foregoing, relief defendants Melissa Morton and PRI were unjustly enriched.

**RELIEF SOUGHT**

**WHEREFORE**, the Commission respectfully requests that this Court enter a Final Judgment:

**I.**

Permanently restraining and enjoining Morton, Vajra, 27 Investments, Magic Eight Ball, their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from violating Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a)

and 77e(c) and 77q(a)], and 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].

**II.**

Ordering the Defendants, jointly and severally, to disgorge, with prejudgment interest, all ill-gotten gains derived directly or indirectly from the violations alleged in this Complaint.

**III.**

Ordering each of the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

**IV.**

Ordering Melissa Morton and PRI to disgorge all investor funds unlawfully diverted to them by the Defendants by which they were unjustly enriched, and to pay prejudgment interest thereon.

V.

Ordering each of the Defendants and each Relief Defendants to file with this Court and serve upon the Commission verified written accountings, signed by each of them under penalty of perjury.

VI.

Granting such other and further relief as the Court may deem just and proper.

Dated: March 4, 2010  
New York, New York

Respectfully submitted,



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