BEFORE THE
DEPARTMENT OF CORPORATIONS
STATE OF CALIFORNIA

In the Matter of the Desist and Refrain Order Against: EURORIENT FINANCIAL GROUP, LTD.; RON NECHEMIA, Respondents.	Case No. 9217 OAH No.: 2009050861

DECISION

The attached Proposed Decision of the Administrative Law Judge of the Office of Administrative Hearings, dated November 23, 2009, is hereby adopted by the Department of Corporations as its Decision in the above-entitled matter.

This Decision shall become effective on 30th December 2009.

IT IS SO ORDERED this 30th day of December 2009.

CALIFORNIA CORPORATIONS COMMISSIONER

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Preston DuFauchard

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PROPOSED DECISION

The hearing in the above-captioned matter was held on October 23, 2009, before Joseph D. Montoya, Administrative Law Judge (ALJ), Office of Administrative Hearings. Complainant was represented by Joanne Ross, Counsel, Department of Corporations. There was no appearance by Respondents, despite proper notice of the hearing.

Evidence was presented and the matter submitted for decision on the hearing date. The Administrative Law Judge hereby makes his factual findings and legal conclusions, and orders, as follows.

FACTUAL FINDINGS

A. The Parties and Jurisdiction:

1. Complainant Preston DuFauchard, California Corporations Commissioner, issued a Desist and Refrain Order (DRO) against Respondents on March 23, 2009. He acted through Alan S. Weinger, Lead Corporations Counsel, Enforcement Division, Department of Corporations (Department), who executed the DRO on Complainant's behalf. Complainant and Mr. Weinger were acting in their official capacity in issuing the DRO.

2. On April 24, 2009, Joel A. Goldman, an attorney, gave written notice to Complainant's counsel that Respondents EurOrient Financial Group, Ltd., and Ron Nechemia requested a hearing on the DRO. Thereafter, those Respondents waived the time for such a hearing, allowing the hearing to be set at a later date than required by law. On June 23, 2009, Complainant served a Notice of Hearing on Respondent's counsel, giving notice that the hearing in the above-captioned matter would be held on October 23, 2009, at the Office of Administrative Hearings, in Los Angeles.

3. Mr. Goldman gave Complainant notice that he no longer represented Respondents, at some time prior to October 8, 2009. Complainant served notice of the hearing on Respondents on October 8, 2009, by mail, electronic mail, and by facsimile transmission. Thereafter, on October 15, 2009, Respondent Nechemia contacted Complainant's counsel about continuing the matter, but Complainant gave notice that it would object to a continuance, and the hearing went forward on October 23, 2009.

4. Jurisdiction to proceed in this matter was established against Respondents, who had proper notice of the hearing.

5. At all times relevant to this matter, Respondent EurOrient Financial Group, Ltd. (EurOrient), was a Cayman Island limited liability corporation, doing business at Encino, California. Respondent Ron Nechemia (Nechemia) was president of EurOrient.

6. Beginning in approximately May 2008, Respondents offered and sold securities in California, in the form of convertible promissory notes that were to be converted into member units in a holding company. Respondents represented that the investment would be used to develop a natural gas project, and that investment returns could be as high as 25 percent.

7. The aforementioned securities were offered and sold in California in an issuer transaction. The Department had not and has not issued a permit or other form of qualification authorizing Respondents or any other person to sell the aforementioned securities in California.

8. Respondents engaged in fraud in the sale of the securities, making untrue statements of material fact in order to induce the investment. The details of Respondent's fraud are as follows:

(A) Ms. Lourdes Juaneza (Juaneza), the investor, met Respondent Nechemia in Los Angeles, California, in approximately September 2007. At the time, she was working as a photographer, and she took his photo at a business event. During that first meeting, he represented that he had 80 offices around the world. Thereafter, in a series of social contacts, he made claims about the nature of his firm's business, to the effect that he did business in foreign countries, such as China, Vietnam, and Nepal, and that his firm, EurOrient, held exclusive contracts in such locales, including a contract to operate an airport. It is inferred from the record that none of these representations were true.

(B) In approximately May 2008, Nechemia represented to Juaneza that if she invested in his firm, she would receive a return of 18 to 25 percent. Subsequent events establish that this was a false representation of material fact. He told her that if she ever wanted to retire, she would need to invest her money. He asked her about her net worth, and although it was less than one million dollars, he convinced her to sign a document to the effect that it was at or above that amount, claiming that she would be worth that much money after her investments with his firm.

(C) On or about July 14, 2008, Juaneza paid Respondents $250,000, her life savings, in order to invest with them. Respondent Nechemia had represented to Juaneza that it was necessary for her to make the investment before the end of July 2008, because he was going to be required to make a "reg D filing" with the Securities and Exchange Commission (SEC) at that time. This was a false statement of material fact. Respondents and Juaneza executed a written "convertible promissory note (secured)" dated July 30, 2008. Juaneza made the payment in California, by a check drawn on a bank located in Gardena, California. Respondents represented that Juaneza's investment would be registered with the SEC, by Respondents notifying that agency of Juanez's investment.

(D) When Juaneza subsequently sought to unwind the transaction, Nechemia told her that he could not do so because his firm would be in violation of "reg D," another false statement of material fact.

9. State securities law does not exempt the transaction, or any related securities transaction involving Respondents, from qualification, and no form of qualification had ever been sought or obtained by Respondents for the securities transaction described above. Furthermore, no notice of sales of securities on Form D had ever been given to the SEC by Respondents for the period January 1, 2007, to March 31, 2009. No return on investment has ever been paid by Respondents to Juaneza.

LEGAL CONCLUSIONS

1. The Commissioner has the jurisdiction to proceed in this matter against Respondents EurOrient and Nechemia, pursuant to Corporations Code section 25532 and 25600, based on Factual Findings 1 through 4.

2. It is unlawful for any person to offer or sell any security in an issuer transaction in California unless that sale has been qualified pursuant to sections 25111, 25112, or 25113 of the Corporations Code, or unless the transaction or security is exempted or not subject to qualification pursuant to Corporations Code section 25100 et. seq. The burden of establishing an exemption from qualification is on the issuer of the security. (Corp. Code, § 25163.) This Conclusion is based on Corporations Code section 25110.

3. Respondents have violated section 25110 of the Corporations Code by offering to sell, or by selling, securities in California that have not been properly qualified or which meet the criteria of an exemption. This Conclusion is based on Legal Conclusions 1 and 2, and Factual Findings 5 through 9.

4. It is unlawful for any person to offer or sell a security in California by means of an oral or written communication which includes an untrue statement of material fact, or where material facts are omitted which would be necessary to make the statements made not

misleading, in light of the circumstances under which the statements are made, based on Corporations Code section 25401.

5. Respondents have violated section 25401 of the Corporations Code by offering to sell, or selling, securities in California by means of false and misleading statements of material fact, or by omitting to state material facts necessary to make the statements made not misleading in light of the circumstances. This Conclusion is based on Legal Conclusions 1 and 4, and Factual Findings 5 through 9.

6. Cause exists to order Respondents to desist and refrain from the offer or sale of any unqualified securities within the State of California, or from the offer and sale of securities in the State of California through the use of untrue statements of material fact, or through the omission of material facts which would be necessary to make the statements made not misleading, in the light of the circumstances under which the statements are made, based on all the foregoing.

ORDER

The Desist and Refrain Order issued by the Commissioner to Respondents EurOrient Financial Group, Ltd., and Ron Nechemia is hereby upheld, and the appeal from it is denied.

November 23, 2009

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Joseph D. Montoya
Administrative Law Judge
Office of Administrative Hearings