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CENTRAL DISTRICT OF CALIFORNIA
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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

NATIONAL INVESTMENT
ENTERPRISES, INC., a/k/a
NATIONAL ENTERPRISES, INC.,
AND MELKON GHARAKHANIAN,
a/k/a MICHAEL GARIAN, a/k/a BIKA
BALIAN,

Defendants,

and

AEGIS FINANCIAL, LLC,

Relief Defendant.

No. CV 03-0896 DSF (JWJx)

JUDGMENT OF PERMANENT
INJUNCTION AGAINST
DEFENDANTS MELKON
GHARAKHANIAN A/K/A
MICHAEL GARIAN AND
NATIONAL INVESTMENT
ENTERPRISES, INC.

THIS CONSTITUTES NOTICE OF ENTRY
AS REQUIRED BY FRCP, RULE 77(d).

The Court's ruling granting in part Plaintiff Securities and Exchange Commission's motion for summary judgment against Defendants Melkon Gharakhanian a/k/a Michael Garian ("Garian") and National Investment Enterprises, Inc. ("NIE") was entered on February 6, 2004. The Court found that Garian and NIE violated the registration requirements of the Securities Act of

1 1933 (“Securities Act”), the antifraud provisions of the Securities Act and the
2 Securities Exchange Act of 1934 (“Exchange Act”), and the antifraud provisions
3 of the Investment Advisers Act of 1940 (“Advisers Act”). The Court further
4 found that NIE violated the registration provisions of the Investment Act of 1940
5 (“Investment Company Act”).

6 As a result, the Court grants plaintiff’s request for a permanent injunction
7 as follows.

8 I. LEGAL STANDARD

9 The Ninth Circuit has held that permanent injunctions may be granted on
10 summary judgment. SEC v. Murphy, 626 F.2d 633, 655 (9th Cir. 1980). In
11 order to obtain a permanent injunction, the plaintiff has the burden of showing
12 there is a reasonable likelihood of further violations of the securities laws. Id.
13 The defendants’ past violation of the securities laws may give rise to an
14 inference that there will also be future violations. Id. A court, in reviewing the
15 circumstances surrounding the defendant and his violations, also relies on the
16 following factors: 1) the degree of scienter involved; 2) the isolated or recurrent
17 nature of the infraction; 3) the defendant’s recognition of the wrongful nature of
18 his conduct; 4) the likelihood, because of defendant’s professional occupation,
19 that future violations may occur; and 5) the sincerity of his assurances against
20 future violations. Id.

21 The Court agrees with plaintiff that defendants’ conduct exhibits a high
22 degree of scienter based on the evidence. Additionally, the Court has found that
23 defendants have violated the securities laws repeatedly by purchasing and selling
24 numerous securities and obtaining numerous investors as part of it scheme. The
25 Court also notes that Garian has asserted the Fifth Amendment privilege
26 throughout the litigation, and therefore the Court draws an adverse inference
27 against him for failure to provide any proof that he will not violate the securities
28 laws in the future.

1 Therefore, the Court finds that the totality of the circumstances suggests
2 the need for an injunction.

3 II. PERMANENT INJUNCTION

4 1. IT IS ORDERED that Garian, NIE and their officers, agents
5 servants, employees, attorneys, and all persons in active concert or
6 participation with them who receive actual notice of this Judgment
7 by personal service or otherwise are permanently restrained and
8 enjoined from violating Section 5 of the Securities Act, 15 U.S.C. §
9 77e, by, directly or indirectly, in the absence of any applicable
10 exemption:

- 11 a) making use of any means or instruments of transportation or
12 communication in interstate commerce or of the mails to sell
13 a security through the use or medium of any prospectus or
14 otherwise, unless a registration statement is in effect as to
15 such security;
- 16 b) carrying or causing to be carried through the mails or in
17 interstate commerce, by any means or instruments of
18 transportation, any security for the purpose of sale or for
19 delivery after sale, unless a registration statement is in effect
20 as to such security; or
- 21 c) making use of any means or instruments of transportation or
22 communication in interstate commerce or of the mails to offer
23 to sell or offer to buy through the use or medium of any
24 prospectus or otherwise any security, unless a registration
25 statement has been filed with the Commission as to such
26 security, or while the registration statement is the subject of a
27 refusal order or stop order or (prior to the effective date of the
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registration statement) any public proceeding of examination under Section 8 of the Securities Act, 15 U.S.C. § 77h.

2. IT IS FURTHER ORDERED that Garian and NIE and their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a). Specifically, Garian and NIE and their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise are restrained and enjoined from, in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly:
- a) employing any device, scheme, or artifice to defraud;
 - b) obtaining money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
 - c) engaging in any transaction, practice, or course of business that operates or would operate as a fraud or deceit upon the purchaser.
3. IT IS FURTHER ORDERED that Garian and NIE and their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with any of them who receive actual notice of this Judgment by personal service or otherwise are permanently

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restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5, by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

- a) to employ any device, scheme, or artifice to defraud;
- b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

4. IT IS FURTHER ORDERED that Grain and NIE and their officers, agents, servants, employees, attorneys, and those persons in active or participation with any of them, who receive actual notice of this Judgment, by personal service or otherwise are permanently restrained and enjoined from violating Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. § 80b-6(1) and 80b-6(2), directly or indirectly, by using any means or instrumentality of interstate commerce, or of the mails:

- a) to employ any devices, schemes, or artifices to defraud clients or prospective clients; and
- b) to engage in transactions, practices, or course of business that operates as a fraud or deceit upon clients or prospective clients.

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5. IT IS FURTHER ORDERED that NIE and its officers, agents, servants, employees, attorneys, and those persons in active concert or participation with any of them, who receive actual notice of this Judgment, by personal service or otherwise are permanently restrained and enjoined from violating Section 7(a) of the Investment Company Act, 15 U.S.C. § 80a-7(a), directly, or indirectly, by offering for sale or delivery after sale by use of the mails or means or instrumentalities of interstate commerce, securities or an interest in a security without first being registered as an investment company in accordance with Section 8 of the Investment Company Act, 15 U.S.C. § 80a-8.

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III. OTHER RELIEF

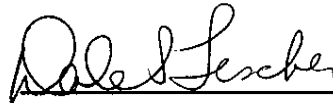
6. IT IS FURTHER ORDERED that Garian and NIE shall provide all documents in their possession, custody or control to plaintiff and disclose under oath all information with respect to its activities of others about which the plaintiff or its staff may inquire or request. Such production of documents and disclosure of information by these defendants shall be made upon reasonable notice in writing and without service of a subpoena and subject only to the good faith assertion of any privileges recognizable pursuant to the provisions of Rule 501 of the Federal Rules of Evidence or the United States Constitution and amendments thereto. Failure to comply with the foregoing will subject Garian and NIE to the sanctions set forth in Rule 37 of the Federal Rules of Civil Procedure and all other available remedies. Garian shall retain at all time the right to invoke valid privileges, including his rights under the Fifth Amendment of the United States Constitution.

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7. The Court established a briefing schedule regarding the issue of disgorgement at the February 2, 2004 hearing. Accordingly, the Court retains jurisdiction over this action to determine the amount of disgorgement, civil money penalties and other relief as the Court may deem necessary and just.

IT IS SO ORDERED.

DATED: 2-9-04



DALE S. FISCHER
United States District Judge