

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4575 / November 29, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17699

In the Matter of

SHERVIN NEMAN and
NEMAN FINANCIAL, INC.,

Respondents.

ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTIONS
203(e) AND 203(f) OF THE INVESTMENT
ADVISERS ACT OF 1940 AND NOTICE OF
HEARING

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Respondents Shervin Neman (“Neman”) and Neman Financial, Inc. (“Neman Financial”) (collectively, “Respondents”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENTS

1. Respondent Shervin Neman, age 35, is a California resident who is the sole owner and chief executive officer of Respondent Neman Financial, Inc.

2. Respondent Neman Financial, Inc. is a California corporation registered with the Commission as an investment adviser. Neman Financial was formed by Neman in June 2010, with its principal place of business in Los Angeles, California.

B. THE DISTRICT COURT ACTION AND ENTRY OF THE INJUNCTION

3. On April 11, 2012, the Commission filed an action in the United States District Court for the Central District of California against Neman and Neman Financial alleging that they

were engaged in an ongoing Ponzi scheme and seeking emergency relief. *SEC v. Shervin Neman and Neman Financial, Inc.*, Case No. CV 12-03142 (C.D. Cal.). The Complaint alleged that the Respondents solicited investors for three categories of investments: (1) foreclosed bank-owned properties which Neman Financial had purportedly purchased in bulk and would resell to buyers with whom Neman had a longstanding relationship and who had committed to purchase the properties; (2) investment in a pool of investor funds which would be used to purchase shares of issuers such as Facebook and ZocDoc, Inc.; and (3) investment in a pool of investor funds which would be used to purchase shares of issuers such as General Motors, LinkedIn, Groupon, and Angie's List prior to their initial public offerings ("IPOs"), which shares would be sold at a profit after the IPOs. In fact, rather than investing client monies in these securities, the Respondents operated a Ponzi scheme, using new investor funds to pay principal and purported profits to existing investors. Neman also used investor funds to make various personal purchases.

4. On April 13, 2012, the district court granted the Commission's application for a temporary restraining order prohibiting future violations of the antifraud provisions and other relief. On April 18, 2012, the district court issued a preliminary injunction.

5. On May 16, 2013, the district court issued an order to stay discovery pending the resolution of *United States v. Neman*, Case No. CR 13-289 (C.D. Cal.), a criminal case brought against Neman subsequent to the Commission filing its action, arising substantially from the same facts on which the Commission's action was based. Neman was found guilty of two counts of wire fraud and one count of mail fraud, and sentenced to a term of 135 months in prison and ordered to pay restitution of \$3,279,185.63.

6. The Commission filed a motion for summary judgment against Neman in *SEC v. Neman* based on the facts underlying the criminal conviction and other undisputed facts. On September 24, 2015, the district court issued an order granting the Commission's motion as to four of its six claims for relief against Neman, which order the district court corrected and amended on December 15, 2015.

7. The Commission subsequently filed a motion for default judgment against Neman Financial. On July 15, 2016, the district court issued an order granting the Commission's motion as to all six of its claims for relief against Neman Financial.

8. The Commission filed a second summary judgment motion against Neman with regard to its remaining two claims. On November 7, 2016, the district court issued an order granting the Commission's motion as to its remaining two claims against Neman.

9. On November 16, 2016, the district court entered a final judgment against Neman and Neman Financial, Inc., permanently enjoining the Respondents from future violations of the antifraud provisions of Sections 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1), (2) and (4) of the Advisers Act; the books and records requirements of Section 204(a) of the Advisers Act and Rule 204-2 thereunder; and the registration requirements of Section 203A of the Advisers Act.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

- A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;
- B. What, if any, remedial action is appropriate in the public interest against Respondent Neman pursuant to Section 203(f) of the Advisers Act; and
- C. What, if any, remedial action is appropriate in the public interest against Respondent Neman Financial pursuant to Section 203(e) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondents fail to file the directed answer, or fail to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2), the Administrative Law Judge shall issue an initial decision no later than 75 days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B) Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a motion pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250; or (C) The determination by the hearing officer that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155 and no hearing is necessary.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields
Secretary