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**STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS**

TO: Timothy Cho (aka: Tim Cho; Hin-Kong Cho)
Newport Coast Entertainment Corporation (aka: Newport Coast Equities)
Newport Coast Capital Corporation
620 Newport Center Drive, Suite 1100
Newport Beach, California 92660

Mahmoud Karkehabadi (aka: Mike Karkehabadi; Mike Karkeh; Mike K)
Alliance Group Entertainment, Inc.
801 South Main Street
Burbank, California 91506

DESIST AND REFRAIN ORDER

(For violations of sections 25110, 25210 and 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times, Timothy Cho aka Tim Cho; aka Hin-Kong Cho; (“Cho”) was a president, principal and control person of both Newport Coast Capital Corporation aka Newport Coast Equities (NCC) and Newport Coast Entertainment Corporation (NCEC). Both NCC and NCEC were operated by Cho from 620 Newport Center Drive, Suite 1100, Newport Beach, California 92660.

2. At all relevant times, Mahmoud Karkehabadi aka Mike Karkehabadi; aka Mike Karkeh; aka Mike K (“Karkehabadi”) was the CEO, principal and control person of Alliance Group Entertainment, Inc. (“Alliance”). At all relevant times, Alliance was operated by Karkehabadi from 801 South Main Street, Burbank, California 91506.

3. At all relevant times, NCC was an active California Corporation, having filed with the California Secretary of State on or about April 6, 2005.

1 4. At all relevant times, NCEC was an active California Corporation, having filed with
2 the California Secretary of State on or about May 9, 2005.

3 5. At all relevant times, Alliance was an active Nevada Corporation, having filed with
4 the Nevada Secretary of State on or about December 10, 2002. Alliance has also filed with the
5 California Secretary of State as a foreign corporation on or about February 25, 2005.

6 6. Beginning in at least April 2005, Cho and NCC registered and began operation of the
7 Internet website: www.nccptl.com. Beginning in at least June 2005, Cho and NCEC registered and
8 began the operation of the Internet website: www.nceus.com.

9 7. Cho, NCC and NCEC advertised a “Real Estate Investment Division” and a “Motion
10 Picture Investment Division” on both websites. Cho, NCC and NCEC also advertised investment
11 opportunities through newspapers such as the Los Angeles Times and through Internet classified
12 advertisements.

13 8. Cho, NCC and NCEC offered and sold securities in the form of “movie production
14 loan” programs in Alliance. Specifically, Cho, NCC and NCEC offered two investment “programs”
15 in Alliance: Program A promised 25% fixed return for a 12 month fixed term investment and
16 included annual interest payments. Program B promised 18% fixed return for a 12 month fixed term
17 investment and 1.5% monthly interest payments.

18 9. Cho and NCC (also referred to as “Newport Coast Equity” on the two websites)
19 offered or sold securities in the form of investment contracts comprised of pooled investor money
20 that was to be used to make real estate purchases. The website also stated that the
21 requirements/details for investments were:

- 22 a. An investment of \$20,000 or greater;
23 b. A promised 10% return per transaction;
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- 1 c. A “yearly goal” of 3-4 transactions by Cho and NCC/ “Newport Coast Equity;
- 2 d. The claim that a typical transaction period was to be 60-90 days;
- 3 e. Investor money would be available with 30 days notice;
- 4 f. Investor capital was said to be secured by the real estate during the transaction
- 5 period.
- 6

7 10. In connection with the offer and sale of these securities, Timothy Cho, Newport Coast
8 Capital Corporation, Newport Coast Entertainment Corporation, Mahmoud Karkehabadi and Alliance
9 Group Entertainment, Inc., made, or caused to be made, misrepresentations of material fact or
10 omitted to state material facts necessary in order to make the statements made, in the light of the
11 circumstances under which they were made, not misleading. These misrepresentations and omissions
12 included, but are not limited to the following:

- 14 a. Failure to disclose that the Federal Trade Commission filed suit, and obtained
15 a judgment against Timothy Cho for deceptive acts or practices in connection
16 with the promotion or distribution of an investment trading system, in violation
17 of Section 5(a) of the FTC Act and 15 U.S.C. Section 45(a). Cho was ordered
18 to refrain from making any further misrepresentations in the advertisement of
19 his investment trading system, which had been promoted and sold through his
20 company Tim Cho Investment Corp;
- 22 b. Failure to disclose that neither Timothy Cho, NCEC nor NCC are licensed as
23 broker-dealers, by the State of California, Department of Corporations
24 pursuant to Corporations Code 25210 of the California Corporate Securities
25 Law of 1968, but nonetheless effected transactions in the above mentioned
26 securities;
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- 1 c. Failure to disclose that the above-mentioned investments in movie production
- 2 loans and real estate investment pools are securities under Section 25110 of the
- 3 California Corporate Securities Law of 1968 and require qualification under
- 4 said law;
- 5
- 6 d. Failure to disclose that the California Attorney General filed suit, and obtained
- 7 a judgment against Mahmoud Karkehabadi for his involvement as a principle
- 8 of First National Credit (FNC). First National Credit deceptively marketed the
- 9 sale of its credit cards, in violation of California's false advertising and unfair
- 10 business practices laws;
- 11
- 12 e. Failure to disclose that the Pennsylvania Securities Commission issued a
- 13 “Summary Order to Cease and Desist” against NCEC and Cho for (1) the
- 14 unlicensed offer or sales of securities in the form of “Movie Picture Finance
- 15 Agreements”; and (2) the offer or sale of securities without a license from the
- 16 state to act as a “broker-dealer” of securities;
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18 11. The Department of Corporations has not issued a permit or other form of

19 qualification authorizing Timothy Cho, Newport Coast Capital Corporation, Newport Coast

20 Entertainment Corporation, Mahmoud Karkehabadi nor Alliance Group Entertainment, Inc., to offer

21 or sell the above mentioned securities in this state. The investments are not exempt from the

22 qualification requirement under Section 25110 of the California Corporate Securities Law of 1968.

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24 12. Neither Timothy Cho, Newport Coast Capital Corporation, nor Newport Coast

25 Entertainment Corporation have obtained a certificate as a broker-dealer from the California

26 Corporations Commissioner or have qualified as an agent by the Commissioner to offer or sell

27 securities in this state.

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1 Based upon the foregoing findings, the California Corporations Commissioner
2 is of the opinion that the investments offered and/or sold by Timothy Cho, Newport Coast Capital
3 Corporation, Newport Coast Entertainment Corporation, Mahmoud Karkehabadi and Alliance Group
4 Entertainment, Inc., are securities subject to qualification under the California Corporate Securities
5 Law of 1968 and are being or have been offered or sold without being qualified in violation of
6 Corporations Code Section 25110.

8 Pursuant to Section 25532 of the Corporate Securities Law of 1968, Timothy Cho, Newport
9 Coast Capital Corporation, Newport Coast Entertainment Corporation, Mahmoud Karkehabadi and
10 Alliance Group Entertainment, Inc., are hereby ordered to desist and refrain from the further offer or
11 sale in the State of California of securities in the form of investment contracts comprised of real
12 estate investment pools or movie production loans, unless and until qualification has been made
13 under said law or unless exempt.

15 Further, the California Corporations Commissioner is of the opinion that the securities offered
16 and sold by Timothy Cho, Newport Coast Capital Corporation, Newport Coast Entertainment
17 Corporation, Mahmoud Karkehabadi and Alliance Group Entertainment, Inc. were offered and sold
18 in this state by means of written or oral communications that included untrue statements of material
19 fact or omitted to state material facts necessary in order to make the statements made, in the light of
20 the circumstances under which they were made, not misleading, in violation of section 25401 of the
21 Corporate Securities Law of 1968.

24 Pursuant to Section 25532 of the Corporate Securities Law of 1968, Timothy Cho, Newport
25 Coast Capital Corporation, Newport Coast Entertainment Corporation, Mahmoud Karkehabadi and
26 Alliance Group Entertainment, Inc. are hereby ordered to desist and refrain from offering or selling
27 any security in the State of California, including, but not limited to, investment contracts comprised
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1 of real estate investment pools and movie production loans by means of any written or oral
2 communication which includes an untrue statement of a material fact or omits to state a material fact
3 necessary in order to make the statements made, in the light of the circumstances under which they
4 were made, not misleading.
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6 Timothy Cho, Newport Coast Capital Corporation, and Newport Coast Entertainment
7 Corporation have also effected transactions in securities as broker-dealers without first having
8 applied for and secured from the Commissioner a certificate, then in effect, authorizing these persons
9 to act in that capacity, in violation of Section 25210 of the Corporate Securities Law of 1968.
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11 Pursuant to Section 25532 of the Corporate Securities Law of 1968, Timothy Cho, Newport
12 Coast Capital Corporation, and Newport Coast Entertainment Corporation are hereby ordered to
13 desist and refrain from effecting any transaction in, or inducing or attempting to induce the purchase
14 or sale of any security in this state, unless and until they have applied for and secured from the
15 Commissioner a certificate, then in effect, authorizing these persons to act in that capacity.
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17 This Order is necessary, in the public interest, for the protection of investors and consistent
18 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

19 Dated: May 21, 2007
20 Los Angeles, California

21 PRESTON DUFAUCHARD
22 California Corporations Commissioner

23 By _____
24 ALAN S. WEINGER
25 Lead Corporations Counsel
26 Enforcement Division
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