



British Columbia Securities Commission

Citation: 2017 BCSECCOM 91

Amended Notice of Hearing

**Garo Aram Deyrmenjian, Raffi Khorchidian,
David Craven, and EuroHelvetia TrustCo. S.A. now known as EHT Corporate
Services S.A.**

(collectively, the Respondents)

Section 161 of the *Securities Act*, RSBC 1996, c. 418

¶ 1 The British Columbia Securities Commission (Commission) will hold a hearing (Hearing) at which the Executive Director will tender evidence, make submissions and apply for orders against the Respondents under sections 161, 162, and 174 of the *Securities Act*, RSBC 1996, c. 418 (Act), based on the following facts:

Summary

1. Between December 27, 2010 and April 27, 2011 (the relevant period), the Respondents orchestrated a pump and dump scheme involving securities of Kunekt Corporation (Kunekt) which were quoted on the Over The Counter Bulletin Board markets in the United States (OTCBB).
2. As part of the scheme, the Respondents:
 - obtained 13.8 million Kunekt shares through private transactions;
 - paid another party to promote Kunekt shares through mass email blasts; and then
 - sold their Kunekt shares as the price of the shares increased for net proceeds of almost \$20 million.
3. By engaging in the conduct as set out in this Amended Notice of Hearing, the Respondents, directly or indirectly, engaged in or participated in conduct relating to Kunekt's shares that they knew, or reasonably should have known, resulted in or contributed to a misleading appearance of trading activity in, or an artificial price for, Kunekt's shares, contrary to section 57(a) of the Act.
4. David Craven (Craven) authorized, permitted or acquiesced in EuroHelvetia TrustCo. S.A.'s conduct relating to Kunekt's shares that resulted in or contributed to a misleading appearance of trading activity in, or an artificial price for, Kunekt's shares. Under section 168.2 of the Act, Craven also contravened section 57(a) of the Act.



Background

Respondents

5. Garo Aram Deyrmenjian (Deyrmenjian) is a resident of British Columbia.
6. Raffi Khorchidian (Khorchidian) was a resident of British Columbia during the relevant period.
7. Deyrmenjian and Khorchidian are former business associates and have been friends for over 25 years. They are both experienced with public companies.
8. EuroHelvetia TrustCo S.A. (EuroHelvetia), now known as EHT Corporate Services S.A, is a Swiss wealth management firm. Khorchidian and Deyrmenjian were EuroHelvetia clients.
9. Craven was a managing director of EuroHelvetia and a resident of Switzerland.

Non Respondents

10. CFM is a Florida company in the business of writing and distributing promotional materials about public companies. As part of their pump and dump scheme, the Respondents retained CFM to prepare and distribute promotional materials touting Kunekt's shares (Kunekt Promotional Materials).
11. Kunekt is a Nevada company. It was an OTC reporting issuer under the Act during the relevant period because its business was directed or administered in or from British Columbia.
12. From its inception until September 2010, Kunekt was a development-stage company focused on entering the credit card business with a proprietary, patent-pending credit card (Kunekt card). During that period, Kunekt had no revenues and its shares were thinly-traded.
13. In September 2010, Kunekt announced it had abandoned its patent application for the Kunekt card. It had no other business or technology. On December 2, 2010, Kunekt announced that it was shifting its primary focus to designing, building, and marketing mobile phones, smart phone and tablets. China was one of its target markets. On December 8, 2010, Kunekt announced it had signed a letter of intent to acquire two Chinese companies in the mobile phone business.

Market Manipulation

Respondents obtain 13.8 million Kunekt shares

14. In or about November 2010, Deyrmenjian and Khorchidian learned that Kunekt was planning to enter the smart phone business in China.



15. In November 2010, Deyrmenjian, Khorchidian, and EuroHelvetia obtained 13.8 million Kunekt shares (Promotion Shares) through private transactions with existing shareholders. The private transactions were carried out through offshore companies that Deyrmenjian, Khorchidian, and EuroHelvetia beneficially-owned or controlled. The Promotion Shares were deposited among five offshore accounts.

16. The Promotion Shares represented about:

- 22% of Kunekt's 62 million issued and outstanding shares; and
- 45% of Kunekt's 30 million free-trading shares.

Kunekt Promotion

17. In early January 2011, Craven and EuroHelvetia retained CFM to prepare and distribute the Kunekt Promotional Materials. The Kunekt Promotional Materials were to be sent to about 6.5 million email addresses per week beginning on January 25, 2011.

18. Beginning on about January 10, 2011, CFM retained various firms to arrange mass email blasts of the Kunekt Promotional Materials.

19. On January 25, 2011, the various firms CFM retained began to distribute the Kunekt Promotional Materials using mass email blasts.

20. The Kunekt Promotional Materials were grossly promotional and misleading, and included the following claims:

- I've just discovered the next Apple!
- In all my years, I can't remember a company that could virtually guarantee us 5,192% profits, but [Kunekt] can.
- Their newest smartphone named the Kruze and their tablet, the Krush, are not only comparable to Apple's iPhone and iPad respectively, but by some standards are far superior. They're priced at about 50% of what Apple charges for their iPhone and iPad products now.
- Kunekt is the proverbial "Holy Grail" stock that is a legitimate game changer.
- By grabbing shares now, you're virtually locking in profits that could be worth millions!

21. In fact, at this point in time, Kunekt had not manufactured any smartphones or tablets, nor were they close to doing so. Kunekt stated in its January 28, 2011 Form 10-K annual report filed with the SEC:



- They have not yet entered into any formal agreement to manufacture their proposed smartphone and tablet.
- There is no guarantee that any manufacturer will develop their products.
- Their plan is to sign a distribution agreement before engaging a manufacturer to produce their products.

22. In early and mid-February 2011, Craven and EuroHelvetia instructed CFM to continue mass email blasts of the Kunekt Promotional Materials to 6.5 million addresses per week, each time for two more weeks, which CFM did.

23. In early March 2011, Craven and EuroHelvetia instructed CFM to continue mass email blasts of the Kunekt Promotional Materials to 2.5 million email addresses per week for the next six weeks, which CFM did.

24. Deyrmenjian, Khorchidian, Craven, and EuroHelvetia paid CFM for, or contributed to the payment of, the Kunekt Promotional Materials using Swiss accounts they beneficially-owned.

Increase in share price and trading volume during relevant period

25. Before the relevant period, Kunekt shares were thinly-traded:

- They traded on twelve days in 2010 for a total volume of 137,500 shares.
- Kunekt's share price last closed at 55 cents.

26. During the relevant period, over 163 million Kunekt shares traded. Kunekt's share price reached a high of \$2.89 on February 28, 2011, giving Kunekt a market capitalization of almost \$180 million.

27. As of February 28, 2011, Kunekt:

- Was still a development-stage company.
- Did not own any patents or have any pending patent applications.
- Had about \$360,000 in assets.
- Had no revenues since its inception.
- Still had not manufactured any smart phones or tablets.
- Had not signed any agreement with a manufacturer to manufacture any smart phones or tablets.

The Respondents sold their Kunekt shares

28. During the relevant period, Deyrmenjian, Khorchidian, and EuroHelvetia, through offshore companies and accounts they beneficially owned, sold their Promotion Shares, and additional Kunekt shares they purchased in the open market:



- Deyrmenjian sold 6,000,947 shares for net proceeds of \$7.3 million.
- Khorchidian sold 6,391,207 shares for net proceeds of \$7.3 million.
- EuroHelvetia sold 3,283,132 shares for net proceeds of \$5.1 million, and it paid about \$4 million of those proceeds to Deyrmenjian's and Khorchidian's offshore companies.

29. Two months after the relevant period, Kunekt shares lost over 66% of their value closing at 19.5 cents on June 29, 2011. By the end of 2011, Kunekt's share price dropped to 3 cents.

Hearing Process

The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, for the Hearing which has been set for **Monday, June 19, 2017 to Tuesday, June 27, 2017, beginning each day at 10:00 a.m.** Relevant information gathered by Commission Staff in the investigation of this matter will be disclosed to the Respondents upon request to the Executive Director.

¶ 2 At the Hearing, the Respondents may be represented by counsel, make submissions and tender evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.

¶ 3 If the Respondents or their counsel do not appear at the Hearing, the Executive Director may apply to have questions of liability and sanction heard at the same time and determinations adverse to the Respondents may be made.

Peter J Brady
Mar 8 2017 3:05 PM -08:00

¶ 4 Peter J. Brady
Executive Director