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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING  
whether there has been a violation of the  
Securities Act of Washington by:

Order Number S-04-206-05-CO01

CONSENT ORDER

VIKTOR VASILYEVICH KLIMENKO, d/b/a  
INTERNATIONAL SUPPLIER AR,

Respondent.

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**INTRODUCTION**

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On April 29, 2005, the Securities Division, Department of Financial Institutions, State of Washington (“Securities Division”), issued Summary Order No. S-04-206-05-TO01 (“Summary Order”) against Respondent Viktor V. Klimenko, doing business as International Supplier AR, (“Respondent”). Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division and Respondent enter into this Consent Order in settlement of this matter. Respondent has cooperated with the Division’s investigation into this matter, and admits to offering and selling unregistered securities in violation of the Securities Act. With that exception, Respondent neither admits nor denies the Findings of Fact and Conclusions of Law.

**FINDINGS OF FACT**

***I. RESPONDENT***

1. Viktor Vasilyevich Klimenko (“Klimenko”) is a Russian citizen of the Ukraine who is a permanent resident of the United States. He lives in Kirkland, Washington. In June 1999, Klimenko registered with the Washington State Department of Revenue to do business as International Supplier A R (“International”).

***II. NATURE OF THE VIOLATIONS***

2. Klimenko, doing business as International, trades with Russia. From 1999 through 2001, International was primarily involved in importing iron products from Russia. Beginning in 2002, Klimenko became increasingly involved in exporting American goods to Russia. From 1999 through November 2002,

CONSENT ORDER

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Department of Financial Institutions  
Securities Division - Compliance Unit  
PO Box 9033 Olympia, WA 98507-9033  
360-902-8700

1 Klimenko financed his business through his own capital and through loans from his immediate family  
2 members, particularly his sister and brother-in-law, Valentina and Garry Estrada.

3 A. Offer and Sale of Promissory Notes in 2002

4 3. In December 2002, Klimenko learned that he could buy three injection-molding machines and related  
5 equipment at auction from the James G. Murphy Co., in Portland, Oregon. The equipment was being  
6 offered at a substantial discount from cost. Klimenko had a buyer for the equipment in Russia. However,  
7 Klimenko did not have sufficient capital to make the purchase.

8 4. Klimenko solicited his family and friends to loan him money for the purchase. Klimenko described the  
9 investment as being "risk free." Three people, all distantly related to Klimenko, eventually agreed to invest:

10 a. Klimenko's brother-in-law's brother-in-law, RK of Portland, Oregon, invested  
11 \$40,000 on December 18, 2002. Klimenko gave RK a promissory note promising to  
repay \$42,000 by January 8, 2003.

12 b. Klimenko's son-in-law's cousin, VS of Everett, Washington, invested \$10,000 on  
13 December 18, 2002. Klimenko gave VS a promissory note promising to repay \$10,600  
by January 10, 2003.

14 c. Klimenko's son-in-law's father, FM of Everett, Washington, invested \$10,000 on or  
15 about December 18, 2002. Klimenko did not provide FM with a promissory note, but  
16 promised to repay the loan shortly. FM subsequently agreed to extend the loan until  
April 2003.

17 5. Klimenko used the proceeds of the loans to purchase the three injection-molding machines and shipped  
18 them to Russia. Klimenko used the proceeds from earth anchor sales to pay off the notes, paying RK  
19 \$22,000 on December 31, 2002 and \$20,000 on January 8, 2003; VS \$10,600 on January 8, 2002; and FM  
20 \$10,800 on April 7, 2003.

21 B. Offer and Sale of Investment Contracts in 2003

22 6. In September 2003, Klimenko borrowed approximately \$45,000 from Valentina and Garry Estrada and  
23 used the money to purchase goods from two local auctions for resale in Russia. Klimenko shipped the  
24

1 goods to Russia where they were resold at a profit. Klimenko split the proceeds, less his expenses, with the  
2 Estradas.

3 7. In November 2003, Klimenko arranged to make purchases at the U.S. Customs Auction in Edison, New  
4 Jersey. Goods at such auctions are sold at deep discounts but cannot be resold in the United States. The  
5 Estradas did not have sufficient funds to finance the purchase. Klimenko asked if Garry Estrada (“Estrada”)  
6 would help him raise the funds. Estrada, a registered investment adviser representative and owner of a  
7 registered investment adviser company, had approximately 45 clients who collectively had more than \$3.5  
8 million in total assets. Estrada agreed to help Klimenko solicit Estrada’s investment advisory clients.  
9 Estrada requested that Klimenko prepare a written document describing the investment.

10 8. Klimenko created a fourteen-page document by adapting a limited partnership agreement he found on  
11 the Internet. Klimenko, with help from Estrada, edited the document, which they titled Agreement of a  
12 Private Placement Offering (the “Agreement”).

13 9. According to the Agreement, the purpose of the offering is to raise funds for “the business of buying  
14 from various auctions, at deep discount, any items or products deemed worthy for resale on a wholesale or  
15 retail basis...” The offering was to commence on November 1, 2003 and continue until December 31, 2004,  
16 unless extended by International for an additional 12 months. While an investment in the offering could  
17 extend for two years, the Agreement provides that it was the intent of International that the investment  
18 would be limited to six months.

19 10. The minimum investment in the offering was \$5,000, while the maximum amount of money to be  
20 raised under the Agreement was limited to \$100,000. Any income generated from the offering was to be  
21 distributed first to International to recover its costs in the purchase and sale of the goods, then investors  
22 were to receive 100% of any profits up to the amount of their original investment. The balance of profits  
23 was then to be distributed so that investors received a 24% annual return. International retained any profits  
24

1 remaining after that distribution. The Agreement called for investors to bear 100% of all losses up to 100%  
2 of their individual investment.

3 11. Klimenko, as acting agent of International, retained complete control over the investment. The  
4 individual investors had no control over the investment. Klimenko and International assumed a fiduciary  
5 duty for the “safekeeping and use” of all funds raised in the offering, and were to be paid a management fee  
6 of no more than 5%. Estrada was to be paid a commission of 8% of the profits for obtaining investors.  
7 Investors were not informed that Estrada would be receiving this commission.

8 12. Thirteen of Estrada’s investment adviser clients invested \$65,719.97 in International. Eleven of the  
9 investors are Washington residents.

10 13. Klimenko used the funds received from the investors to purchase toys, clothes, and equipment from  
11 various auctions, and shipped the items to Russia. Due to delays by the shipping company, some seasonal  
12 items missed the Christmas market. Due to delays and legal problems with customs in Russia, some  
13 products never made it through customs. Due to increased foreign competition, some products that did  
14 make it to market did not sell. Many of the items purchased with investor funds remain in warehouses in  
15 Russia, and none of the investors have been repaid. Klimenko and International are planning to liquidate  
16 the items to raise funds to repay investors.

17 C. Offer and Sale of Promissory Note in 2004

18 14. In January 2004, while in Edison, New Jersey to attend the U.S. Customs Auction, Klimenko met a  
19 fellow Ukrainian living in New Jersey. NS, a bricklayer, was seeking an investment opportunity to  
20 supplement his income. Klimenko told him about his success with International, and solicited an  
21 investment. At Klimenko’s instructions, NS wired \$50,000 to Klimenko and International on January 28,  
22 2004. The next day, Klimenko wrote NS a promissory note detailing the terms of the investment.

23 15. The note provides that Klimenko and International would use the proceeds to purchase winter jackets  
24 and boy’s shirts at the auction. Klimenko promised to split any profits 50/50, and estimated that the clothes

1 would be delivered to Russia and through customs by the end of March 2004. Though the clothes were  
2 purchased and delivered, they did not sell due to delays in shipping and at Russia customs, which reduced  
3 the market for winter clothes.

4 16. On or about January 12, 2005, Klimenko and International paid NS \$8,000 towards his principal.

#### 5 D. Misrepresentations and Omissions

6 17. With all three offerings, Klimenko represented to investors that International was a successful  
7 business. Klimenko failed to disclose that International was operating on successive capital infusions from  
8 family members and had no secure source of capital for operations.

9 18. In 2002, Klimenko represented to investors that the investment was risk-free. Klimenko failed to  
10 disclose any risks concerning the investment, including but not limited to the precarious financial condition of  
11 International and that prior debtors, including HomeBase, had gone out of business, filed bankruptcy, and  
12 defaulted on payments.

13 19. In 2003, Klimenko failed to make any risk disclosures concerning the investment, including but not  
14 limited to the risk of shipping delays, customs delay, changes in Russian customs laws and regulations, and  
15 foreign competition.

16 20. In 2004, Klimenko failed to disclose that one of International's 2003 shipments to Russia had been  
17 plagued by delays, and that investors in that offering had not received any return. In addition, Klimenko  
18 failed to make any risk disclosures concerning the investment, including but not limited to the risk of  
19 shipping delays, customs delay, changes in Russian customs laws and regulations, and foreign competition.

### 20 ***III. REGISTRATION STATUS***

21 21. The promissory notes and investment contracts offered by Respondent Klimenko are not currently  
22 registered in Washington, have not previously been so registered, and no claim of exemption for said  
23 securities is on file.

1 Based on the foregoing Findings of Fact, the following Conclusions of Law are made.

2 **CONCLUSIONS OF LAW**

3 The offer and sale of the promissory notes and investment contracts described above constitutes the  
4 offer and sale of a security as defined in RCW 21.20.005 (10) and (12).

5 Respondent Viktor V. Klimenko, doing business as International Supplier AR, has willfully violated  
6 RCW 21.20.010, the antifraud provision of the Securities Act of Washington, by making, in connection with  
7 the offer or sale of promissory notes and investment contracts, untrue statements of material fact and by  
8 omitting to state material facts necessary in order to make the statements, in light of the circumstances under  
9 which they were made, not misleading.

10 Respondent Viktor V. Klimenko, doing business as International Supplier AR, willfully violated RCW  
11 21.20.140, the securities registration provision of the Securities Act of Washington, by offering or selling  
12 said securities while no registration for such offer or sale was on file with the Division.

13 **CONSENT ORDER**

14 Based upon the foregoing, IT IS AGREED AND ORDERED that pursuant to RCW 21.20.390,  
15 Respondent Viktor V. Klimenko, doing business as International Supplier AR, his employees, partners,  
16 agents, affiliates, subsidiaries, and successors, and any person acting on his behalf with express, implied or  
17 apparent authority to do so, shall each cease and desist from offering or selling securities in any manner in  
18 violation of RCW 21.20.010, the anti-fraud provision of the Securities Act of Washington.

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20 IT IS FURTHER AGREED AND ORDERED that pursuant to RCW 21.20.390, Respondent Viktor V.  
21 Klimenko, doing business as International Supplier AR, his employees, partners, agents, affiliates,  
22 subsidiaries, and successors, and any person acting on his behalf with express, implied or apparent  
23 authority to do so, shall each cease and desist from offering or selling securities in any manner in violation  
24 of RCW 21.20.140, the securities registration provision of the Securities Act of Washington.

1 IT IS FURTHER AGREED AND ORDERED that pursuant to RCW 21.20.325, the exemptions  
2 available to Respondent under RCW 21.20.320(1), (9), and (17) are hereby revoked for a term of three  
3 years commencing on the date of entry of this Order.  
4

5 IT IS FURTHER AGREED AND ORDERED that pursuant to RCW 21.20.390, Respondent shall pay  
6 restitution to investors in the amount of \$107,719.97. Payment shall be mailed ten days after  
7 communication of the entry of this Consent Order to Respondent, and shall be delivered by certified mail  
8 to investors with an accounting of the investment performance and a copy of this Consent Order.  
9 Respondent shall deliver proof of payment and mailing to the Division thirty days after mailing.  
10

11 IT IS FURTHER AGREED AND ORDERED that Respondent shall pay to the Securities Division a  
12 fine of \$40,000, with \$36,000 of that amount suspended based on future compliance with this Order.  
13 Respondent shall pay the balance of \$4,000 to the Division on or before the date of entry of this Order.  
14

15 IT IS FURTHER AGREED AND ORDERED that pursuant to RCW 21.20.390(5), Respondent shall  
16 pay to the Securities Division the costs, fees, and other expenses incurred in the investigation and  
17 prosecution of this matter in the amount of \$3,000 on or before the date of entry of this Order.  
18

19 IT IS FURTHER AGREED that in the event Respondent defaults on any payment, the Division will  
20 provide notice of the default and may thereafter seek recovery of the amounts due, plus costs and attorney  
21 fees, pursuant to the remedies available under the Securities Act of Washington, RCW 21.20.  
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1 IT IS FURTHER AGREED that the Division has jurisdiction and authority to enter this Consent Order.

2 In consideration of the foregoing, Respondent Viktor V. Klimenko, doing business as International  
3 Supplier AR, withdraws his hearing request and waives his right to a hearing and to judicial review of this  
4 matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

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6 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE**

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8 SIGNED this 15th day of December, 2005.

9 Signed by:

Approved for entry by:  
Golbeck Roth, PLLC

10 \_\_\_\_\_  
11 //s//  
12 Viktor V. Klimenko, individually and doing  
13 business as International Supplier AR

\_\_\_\_\_ //s//  
Mark Roth, WSBA No. 21137  
Attorneys for Respondent Viktor V. Klimenko,  
individually and doing business as International  
Supplier AR

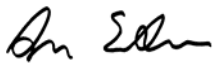
14 ENTERED this 3rd day of January, 2006.

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17 \_\_\_\_\_  
MICHAEL E. STEVENSON  
Securities Administrator

18 Approved for entry by:

Presented by:

19 

20 \_\_\_\_\_  
SUZANNE E. SARASON  
21 Program Manager  
22 Compliance & Examinations



23 \_\_\_\_\_  
ANTHONY W. CARTER  
24 Staff Attorney  
25 Compliance & Examinations