

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-09-465-12-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND
Jeffrey N. Funes;) NOTICE OF INTENT TO ENTER ORDER
Abdulkadir H. Al-nakib;) TO CEASE AND DESIST, TO CHARGE
Respondents) COSTS, AND TO IMPOSE FINES

THE STATE OF WASHINGTON TO: Jeffrey N. Funes
Abdulkadir H. Al-nakib

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents, Jeffrey N. Funes and Abdulkadir H. Al-nakib, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations and to charge costs, and under RCW 21.20.395 to impose fines. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Jeffrey N. Funes (“Funes”) was a resident of Washington during the relevant time period.
2. Abdulkadir H. Al-nakib (“Al-nakib”) was a resident of Washington during the relevant time period.

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER ORDER TO CEASE AND DESIST, TO CHARGE COSTS, AND TO IMPOSE FINES

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 Background

2 3. Between approximately 1985 and 1988, Funes was a registered securities
3 salesperson in the state of Washington. In 1990, Funes was barred by the National
4 Association of Securities Dealers (“NASD”), now known as the Financial Industry Regulatory
5 Authority (“FINRA”), for misuse of customer funds. On February 11, 2000, the Securities
6 Division entered a Summary Order to Cease and Desist against Funes for violations of the
7 registration and anti-fraud provisions of the Securities Act of Washington. The Summary
8 Order alleged that Funes offered and sold unregistered securities, sold securities without a
9 securities salesperson or broker-dealer license, and misrepresented and failed to disclose
10 material facts. The Summary Order was personally served on Funes on or about February 21,
11 2000. The Summary Order ordered Funes to cease and desist from future securities violations.
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13 Nature of the Conduct

14 4. Between approximately 2002 and 2008, Al-nakib and Funes offered and sold at
15 least 70,000 shares of Modular Concepts stock to more than ten investors in Washington and
16 other states. Modular Concepts, Inc. stock was previously traded under the symbols MLCO
17 and MDLR.
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19 5. Between approximately 2010 and 2011, Al-nakib and Funes offered and sold at
20 least 40,000 shares of Middle East Oil Corporation stock to at least four Washington residents.
21 Middle East Oil Corporation stock is an over-the-counter stock traded under the symbol
22 MIDH. According to the OTC Markets Group website, Middle East Oil Corporation stock
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1 presently has no market makers, and is not presently listed, traded, or quoted on any stock
2 exchange, or the Over-the-Counter Bulletin Board (OTCBB).

3 6. The Respondents generally represented to investors that they were selling their
4 own personal shares of the stocks, and offered to sell the stocks at prices ranging from \$0.25
5 per share to as high as \$10 per share. Funes solicited some of his former mortgage broker
6 clients, as well as other persons that he met through poker games and tournaments in
7 Washington. Funes and Al-nakib met investors at their homes, or at other public locations,
8 such as restaurants and casinos.
9

10 7. The Respondents arranged for investors to pay for their investments in cash,
11 cashier's checks, or through personal checks made out to one of the Respondents. Al-nakib
12 instructed one investor to write three checks made out to him personally in the amount of
13 \$7,000 each. Al-nakib drove with another investor to a credit union, so that the investor could
14 withdraw \$8,000 in cash for the investment, while Al-nakib waited in a vehicle outside.

15 8. After providing their funds to Funes and Al-nakib, investors sometimes received
16 stock certificates indicating that the investor owned restricted shares of Modular Concepts Inc.
17 or Middle East Oil Corporation stock.
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19 9. In November 2011, Funes solicited a couple residing in Washington to purchase
20 some of his shares of Middle East Oil Corporation stock. Funes told the investors that he was
21 in the oil business and was working on a "huge deal" that would make him millions. Funes
22 told the Washington residents that he owned about one million shares of Middle East Oil
23 Corporation stock, and that the stock was valued at \$51 per share. Funes stated that he was
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1 willing to sell up to \$10,000 worth of stock for \$10 per share. Funes stated that they needed to
2 “act fast” since the deal would be closing soon. Funes then began calling and sending text
3 messages to the Washington residents, and offered to sell a block of 15,000 shares for only \$1
4 per share because the Washington residents were his “good friends.” Funes stated that Al-
5 nakib was the President of Middle East Oil Corporation, and that he could arrange for the
6 investors to meet Al-nakib to further discuss the investment.
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8 Misrepresentations and Omissions

9 10. In connection with the offer and sale of Modular Concepts, Inc. and Middle East
10 Oil Corporation stock, the Respondents made misleading statements, concerning, among other
11 things, the potential future market price of the stocks and the potential returns that investors
12 could earn. Al-nakib told one investor that he had “inside” information on a merger that was
13 purportedly to take place with Modular Concepts Inc., and that the stock price would increase
14 from approximately \$1.25 to \$1.50 per share to \$30 or \$40 per share or more. Funes told an
15 investor that Modular Concepts stock would “rocket” and would double or triple in value.
16 Funes told another couple that he expected that they would make \$280,000 on a \$2,500
17 investment in Modular Concepts. Similarly, Funes told an investor that a \$2,000 investment in
18 Middle East Oil Corporation would be worth \$100,000. Funes told another prospective
19 investor that Middle East Oil Corporation stock that he was selling for \$1 per share would be
20 worth “closer to \$80 a share.” The Respondents each failed to fully disclose the basis and
21 assumptions underlying these stock price projections.
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1 11. The Respondents failed to disclose the speculative nature of Middle East Oil
2 Corporation stock, and the fact that there was no assurance that an active trading market would
3 develop for the stock. According to publicly available trading information, there has been
4 little or no trading volume in Middle East Oil Corporation stock since it was assigned a trading
5 symbol in January 2010. The Respondents also failed to disclose the fact that they sold
6 Middle East Oil Corporation stock at arbitrary prices.
7

8 12. Funes failed to disclose to some prospective investors that he had previously
9 been barred by the NASD for securities violations, and that he was subject to a Summary
10 Order to Cease and Desist from the Securities Division of the State of Washington for
11 securities violations.

12 13. Funes caused information to be disseminated to investors that misleadingly
13 represented that Middle East Oil Corporation stock was traded on the NASDAQ. Funes
14 provided some prospective investors with a letter that misleadingly stated that Middle East Oil
15 Corporation was “traded on the NASDAQ OTC exchange.” Funes also directed some
16 prospective investors to visit Middle East Oil Corporation’s website, www.meoilcorp.com.
17 Under a “News & Events” heading, the website misleadingly stated that Middle East Oil
18 Corporation is “Trading on Nasdaq” and included a link to NASDAQ’s website. Another
19 portion of the website stated that Middle East Oil Corporation is “is traded on NASDAQ.” In
20 fact, Middle East Oil Corporation stock is not, and has never been listed or traded on the
21 NASDAQ. The link to the NASDAQ’s website merely provides quotation information on
22 over-the-counter stocks, such as Middle East Oil Corporation.
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1 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

2 **CONCLUSIONS OF LAW**

3 1. The offer or sale of the Modular Concepts, Inc. and Middle East Oil Corporation
4 stock described above constitutes the offer or sale of a security as defined in RCW 21.20.005
5 (14) and (17).

6 2. The offer or sale of the stock described above was made in violation of RCW
7 21.20.010 because, as set forth in the Tentative Findings of Fact, Respondents Jeffrey N. Funes
8 and Abdulkadir H. Al-nakib each made misstatements of material facts or omitted to state
9 material facts necessary in order to make the statements made, in light of circumstances under
10 which they were made, not misleading.

11 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

12 Pursuant to RCW 21.20.390(1), and based on the above Tentative Findings of Fact and
13 Conclusions of Law, the Securities Administrator intends to order that Respondents Jeffrey N.
14 Funes and Abdulkadir H. Al-nakib, and their agents and employees, each cease and desist from
15 violations of RCW 21.20.010.

16 **NOTICE OF INTENT TO IMPOSE FINES**

17 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and
18 Conclusions of Law, the Securities Administrator intends to order that Respondents Jeffrey N.
19 Funes and Abdulkadir H. Al-nakib shall be liable for and shall each pay a fine of \$10,000.
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1 **NOTICE OF INTENT TO CHARGE COSTS**

2 Pursuant to RCW 21.20.390(5), and based upon the above Tentative Findings of Fact
3 and Conclusions of Law, the Securities Administrator intends to order that the Respondent
4 Jeffrey N. Funes shall pay the Securities Division the costs, fees, and other expenses incurred in
5 the conduct of the administrative investigation and hearing of this matter, in an amount not less
6 than \$2,500.

7 Pursuant to RCW 21.20.390(5), and based upon the above Tentative Findings of Fact
8 and Conclusions of Law, the Securities Administrator intends to order that the Respondent
9 Abdulkadir H. Al-nakib shall pay the Securities Division the costs, fees, and other expenses
10 incurred in the conduct of the administrative investigation and hearing of this matter, in an
11 amount not less than \$2,500.

12 **AUTHORITY AND PROCEDURE**

13 This Order is entered pursuant to the provisions of RCW 21.20.390 and is subject to the
14 provisions of RCW 34.05. The Respondents may each make a written request for a hearing as
15 set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR
16 HEARING accompanying this order. If a Respondent does not request a hearing, the Securities
17 Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as
18 final, enter a permanent order to cease and desist permanent as to that Respondent, and impose
19 the fines and costs sought.
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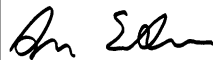
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1 Dated and Entered this 5th day of June, 2012.

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4 WILLIAM M. BEATTY
5 Securities Administrator

6 Approved by:

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9 Suzanne E. Sarason
10 Chief of Enforcement

Presented by:

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13 Robert Kondrat
14 Enforcement Attorney

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INTENT TO ENTER ORDER TO CEASE AND DESIST,
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