STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of: Eugene Kostromitin, Respondent.	Case No. S-17-0038 ORDER TO CEASE AND DESIST; ORDER DENYING RESPONDENT THE USE OF EXEMPTIONS FROM THE SECURITIES REGISTRATION REQUIREMENT; AND CONSENT TO ENTRY OF ORDER. **THIS IS A FINAL ORDER**

The Director of the Department of Consumer and Business Services ("DCBS") for the State of Oregon (the "Director") has determined that Respondent's capital raising activities pose an unfair risk of imposition on purchasers. Therefore, the Director orders Respondent to cease and desist from relying on any exemption to the securities registration requirement contained at ORS 59.035 and denies Respondent the use of such exemptions on a going forward basis.

Respondent submits to the Director's jurisdiction and agrees to waive his right to notice and an administrative hearing under ORS 59.295, and without admitting or denying the factual allegations herein, wishes to resolve this matter by consenting to entry of this Final Order.

Now, therefore, as evidenced by the authorized signature subscribed on this document, the Director issues the following Final Order:

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Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

I. FINDINGS OF FACT

The Director finds that at all times relevant to this Final Order:

1. Eugene Kostromitin ("Respondent") was a resident of Aumsville, Oregon. Respondent was the President and Chief Executive Officer of Prime Net Investments, Inc. ("Prime Net"), an Oregon registered corporation that was formed on October 8, 2008 (Secretary of State, Register Number 552152-98). Respondent dissolved Prime Net on February 3, 2017.

2. On or about October 2008, Respondent introduced family members and friends to

an investment opportunity with an entity named MiHiCo International Limited ("MiHiCo"), a company that was purportedly based in Germany.

3. In October 2008, Respondent incorporated Prime Net to serve as the vehicle for accepting investor funds to make an investment with MiHiCo.

4. In presenting the investment opportunity, Respondent provided prospective investors with a subscription agreement ("the Agreement"). The Agreement stated that Prime Net sought to raise $150,000 U.S. Dollars by issuing 30 shares ($5,000 per share). The Agreement represented that Prime Net shares were secured by shares in MiHiCo, a company that "operates as an Asset/Investment Management Company." The Agreement claimed that investment funds, "will be placed in three different revenues, as follows, Real Estate – 5% (max.), Specialized Equity Investments – 10% (max.), Industry and Technology – 85%."

5. There is no reliable information that Respondent or Prime Net completed due diligence on MiHiCo, which made any investment in MiHiCo unfairly risky to investors.

6. Respondent's offer to sell shares in Prime Net was made available to accredited and non-accredited investors residing in Oregon.

7. On or about February 2010, DS and IS, a married couple, purchased two shares in Prime Net for $10,000 by way of the Agreement. DS and IS were non-accredited investor that lived in Salem, Oregon.

8. The shares in Prime Net were not registered with the Director, nor was Respondent ever licensed to sell securities in Oregon.

9. In total, Respondent raised approximately $45,000 in the sale of shares in Prime Net to seven purchasers. Respondent deposited the investors' funds in Prime Net's bank account in Oregon. Respondent then directed an investment of approximately $45,000 from Prime Net to MiHiCo.

10. On or about March 2012, DS and IS became concerned that they would not receive any return on the investment they placed with Prime Net. In effort to assure DS and IS

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that their investment was not lost, Respondent arranged a Skype ™ meeting between DS and a representative of MiHiCo, named Waldemar Wagner ("Wagner").

11. An outcome of this Skype meeting was that, in March 2012, Wagner provided a promissory note to DS that made Wagner personally obligated to return DS's investment funds by January 4, 2013. To date, DS has received no funds from Wagner.

12. In September 2016, DS and IS complained to the Director about their investment in Prime Net. As part of the DCBS's investigation, an investigator interviewed Respondent, who was cooperative.

13. Respondent alleged he lost approximately $60,000 in personal funds through his investment with MiHiCo.

14. In March 2017, Respondent voluntarily paid $4,000 to DS and IS.

15. To date, the Director has received no other complaints related to Respondent.

II. CONCLUSIONS OF LAW

The Director CONCLUDES that:

1. Paragraphs 1-15 of Section I are incorporated and re-alleged.

2. The Director has jurisdiction over Respondent. ORS 59.235.

3. Prime Net was an "issuer." ORS 59.015(9).

4. Shares in Prime Net were securities. A "share" is commonly known as a "security" within the meaning of ORS 59.015(19)(a).

5. Respondent was a "person." ORS 59.015(14).

6. Respondent was a "control" person for Prime Net. ORS 59.015(2).

7. The investments sold by Respondent were not registered as securities with DCBS under ORS 59.055.

8. ORS 59.035 identifies 15 self-executing exemptions to the securities registration requirement of ORS 59.055, including the exemption for sales by issuers to 10 or less purchasers in any 12 consecutive months. *See* ORS 59.035(12)(a).

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9. Under ORS 59.045(2), "the Director may by order … deny the use of any exemption by a person if the Director has reason to believe that … the use of any exemption by that person would work a[n] … imposition on purchasers." The Director has a reasonable basis to deny the Respondent's the use of the exemptions to the securities registration requirement contained at ORS 59.035 based on the conduct described in Section I.

III. FINAL ORDER

The Director ORDERS that:

1. Pursuant to ORS 59.245(4), Respondent must cease and desist from offering or selling securities that rely on any exemption to the securities registration requirement that is referenced at ORS 59.035.

2. Pursuant to ORS 59.045(2), the Director denies Respondent the use of the exemptions to the securities registration requirements that are referenced at ORS 59.035.

3. This Order is a "Final Order" under ORS 183.310(6)(b). It is not subject to judicial review under ORS Chapter 183. Subject to ORS 183.310(6)(b), the entry of this Order does not limit other remedies that are available to the Director under Oregon law.

IT IS SO ORDERED.

Dated this 11th day of April, 2017.

PATRICK M. ALLEN, Director
Department of Consumer and Business Services

/s/ David Tatman
David C. Tatman, Chief of Enforcement
Division of Financial Regulation

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CONSENT TO ENTRY OF ORDER

I, Eugene Kostromitin, have reviewed the foregoing Final Order by Consent. I have been represented or have had the right to be represented by a lawyer in this matter and voluntarily consent to enter into this Final Order by Consent. I understand that this Final Order by Consent is a public document.

By: /s/ Eugene Kostromitin Date: 4 – 7, 2017.
Signature

State of Oregon
County of Marion

Subscribed and sworn before me, Doug A Bradel,

April 7th, 2017.

Notary Public

/s/ Doug A Bradel

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