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**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

vs.

OHANA INTERNATIONAL, INC.,  
FINANCIAL SOLUTIONS, and  
CHRISTIANO HASHIMOTO,

Defendants.

Case No.

**COMPLAINT FOR VIOLATIONS OF  
THE FEDERAL SECURITIES LAWS**

Plaintiff Securities and Exchange Commission (“Commission”) alleges as follows:

**JURISDICTION AND VENUE**

1. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(2), 21(d)(3)(A), 21(e) and 27 of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1), 78u(d)(2), 78u(d)(3)(A), 78u(e) & 78aa. Defendants have, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of

the mails, or of the facilities of a national securities exchange, in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

2. Venue is proper in this district pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa, because the defendants reside and conduct business in the district and certain of the transactions, acts, practices, and courses of conduct constituting violations of the federal securities laws occurred within this district.

### SUMMARY

3. This case involves an ongoing, apparent Ponzi scheme and affinity fraud perpetrated by Ohana International, Inc., Financial Solutions, and Christiano Hashimoto (the “defendants”). From at least July 2003 to the present, defendants and their sales agents have conducted an unregistered offering of securities in the form of renewable 30-day promissory notes issued by Financial Solutions (“FS Notes”), which offer investors patently unrealistic returns of 10% to 20% per month.

4. Defendants claim they have raised \$8 million from investors, and their ongoing solicitations of hundreds of potential investors in the African-American community strongly suggest they may have raised millions more.

5. On October 22, 2004, Ohana and Hashimoto hosted a lavish buffet dinner and sales presentation at the Ritz-Carlton Hotel in Marina Del Rey, California, attended by almost 500 prospective investors, most of whom were African-American. After dinner, Hashimoto solicited the prospective investors to invest in the FS Notes, representing that Financial Solutions uses investor funds to make loans to government contractors and that their investment is secured by a \$100 million government bond.

6. On other occasions, defendants have represented that Financial Solutions uses investor funds specifically to provide financing to Gentech Fabrication, Inc. (“Gentech”), a privately held firm that custom manufactures metal

products. According to Hashimoto, Gentech has been awarded \$13 million in federal government contracts for which it receives substantial progress payments. Hashimoto claims these progress payments are sufficient to finance the monthly returns promised to investors.

7. Contrary to these representations, Gentech has less than \$1.4 million, not \$13 million, in government contracts. Although some investors are receiving returns of 10% or more per month, these returns cannot have been financed by the government contracts, and it appears that defendants actually are operating a Ponzi scheme.

8. Defendants' fraudulent conduct is ongoing. Financial Solutions made another sales presentation regarding the FS Notes to the African-American community in Chicago, Illinois on October 29, 2004, where its sales agent told prospective investors that Financial Solutions financed the performance of a government contract to build "invisible walls" for the Federal Bureau of Investigation. Financial Solutions continues to recruit sales agents to help find new investors.

9. Defendants, by engaging in the conduct described in this complaint, have violated, and unless enjoined will continue to violate, the securities registration, broker-dealer registration, and antifraud provisions of the Securities Act and the Exchange Act. By this complaint, the Commission seeks a temporary restraining order and asset freeze, preliminary and permanent injunctions, disgorgement with prejudgment interest, accountings, an order prohibiting the destruction of documents, an order expediting discovery, and civil penalties against all of the defendants. The Commission also seeks the appointment of a receiver over Ohana and Financial Solutions.

#### **THE DEFENDANTS**

10. Defendant Christiano Hashimoto, age 44, does business as and identifies himself as president of Financial Solutions, an entity located in Riverside

County, California. Hashimoto is also identified as the president of Ohana International, Inc. Hashimoto is not registered with the Commission.

11. Defendant Financial Solutions is described as a “comprehensive financial services firm” on its website, [www.financialsolutionsnet.com](http://www.financialsolutionsnet.com). Financial Solutions has also been described as a division of Ohana International, Inc. Financial Solutions is not registered with the Commission, and no registration statement has been filed with the Commission or is in effect with respect to the FS Notes offering.

12. Defendant Ohana International, Inc. is a Nevada corporation located in Riverside, California. Ohana was incorporated in July 2004 and Hashimoto is president. Ohana sponsored Financial Solutions’ presentation at the Ritz-Carlton Hotel. Ohana is not registered with the Commission.

#### **THE FS NOTES OFFERING**

13. From at least July 2003 to the present, defendants have offered and sold the FS Notes to an unknown number of investors in several states through their fraudulent and unregistered public offering. Solicitations are ongoing.

14. In June 2004, Hashimoto told a group of prospective investors that he and his sales agents had raised \$8 million from investors. Hashimoto described Financial Solutions as “kind of like a venture capital company.” Hashimoto stated that Financial Solutions had about 85 “brokers” soliciting investors for the FS Notes program, five of whom belonged to its “inner circle.” He then described how monies invested in the FS Notes program would be used to finance Gentech’s ongoing contracts to manufacture scaffolding used by the U.S. Air Force in the maintenance of the C-5 aircraft. According to Hashimoto, the timely completion of these contracts by Gentech would lead to additional government contracts totaling \$105 million in value.

15. Hashimoto promises investors in the FS Notes returns of 10% to 20% per month.

16. Investors are encouraged to roll over their investment each month and are warned that they may be dropped from the FS Notes program if they withdraw their principal too often.

17. Defendants issue the FS Notes to investors and Hashimoto signs them as Financial Solutions' president. The FS Notes state that Financial Solutions' repayment obligation is secured by its "security interest in certain government contract" (sic). FS Notes issued months ago did not identify the specific government contract securing the investment, but notes issued recently identify a specific Air Force contract purportedly worth more than \$10 million.

18. Defendants do not provide investors with financial statements.

19. Defendants now appear to be specifically targeting the African-American community to invest in the FS Notes and, according to one investor-turned-sales agent, promoting the offering through some of the African-American community's largest churches in Los Angeles.

20. On October 22, 2004, Ohana and Hashimoto hosted a presentation by Financial Solutions at the Ritz-Carlton Hotel in Marina Del Rey, California for approximately 500 prospective investors, most of whom were African-American. Attendees were treated to a lobster and prime rib dinner and an open bar.

21. Afterwards, Hashimoto, speaking on behalf of Financial Solutions, described the FS Notes offering as a renewable 30-day loan paying a return of 20% the first month and 10% every month thereafter. Defendants had sales agents seated at every table to directly engage prospective investors; one of defendants' sales agents assured a potential investor that the promised returns were paid "like clockwork" and that any late return would be paid at the rate of 33% per month.

22. During the Ritz-Carlton presentation, Hashimoto stated that the loans were used to finance existing government contracts, but he did not name the contracting parties or give the value of those contracts. He assured the attendees, however, that their investments in the FS Notes were secured by a \$100 million

government bond. Hashimoto had offering materials available at the presentation, but they were tightly controlled. Although the attendees were allowed to examine the offering materials, they were not permitted to take the materials with them unless they invested a minimum of \$2,500 in the FS Notes that very night.

23. At other sales presentations to prospective investors, Hashimoto represented that Financial Solutions used investor funds to provide financing to Gentech, which, he stated, had been awarded \$13 million in federal government contracts.

24. Hashimoto told prospective investors that Gentech lacked the equity to secure financing from traditional sources, but that it received substantial progress payments from the government, which enabled Financial Solutions to pay investors 10% per month.

25. Hashimoto also provided investors with documents concerning contracts between an industrial machinery manufacturer, Kamp Systems, Inc. (“Kamp”), and the federal government, leading prospective investors to believe that Kamp had assigned its government contracts to Gentech. Kamp is located in Chino, California, as is Gentech.

#### **DEFENDANTS’ SALES NETWORK**

26. In connection with his most recent presentation, one of defendants’ sales agents e-mailed members of the African-American community and invited them to attend the dinner and sales presentation at the Ritz-Carlton. To promote the event, invitees were told that Mike Tyson, Magic Johnson, and other celebrities would be in attendance.

27. Defendants told one investor that if he wanted to be a sales agent, he would have to bring at least one prospective new investor to the Ritz-Carlton presentation.

28. Hashimoto personally conducts sales presentations and utilizes a network of sales agents and past investors to solicit new prospects for the FS Notes

offering.

29. Hashimoto and Financial Solutions steer some of their insurance and estate planning clients to invest in the FS Notes.

30. In June 2004, one of defendants' sales agents distributed flyers door-to-door promoting an unspecified opportunity that could "secure yourself plus your family's future."

31. Callers to the phone number listed on the flyer were invited to one of defendants' sales presentations in Upland, California, during which Hashimoto represented that Financial Solutions was raising funds for Gentech, that Gentech had been awarded \$13 million in government contracts, and that the FS Notes pay investors 10% per month.

32. Hashimoto also told prospective investors at that sales presentation that defendants had 85 "brokers" working for them.

#### **DEFENDANTS' MISREPRESENTATIONS AND OMISSIONS**

33. Contrary to defendants' representations, Gentech has not been awarded \$13 million in government contracts. In fact, it has less than \$1.4 million in government contracts.

34. Gentech identified 19 contracts it has with the federal government cumulatively worth \$11,871,130, with one of those contracts representing \$10,607,181 of the total amount (the "Air Force contract"). The Air Force contract was terminated in May 2004, more than a month before one of defendants' advertised sales presentations, because the sole aircraft stand delivered under the contract was deemed unacceptable.

35. The contract could have been worth up to \$10.6 million only if the Air Force had exercised its option to order up to six aircraft stands.

36. Although the Air Force made \$1.6 million in progress payments before terminating the contract, it demanded repayment of the entire amount in June 2004, and the Air Force has taken the position that only \$124,099 had

actually been earned prior to termination. In addition, the Air Force contract was, in fact, with Kamp, not Gentech. There is no record of the contract having been assigned or subcontracted by Kamp to Gentech.

37. Thus, the contracts with the federal government total no more than \$1,388,048, which represents the sum of the \$124,099 that has been earned under the purported \$10.6 million contract and the \$1,263,949 paid or due under the remaining 18 contracts identified by Gentech.

38. The May 2004 cancellation of Gentech's purported \$10.6 million contract with the Air Force has not deterred defendants. In October 2004, one of defendants' sales agents told an investor that the contract was still in effect and now worth more than \$13 million to Gentech. In addition, the FS Notes now specifically identify the cancelled Air Force contract as the one that purportedly secures Financial Solutions' repayment obligation.

39. Defendants' representation to prospective investors that Gentech receives progress payments from the federal government sufficient to enable Financial Solutions to pay returns of at least 10% per month to its promissory note investors is also false and misleading.

40. Such promised rates of return are a common indicia of a fraudulent scheme.

41. At a rate of 10% per month, or 120% per year, Gentech and defendants would have to receive at least \$9.6 million in progress payments over the course of one year to finance the interest payments due on the \$8 million defendants claim to have raised for Gentech.

42. As noted, Gentech is a party to 19 government contracts worth only \$1,388,048. Even if Gentech received payment in full on all of these contracts before rendering any performance thereon, and transferred the entire amount to Financial Solutions, these amounts would be insufficient to finance the interest payments due investors in the FS Notes.

43. Upon information and belief, defendants' recent representation to prospective investors at the Ritz-Carlton that their investment is secured by a \$100 million bond is also false.

**DEFENDANTS MAY BE OPERATING A PONZI SCHEME**

44. Defendants are directly responsible for the oral and written representations made to investors, and indirectly responsible for the representations made by their agents to investors.

45. Those misrepresentations constitute the classic indicia of a Ponzi scheme – claims of unsubstantiated business activity generating unrealistic returns that likely are made with investor principal.

**DEFENDANTS ARE ACTING WITH SCIENTER**

46. Based on the foregoing, defendants know, or are reckless in not knowing, that the representations about the value of Gentech's contracts are false. Defendants either know that they have not raised \$8 million for Gentech and that the 10% returns they are paying investors are derived from investor principal, or they are reckless in not validating the amount and source of those monies.

**ONGOING FRAUD**

47. There is a reasonable likelihood that defendants' fraudulent conduct will continue if they are not enjoined.

48. The defendants continue to solicit and accept new investors in the FS Notes offering and are recruiting other sales agents to find new investors.

49. The defendants are promoting the FS Notes offering in larger and larger venues and soliciting hundreds of potential investors at one time.

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**FIRST CLAIM FOR RELIEF**

**UNREGISTERED OFFER AND SALE OF SECURITIES**

**Violations of Sections 5(a) and 5(c) of the Securities Act**

**(Against All Defendants)**

50. The Commission realleges and incorporates by reference paragraphs 1 through 49 above.

51. Defendants, by engaging in the conduct described above, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or of the mails, to offer to sell or to sell securities, or to carry or cause such securities to be carried through the mails or in interstate commerce for the purpose of sale or for delivery after sale.

52. No registration statement has been filed with the Commission or has been in effect with respect to the offering alleged herein.

53. By engaging in the conduct described above, defendants violated, and unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

**SECOND CLAIM FOR RELIEF**

**FRAUD IN THE OFFER OR SALE OF SECURITIES**

**Violations of Section 17(a) Of the Securities Act**

**(Against All Defendants)**

54. The Commission realleges and incorporates by reference paragraphs 1 through 49 above.

55. Defendants, by engaging in the conduct described above, directly or indirectly, in the offer or sale of securities by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails, with scienter:

- a. employed devices, schemes, or artifices to defraud;

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- b. obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- c. engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

56. By engaging in the conduct described above, defendants violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

**THIRD CLAIM FOR RELIEF**

**FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES  
Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder  
(Against All Defendants)**

57. The Commission realleges and incorporates by reference paragraphs 1 through 49 above.

58. Defendants, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, with scienter:

- a. employed devices, schemes, or artifices to defraud;
- b. made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

59. By engaging in the conduct described above, defendants violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

**FOURTH CLAIM FOR RELIEF**

**FAILURE TO REGISTER AS A BROKER-DEALER**

**Violations of Section 15(a) of the Exchange Act  
(Against Ohana and Hashimoto)**

60. The Commission realleges and incorporates by reference paragraphs 1 through 49 above.

61. Defendants Ohana and Hashimoto, and each of them, by engaging in the conduct described above, directly or indirectly, made use of the mails or means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce, the purchase or sale of securities, without being registered as brokers or dealers in accordance with Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

62. By engaging in the conduct described above, defendants Ohana and Hashimoto violated, and unless restrained and enjoined will continue to violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

**PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that the Court:

**I.**

Issue findings of fact and conclusions of law that the defendants committed the alleged violations.

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## **II.**

Issue judgments, in a form consistent with Fed. R. Civ. P. 65(d), temporarily, preliminarily and permanently enjoining defendants and their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Sections 5(a), 15 U.S.C. § 77e(a), 5(c), 15 U.S.C. § 77e(c), and 17(a), 15 U.S.C. § 77q(a), of the Securities Act, and Sections 10(b), 15 U.S.C. § 78j(b), and 15(a), 15 U.S.C. § 78o(a), of the Exchange Act and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

## **III.**

Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining order and a preliminary injunction freezing the assets of each of the defendants (including, without limitation, Bank of America Account Nos. 07342-07343 and 09800-09753), appointing a receiver over defendants Financial Solutions and Ohana, prohibiting each of the defendants from destroying documents, requiring accountings from each of the defendants, and ordering expedited discovery.

## **IV.**

Order each defendant to disgorge all ill-gotten gains from their illegal conduct, together with prejudgment interest thereon.

## **V.**

Order the defendants to pay civil penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

## **VI.**

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

**VII.**

Grant such other and further relief as this Court may determine to be just and necessary.

DATED: November 3, 2004

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