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Size of Scheme Revised Upward

Alleged investment scam preying on churchgoers took in \$25.7 million, a receiver's report says.

By E. Scott Reckard
Times Staff Writer

An alleged investment scam that lured African American churchgoers by promising returns of up to 20% a month raised \$25.7 million from investors, or more than three times the amount originally estimated, a court-appointed receiver's firm said in a report Tuesday.

Christiano Hashimoto of Riverside raised the money from about 1,000 investors, **Robb Evans & Associates** estimated in a report filed in U.S. District Court in Riverside. The report said Hashimoto's operations had the hallmarks of "a classic Ponzi scheme" — paying some participants with other people's money and leaving investors \$14.9 million short.

The Securities and Exchange Commission obtained court orders shutting Hashimoto's operations this month. Attorneys for Hashimoto, 44, president of Ontario-based **Financial Solutions** and Riverside-based **Ohana International Inc.**, didn't respond to requests for comment.

Hashimoto's assets were frozen Nov. 3 by a federal judge. His companies spent \$336,000 on cars, \$189,000 on hotel and meeting expenses, \$99,000 on clothing and \$106,000 on home improvements and a pool during the six months ended Nov. 1, the report said, citing bank records.

Unexplained expenses included \$835,000 in cashiers' checks to unidentified recipients, said the report by Evans, a Sun Valley trustee firm whose founder was appointed the temporary receiver in the case.

Hashimoto paid about \$7.8 million to investors in Financial Solutions and at least \$3.8 million in commissions and fees to agents who recruited participants, the report said. However, it found no source of funds for Financial Solutions and Ohana International except for those raised from investors.

Hashimoto feted potential investors with steak and lobster at the Ritz-Carlton Marina del Rey, falsely claiming that former Laker star Earvin "Magic" Johnson was among his backers, the SEC said this month.

African American salespeople spread word about investing with Hashimoto among members of black churches in the Los Angeles area, according to affidavits filed by the agency. SEC attorney Lisa A. Gok said the congregations included West Angeles Church of God in Christ and the First African Methodist Episcopal Church. Church officials said they were unaware of the solicitations.

Hashimoto's representatives promised he would pay investors 20% returns the first month and 10% a month thereafter.

"The operations of FS and Ohana contain the elements of a classic Ponzi scheme," the eight-page report concluded.

Evans said it reviewed records on more than 1,000 investors at Financial Solutions' Ontario offices.

Investors who believed they were providing loans to government contractors put in \$23.5 million, Evans said. An

additional \$832,000 went to stock in Ohana, described as an investor in private companies. And \$1.36 million went to buy shares of **International Engineering Products & Consulting Corp.** of Huntington Beach, which had developed a device to save energy costs by controlling lights.

Bank records showed, however, that 98% of the funds earmarked for government contracts were spent on Ohana's ventures and other expenses, according to the report.

An example was \$60,000 invested in **C-Tech Biomedical Inc.** in Inglewood, which is developing a portable dialysis machine.

According to the report, Hashimoto told C-Tech he didn't need a stock certificate recording his investment, then projected in Ohana sales material that the investment would return \$64 million from 2005 to 2008.

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