

Fraud allegations detailed in report

November 9, 2004

By DEVONA WELLS / The Press-Enterprise

Records unearthed at Riverside's Financial Solutions, the latest Inland Empire firm shut down by fraud allegations, reveal ambitious fund-raising goals pushing into the billions.

A three-day investigation by court-appointed receiver Robb Evans & Associates described a company "on the verge of rapid expansion," using more than 100 salespeople using three methods to lure investors, according to a report filed Monday in U.S. District Court.

Last week, Christiano Hashimoto, 44, of Riverside was charged by the Securities and Exchange Commission with violating federal securities laws. His companies, Financial Solutions and Ohana International, were put into receivership. Hashimoto, according to the SEC, attracted investors with promises of up to 20 percent monthly interest and used the money to run a fraudulent Ponzi scheme.

Hashimoto could not be reached Tuesday. As recently as last month, the SEC says he pitched Financial Solutions at a seafood-and-prime-rib dinner, where Mike Tyson was the guest of honor.

The Robb Evans report expands on the means used to raise investor money. Hashimoto's firms sold notes to make loans to government contractors, shares in Ohana International and shares in Huntington Beach-based International Engineering Products & Consulting.

The SEC says Financial Solutions pulled in at least \$8 million starting in July 2003, though the figure likely is much higher. The money was used to pay early investors with money from later ones, which constitutes a Ponzi scheme, according to the SEC.

Rudimentary bookkeeping will mean reconstructing the finances of Hashimoto's companies run through checkbooks with no accounting system, said Brick Kane, chief operating officer at Robb Evans. It will be two weeks before it's known how many invested and how much was raised, Kane said.

But one document found at Ohana's Ontario office lists 11 companies, including Financial Solutions, and the forecasted sales of each through 2008. The projected grand total: \$13.6 billion.

Kane cautioned that the figure has not been substantiated and that any relationship between the companies and Hashimoto has yet to be sorted out.

The company expected to be most lucrative at a four-year goal of \$3.7 billion was International Engineering, according to the document. Company stock sold by Financial Solutions had raised \$1.4 million, according to court records.

When reached Tuesday, IEPC President Ron Flores said he did not want to answer questions until he talked to his attorney. But Robb Evans' report says Flores' attorney advised him to stop doing business with Hashimoto.

Hashimoto told investors that General Electric had offered \$3 billion to purchase IEPC, which was making a lighting product, according to Barry Minkow, who says he went undercover to a Financial Solutions seminar in June.

Minkow was jailed in 1988 for securities fraud and works as a Fraud Discovery Institute investigator.

Stock sold in IEPC went for as much as \$15 a share with no interest payments, only the promise that the stock would rise, Minkow said.

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