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Winners targeted to repay losers

OHANA: Anyone who profited from an Inland scheme may be asked to give back money.

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By DEVONA WELLS / The Press-Enterprise

Nearly 100 people who authorities say profited from an Inland investment scheme could be asked to cough up what they made.

The sales force also might have to give back hefty commissions earned from the alleged scam, according to a report by the company responsible for returning money to hundreds who invested in Riverside's Ohana International and Financial Solutions.

The U.S. Securities and Exchange Commission has said the companies used cash from later investors to pay earlier ones, known as a Ponzi scheme.

If receiver Robb Evans & Associates moves ahead with its plan, the flow of funds would reverse -- investors who benefited would give back, and the money would be disbursed to those due much or all of their investment.

Altogether, the receiver says it intends to pursue $4.5 million Ohana took from investors who authorities say were promised fat returns but instead lost big. Months of efforts to recover money so far have turned up 7 percent of the $18 million investors are owed.

Christiano Hashimoto ran Ohana International and Financial Solutions, which attracted about 1,200 investors, according to the SEC. A court order in November closed the companies. Last month, a judge ordered Hashimoto to pay $18.4 million in damages, though it's expected he doesn't have the money.

Hashimoto could not be reached Friday and declined comment in July at his Los Angeles court hearing. No criminal charges have been filed against Hashimoto by the U.S. attorney's office or the Riverside County district attorney's office, spokesmen said Friday.

Several Techniques

Selling perpetrators' homes and seizing their bank accounts are common tactics for pulling together money for bilked investors. But going after the investors themselves can work, too, experts say.

In this case, 92 investors are being targeted along with an unknown number of salesmen.

Kenton Johnson, executive vice president at Robb Evans, declined to say how many sales people took a commission. An earlier receiver's report said more than 100 pitched the investment, which promised a 20 percent return the first month and 10 percent thereafter.

Investors who profited might have done nothing wrong, but that doesn't mean they get to keep what they gained, said Michael Silverman, a Riverside County deputy district attorney. The goal is to return money so investors can recoup what they started with.

"Our courts have found that it's fairer to try to take every victim up to 100 percent (of their investment). And if we have to do that by bringing some people back down to 100 percent, so be it," he said.

Johnson declined to discuss how the company would seek money from investors or the Ohana sales force until a federal judge grants permission to do so. But Robb Evans has done it before, when the cost of hunting down such funds is outweighed by the amount brought in.

"We try to negotiate repayments based on their real ability to pay, but sometimes we have to begin litigation," he said.

In another suspected Ponzi case, Robb Evans told D.W. Heath & Associates investors at a March meeting that he was thinking of pursuing those who profited. The receiver is still considering the tactic, though it would target a miniscule percentage of the more than 1,600 investors, Silverman said.

The effort likely would go after the few who invested years ago and took all their money, plus interest, out of the $192 million fraud, Silverman said. Four Heath & Associates principals have pleaded not guilty to charges of securities fraud and grand theft.

Heath investor Jeff Scholz said he could see why ill-gotten profit should be retrieved, but he also relates to those who didn't know better. Scholz, of Lake Mathews, lost about $350,000, on top of $400,000 his parents put in.

If he had to make the call, though, Scholz said any profit should be paid back, particularly by early investors who helped to lend credibility to the scheme.

"Nobody should be making money on this deal," he said.

When Barry Minkow investigated the Ohana case, he said there was no indication that the sales force knew it was selling a scam. Minkow went undercover last year for the Fraud Discovery Institute at a Financial Solutions seminar in Upland.

"That doesn't excuse the fact that once they did know, they needed to act appropriately and pay back" the money, said Minkow, who was jailed in 1988 for securities fraud.

Hundreds Complained

In the past several months, more than 200 pages of Internet postings have poured into Venture Research Institute from people saying they are Ohana investors complaining about losses, defending Hashimoto or discussing the case.

Bernie Bicoy, institute president, said he warned the posters that the receiver would pursue investors' profits.

"It seems to be a trend now, where you didn't hear about it two or three years ago," he said. "The people who have to give it up scream bloody blue murder."

In a $502 million Ponzi perpetrated by Earthlink co-founder Reed Slatkin, a bankruptcy trustee started three years ago to pursue profits made by more than 200 investors, said John Reitman, an attorney for the trustee.

Though Reitman said he didn't know how much had been recovered so far in the Slatkin case, he said "it's been a very significant sum of money."

The four men are accused of collecting at least $192 million.

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