

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

SECURITIES AND EXCHANGE COMMISSION,

CASE NO.

Plaintiff,

01 - 0000

v.

HAWA CORPORATION,  
HAWA COMMUNICATIONS, INC.,  
HAWA MED, INC.,  
ILONA ALEXIS MANDELBAUM, ROBERT  
DUKE, AND SARA GOMEZ DE FERRO,

CIV - HURLEY

Defendants,

MAGISTRATE JUDGE  
LYNCH

ROTHSCHILD RESERVE INTERNATIONAL,  
INC., SAM SARA INVESTMENTS, INC., AND,  
SHAVA CORPORATION,

Relief Defendants.

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[Signature]

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission (the "SEC" or "Commission")  
alleges and states as follows:

I. INTRODUCTION

1. The Commission brings this action to enjoin Defendants from continuing to violate the federal securities laws in connection with their ongoing fraudulent sale of securities issued by Defendants Hawa Corporation, Hawa Communications, Inc., and Hawa Med, Inc. in an unregistered offering.

II. DEFENDANTS

2. Hawa Corporation ("Hawa") is a Florida corporation with its principal place of business located at 1225 Haverhill Road, West Palm Beach, Florida.

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3. Hawa Communications, Inc., (“HawaCom”) is a Florida corporation that is a subsidiary of, and under the same management as, Hawa. HawaCom’s principal place of business is the same as Hawa’s.

4. Hawa Med, Inc., (“Hawa Med”) is a Florida corporation that is a subsidiary of, and under the same management as, Hawa. Hawa Med’s principal place of business is the same as Hawa’s.

5. Ilona Alexis Mandelbaum (“Mandelbaum”), age unknown, resides in Palm Beach County, Florida. Mandelbaum is president and chairwoman of Hawa, HawaCom, and Hawa Med, and is on the board of directors of each company. Mandelbaum also controls Rothschild Reserve International, Inc., another Florida company.

6. Sara Gomez de Ferro (“Gomez”), age unknown, resides in Palm Beach County, Florida. Gomez was formerly an officer and director of Hawa and HawaCom, and is currently a majority shareholder of each company and intimately involved with their operations.

7. Robert E. Duke (“Duke”), age 61, is a resident of Miami, Florida. Hawa employs Duke as an independent contractor. Duke is the sole officer and director of Sam Sara Investments, Inc. and Shava Corporation.

### **III. RELIEF DEFENDANTS**

8. Rothschild Reserve International, Inc., (“RRI”) is a Florida corporation with its principal place of business located at 1225 Haverhill Road, West Palm Beach, Florida.

Mandelbaum is RRI's sole officer and director, and controls every aspect of its corporate existence.

9. Sam Sara Investments, Inc., ("SSI") is a Florida corporation with its principal place of business in Miami, Florida. Duke is the sole officer and director of SSI.

10. Shava Corporation ("Shava") is a Florida corporation with its principal place of business in Miami, Florida. Duke is the sole officer and director of Shava.

#### **IV. JURISDICTION AND VENUE**

11. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77t(b), 77t(d) and 77v(a), and, Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d), 78u(e) and 78aa.

12. The Southern District of Florida is the proper venue for this action. Certain actions and transactions alleged and stated herein constitute violations of the Securities Act and the Exchange Act and have occurred, and are occurring, within the Southern District of Florida. Defendants Hawa, HawaCom, and Hawa Med maintain an office in West Palm Beach, Florida from which securities were, and are being, offered and sold to U.S. investors. In addition, Hawa's, HawaCom's, and Hawa Med's primary bank accounts into which investor funds were, and are being, deposited are located in Palm Beach County, Florida. Defendants Mandelbaum, Gomez, and Duke also maintain residences within the Southern District of Florida. Relief Defendants RRI, SSI, and Shava maintain their principal offices within the Southern District of Florida.

13. Defendants, directly and indirectly, have made, and continue to make use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business complained of herein.

**V. THE FRAUDULENT SCHEME**

**A. THE OFFERING**

14. Defendants offer investors an opportunity to buy securities issued by Hawa, HawaCom, and Hawa Med, three holding companies purportedly having combined assets of over \$160,000,000, and claim to have developed data compression technology that is unparalleled the industry.

15. Defendants tout securities issued by Hawa, and Hawa's subsidiary HawaCom, stating that such companies will go public in the near future. Moreover, Defendants state that the price at which Hawa's and/or HawaCom's public shares are going to trade will be well in excess of the price at which investors are given the opportunity to purchase such shares.

16. Defendants have raised, and are raising, funds for the purported purpose of Hawa, HawaCom, and Hawa Med acquiring additional companies and perfecting their state-of-the-art data compression technology.

17. Defendants solicit prospective investors through sales agents. Such sales agents are taught by Duke, in sales meetings, how to get prospective investors to purchase securities issued by Hawa, HawaCom, and Hawa Med, and how to "close" such investors.

18. At sales meetings conducted by Defendants, Gomez gives the sales agents presentations on HawaCom's South American subsidiaries, and the financial soundness of such companies.

19. Mandelbaum exercises total control over the sales agents, often pressuring the sales managers to increase the sales force's production.

20. In addition to directing Hawa's on site sales agents, Duke also operates a "boiler room" in Miami, Florida that raises addition funds for Defendants. Duke operates and controls all aspects of the Miami operation.

21. From December 1999 through approximately March 2000, Defendants contacted hundreds of individuals who had invested in a company called Medical Research Industries, Inc. ("MRI"). Hawa obtained the names of MRI's shareholders from the assignee appointed for the benefit of MRI's creditors after MRI was forced into liquidation.

22. Defendants' sales agents subsequently telephoned the MRI shareholders and gave them 100 shares of Hawa common stock as a gift. Shortly after gifting them Hawa stock, the sales agents would send the individuals Hawa's marketing brochure by overnight mail.

23. There was no preexisting relationship between Hawa and the MRI shareholders. The sole reason that Hawa purchased the MRI shareholder list was to obtain the names of individuals to whom Hawa could gift its stock, and to later solicit such individuals to purchase securities issued by Hawa, HawaCom, and Hawa Med.

23. Shortly after Hawa gifted shares to MRI shareholders, Defendants began

offering such individuals units of securities comprised of Hawa and HawaCom common stock, and Hawa Med preferred stock, as well as warrants to purchase additional shares of Hawa common stock for a fixed price within certain period of time (hereinafter collectively referred to as the "Hawa units").<sup>1</sup>

24. As part of its solicitation, Hawa represents to MRI shareholders that Hawa will give them a credit based upon their MRI investment, and allow them to purchase Hawa units at a discount to what the stock is actually worth.

25. Since December 1999, Hawa has been telling investors, and prospective investors, that Hawa and/or HawaCom are going public at a date in the near future, only to represent that the companies delayed going public because of poor market conditions when such date finally approaches.

26. From November 2000 through February 2001, Hawa represented to a number of Hawa, HawaCom, and Hawa Med shareholders that HawaCom would not be going public in the foreseeable future, but that Hawa was going public at the end of March 2001. Accordingly, Hawa sales agents are soliciting HawaCom shareholders to exchange their HawaCom stock for Hawa stock and warrants.

27. One type of the Hawa warrant issued to shareholders pursuant to the exchange allow the owners of such warrants to purchase Hawa stock, on or before March 15, 2001, for \$3.00 per share. When investors exercise their warrants, Hawa receives additional funds from such investors.

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<sup>1</sup> When a warrant holder exercises her warrant, she must pay cash to the company that issued the stock underlying the warrant. Here, exercising Hawa warrants to purchase additional Hawa stock infuses more investor capital into Hawa's coffers.

28. Hawa sent out no offering materials or private placement memoranda to investors relating to the offering of the Hawa units.

29. Neither Hawa, HawaCom, nor Hawa Med has filed any registration statements with the Commission.

30. Mandelbaum, Gomez, Duke, and the sales agents are not registered with the Commission.

**B. ORAL MATERIAL MISREPRESENTATIONS AND OMISSIONS**

31. Defendants' sales agents falsely represent to potential investors that they are officers of Hawa.

32. Defendants' sales agents, in some instances, provide false names to potential investors so that the potential investors will not recognize that the sales agents had solicited them to purchase MRI shares.

33. The sales agents do not disclose the fact that they receive excessive commissions of up to 30% selling Hawa units, and thereby falsely represent the use of investor proceeds.

34. The sales agents do not disclose the risks associated with investing in Hawa, HawaCom, or Hawa Med.

35. Sales agents falsely represent the financial condition of Hawa, HawaCom and Hawa Med. Specifically, they tell prospective investors and existing investors that Hawa has over \$160,000,000 in assets.

36. Defendants' sales agents falsely represent to prospective investors that HawaCom's South American subsidiaries are financially sound companies.

37. The sales agents do not disclose that one of HawaCom's purported South American subsidiaries, Engesan, is the subject of a number of lawsuits wherein its creditors are trying to force it into bankruptcy.

38. The sales agents fail to disclose that GEBS, a purported HawaCom subsidiary, is in liquidation and/or has been forced out of Venezuela, where the company allegedly is based.

39. Sales agents falsely represent to investors that HawaCom owns and controls Shimbun, one of HawaCom's purported South American subsidiaries.

40. Sales agents falsely represent the persons on Hawa's and/or HawaCom's management team. In fact, a majority of the individuals that they represent are part of Hawa's management team have terminated their affiliations with Hawa and/or HawaCom, or were never affiliated with Hawa and/or HawaCom in any management or advisory capacity.

41. Sales agents falsely represent to prospective investors that HawaCom has developed and possesses state-of-the-art data compression technology that compresses data at a ratio of 400 to 1.

42. Sales agents falsely represent to potential investors that HawaCom acquired Intellibrands, Inc., a company that HawaCom lists as its subsidiary in marketing materials.



43. Sales agents fail to tell potential investors that Hawa and Mandelbaum were parties to a lawsuit involving Intellibrands, Inc.

44. Sales agents lie about the number of Hawa units that are available to purchase in an effort to motivate prospects to invest.

45. Sales agents falsely represent to investors that they solicit that the Hawa units are actually worth up to 60% more than the price at which they are being offered.

46. Sales agents falsely tell investors about the time frame within which Hawa and/or HawaCom will begin publicly trading.

47. Sales agents represent to investors that Hawa and/or HawaCom will trade at between \$15 and \$20 per share when Hawa and/or HawaCom begin publicly trading.

48. All of the foregoing misrepresentations and omissions made by the sales agents were, and are being, made pursuant to the direction of Mandelbaum, Gomez, and Duke.

**C. WRITTEN MATERIAL MISREPRESENTATIONS AND OMISSIONS**

49. Defendants' marketing brochure, website pages, promotional video, and shareholder updates and correspondence signed by Mandelbaum (hereinafter collectively referred to as the "marketing materials"), contain false and misleading material information, concerning, among other things, Hawa's holdings, its assets, and the data compression technology it purportedly possesses.

50. The marketing materials falsely state that Hawa has over \$160,000,000 in assets comprised mainly of three profitable South American companies. According to

the Hawa marketing materials, these South American subsidiaries are well-established telecommunications and technology firms, with annual sales revenues of nearly \$100,000,000, and net revenues of \$10,000,000.

51. The marketing brochure provided to investors and potential investors falsely represent that the South American subsidiaries have ongoing contracts with a number of large companies, including Levi Strauss, Inc., SmithKline Beecham, Siemens Corporation, and MCI-WorldCom.

52. Hawa's marketing brochure and its website falsely represent Hawa's management team as consisting of a number of individuals who have terminated their relationship with Hawa and/or who have never acted in any managerial role with respect to the company.

53. The marketing materials mailed to investors and potential investors also falsely represent that HawaCom has developed state-of-the-art data compression technology that compresses data with virtually no loss in quality at a ratio of at least 400 to 1.

54. Defendants have sent numerous letters to investors repeatedly stating that Hawa and/or HawaCom was on the verge of going public, and that when it commenced trading publicly, its shares would be selling at a price of between \$16 to \$20.

55. Defendants have sent pro-forma consolidated financial statements to investors that falsely represent Hawa's assets to be in excess of \$160,000,000.

56. Hawa, through Mandelbaum, disseminated letters to shareholders falsely representing that HawaCom acquired a company called Intellibrands, Inc. Intellibrands, Inc. was also added to Hawa's marketing brochures and website as a HawaCom

subsidiary. Hawa failed to disclose, in any of its written materials, that HawaCom's acquisition of Intellibrands, Inc. was never consummated.

57. Defendants' marketing material never disclosed that Hawa and Mandelbaum were involved in a lawsuit against Intellibrands, Inc.

58. Defendants' marketing materials misrepresent the use of investors' proceeds by failing to disclose the fact that Hawa's sales agents received commissions and/or remuneration for selling Hawa units.

59. Defendants' marketing materials do not disclose the risks associated with investing in Hawa, HawaCom, or Hawa Med.

#### **VI. ROLE OF THE RELIEF DEFENDANTS**

60. The Relief Defendants received investor funds which were, and are continuing to be, received by them for no or inadequate consideration.

**COUNT I**

**SALE OF UNREGISTERED SECURITIES IN  
VIOLATION OF SECTIONS 5(a) AND 5(c) OF THE SECURITIES ACT**

**(As Against All Defendants)**

61. The Commission realleges and repeats its allegations set forth at paragraphs 1-60 of this Complaint as if fully restated herein.

62. No registration statement was filed or in effect with the Commission pursuant to the Securities Act with respect to the securities and transactions described herein.

63. Since December 1999 through to the present, Defendants Hawa, HawaCom, HawaMed, Mandelbaum, Gomez, and Duke, directly or indirectly, have:

(a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities as described herein, through the use or medium of a Private Placement Memorandum, prospectus or otherwise;

(b) carried securities or caused such securities, as described herein, to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; and/or

(c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise, as described herein,

without a registration statement having been filed or being in effect with the Commission as to such securities.

64. By reason of the foregoing, Defendants Hawa, HawaCom, Hawa Med, Mandelbaum, Gomez, and Duke, have violated, and unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

**COUNT II**

**FRAUD IN VIOLATION OF  
SECTION 17(a)(1) OF THE SECURITIES ACT**

**(As Against All Defendants)**

65. The Commission realleges and repeats its allegations set forth at paragraphs 1-57 of this Complaint as if fully restated herein.

66. Since December, 1999 through the present, Defendants Hawa, HawaCom, Hawa Med, Mandelbaum, Gomez, and Duke, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, as described herein, have been, knowingly, willfully or recklessly employing devices, schemes or artifices to defraud.

67. By reason of the foregoing, Defendants Hawa, HawaCom, Hawa Med, Mandelbaum, Gomez, and Duke, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

**COUNT III**

**FRAUD IN VIOLATION OF  
SECTIONS 17(a)(2) AND 17(a)(3) OF THE SECURITIES ACT**

**(As Against All Defendants)**

68. The Commission realleges and repeats its allegations set forth at paragraphs 1-57 of this Complaint as if fully restated herein.

69. Since at least December, 1999 through the present, Defendants Hawa, HawaCom, Hawa Med, Mandelbaum, Gomez, and Duke, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, as described herein, have been: (i) obtaining money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and (ii) engaging in transactions, practices and courses of business which are now operating and will operate as a fraud or deceit upon purchasers and prospective purchasers of such securities.

70. By reason of the foregoing, Hawa, HawaCom, Hawa Med, Mandelbaum, Gomez, and Duke, have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3).

**COUNT IV**

**FRAUD IN VIOLATION OF  
SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5**

**(As Against All Defendants)**

71. The Commission realleges and repeats its allegations set forth at paragraphs 1-58 of this Complaint as if fully restated herein.

72. Since December, 1999 through the present, Defendants Hawa, HawaCom, Hawa Med, Mandelbaum, Gomez, and Duke, directly or indirectly, by use of the means or instrumentalities of interstate commerce or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of the securities, as described herein, have been, knowingly, willfully or recklessly: (i) employing devices, schemes or artifices to defraud; (ii) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (iii) engaging in acts, practices and courses of business which have operated, are now operating and will operate as a fraud upon the purchasers of such securities.

73. By reason of the foregoing, Defendants Hawa, HawaCom, Hawa Med, Mandelbaum, Gomez, and Duke, have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.



**COUNT V**

**UNREGISTERED BROKER-DEALER IN VIOLATION OF  
SECTION 15(a)(1) OF THE EXCHANGE ACT**

**(As Against Defendant Duke)**

74. The Commission repeats and realleges paragraphs 1 through 58 of its Complaint.

75. From approximately December, 1999 through the present, Defendant Duke, by use of the mails or any means or instrumentality of interstate commerce, is willfully effecting transactions in, or inducing or attempting to induce the purchase or sale of Hawa, HawaCom, and Hawa Med stock as a broker without having been registered with the Commission as such in accordance with Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o.

76. By reason of the foregoing, Defendant Duke, directly and indirectly, has violated and, unless enjoined, will continue to violate Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1).

**RELIEF REQUESTED**

**WHEREFORE**, the Commission respectfully requests that the Court:

**A. Declaratory Relief**

Declare, determine, and find that Defendants Hawa, HawaCom, Hawa Med, Mandelbaum, Gomez, and Duke committed the violations of federal securities laws alleged herein.

**B. Temporary Restraining Order, Preliminary and Permanent Injunctive Relief**

Issue a Temporary Restraining Order, a Preliminary Injunction and a Permanent Injunction, restraining and enjoining Defendants Hawa, HawaCom, Hawa Med, Mandelbaum, Gomez, and Duke, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating: (i) Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c); (ii) Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a); (iii) Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3); (iv) Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

**C. Disgorgement**

Issue an Order requiring Defendants Hawa, HawaCom, Hawa Med, Mandelbaum, Gomez, and Duke, and Relief Defendant RRI, SSI, and Shava to disgorge all profits or proceeds that they have received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest.

**D. Penalties**

Issue an Order directing Defendants Hawa, HawaCom, Hawa Med, Mandelbaum, Gomez, and Duke to pay civil fines and/or penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d) and Section 21(d) of the Exchange Act, 15 U.S.C. § 78(d)(3).

**E. Asset Freeze, Repatriation, and Accounting**

Issue Orders temporarily freezing the assets of Defendants Hawa, HawaCom, Hawa Med, Mandelbaum, Gomez, and Duke, and Relief Defendant RRI, SSI, and Shava, until further Order of the Court directing the repatriation of investor funds and requiring accountings by each of these persons and entities.

**F. Appointment of Receiver**

Issue an Order appointing a Receiver of the assets of Defendants Hawa, HawaCom, and HawaMed to marshal and safeguard all of their assets, and to perform other duties the Court deems appropriate, and to prepare a report to the Court and the Commission detailing the activities of all Defendants and Relief Defendants with respect to the conduct alleged herein and the whereabouts of investor funds.

**G. Records Preservation and Expedited Discovery**

Issue an Order requiring all Defendants and Relief Defendants to preserve any records related to the subject matter of this lawsuit that are in their custody, possession or subject to their control, and to respond to discovery on an expedited basis.

**J. Further Relief**

Grant such other and further relief as may be necessary and appropriate.

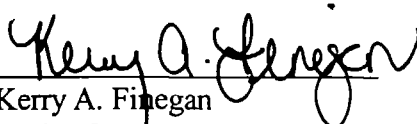
**K. Retention of Jurisdiction**

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Dated this \_\_\_ day of March, 2001.

Attorneys for Plaintiff  
SECURITIES AND EXCHANGE  
COMMISSION  
1401 Brickell Avenue, Suite 200  
Miami, Florida 33131  
Telephone: (305) 536-4700  
Facsimile: (305) 536-7465

Respectfully submitted,

  
Kerry A. Finegan  
Senior Counsel  
Florida Bar No. 0118559

James D. Sallah  
Senior Counsel  
Florida Bar No. 0092584

John Teakell  
Senior Trial Counsel  
FBN: A5500517

John Mattimore  
Assistant Regional Director  
Florida Bar No. 039641