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FILED
 09 AUG 17 AM 9:30
 CLERK, U.S. DISTRICT COURT
 SOUTHERN DISTRICT OF CALIFORNIA

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9 UNITED STATES DISTRICT COURT
 10 SOUTHERN DISTRICT OF CALIFORNIA

11 SECURITIES AND EXCHANGE
 12 COMMISSION,

Case No. **09 CV 1784 BTM** **WMC**

13 Plaintiff,

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

14 vs.

15 MOHIT A. KHANNA and MAK 1
 ENTERPRISES GROUP, LLC,

16 Defendants,

17 and

18 FIRST OPPORTUNITIES
 19 MANAGEMENT GROUP, INC., and
 SHARANJIT K. KHANNA aka
 20 SHARANJIT K. GREWAL,

21 Relief Defendants.
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1 Plaintiff Securities and Exchange Commission (“Commission”) alleges as
2 follows:

3 **JURISDICTION AND VENUE**

4 1. The Court has jurisdiction over this action pursuant to Sections 20(b),
5 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
6 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of the
7 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
8 78u(d)(3)(A), 78u(e), and 78aa.

9 2. Venue is proper in this district pursuant to Section 22(a) of the
10 Securities Act, 15 U.S.C. § 77v(a) and Section 27 of the Exchange Act, 15 U.S.C.
11 § 78aa because certain of the transactions, acts, practices, and courses of conduct
12 constituting the violations alleged herein occurred within the Southern District of
13 California, the entity defendant is located in this district, and the individual
14 defendant resides in this district.

15 3. The defendants, directly and indirectly, have made, and are making,
16 use of the means and instrumentalities of interstate commerce and of the mails or
17 of the facilities of a national exchange in connection with the acts, practices, and
18 courses of business alleged herein in the Southern District of California and
19 elsewhere.

20 **SUMMARY**

21 4. This matter concerns an unregistered fraudulent offer and sale of
22 securities by defendant Mohit A. Khanna and the entity he controls, defendant
23 MAK 1 Enterprises Group, LLC (“MAK 1”) (collectively, the “Defendants”).
24 From 2003 to the present, Defendants claim to have raised \$70 million from 300
25 investors located in multiple states including Texas, California, Missouri,
26 Kentucky, New York and several others. Khanna represented that MAK 1 pools
27 investor funds to invest in various investment programs including foreign currency
28 products, commercial paper, and other guaranteed investments.

1 5. To entice investors, Khanna falsely promised exorbitant and
2 guaranteed returns ranging from 17% to 27% per year and 40% to 55% for shorter
3 periods of time. He also assured investors that their investments were insured,
4 when in fact they were not. Additionally, he falsely held MAK 1 out as a member
5 of "NASD/SIPC" and failed to disclose that he was barred by Financial Industry
6 Regulatory Authority (FINRA) in 2004 from being associated in any capacity with
7 any FINRA member.

8 6. In just the first quarter of 2009, Khanna misappropriated at least
9 \$274,000 of investor funds for his personal expenses, including transfers to his
10 other company, relief dendant First Opportunities Management Group, Inc. ("First
11 Opportunities"). Khanna also transferred \$90,000 to an offshore account in
12 Singapore and, from April 2009 to July 2009, made over \$54,000 in payments on
13 behalf of his wife, Sharanjit Khanna. Sharanjit Khanna also currently owns
14 luxurious real properties that may have been purchased with investor funds.

15 7. Khanna stopped paying investors in February 2009, but continued
16 soliciting new investors. As recently as July 2009, Khanna raised almost \$150,000
17 from a family associated with a charitable foundation in Texas, including one 81-
18 year old individual.

19 8. Starting at least from February 2009, Khanna also began lulling
20 investors with false claims. As an example, he enlisted an accountant to obtain a
21 bank account balance verification letter, which Khanna then disseminated to
22 investors. However, Khanna obtained this letter by providing the accountant with
23 a phony computerized "screen shot" of MAK 1's purported bank activity showing
24 that MAK 1 had more than \$50 million in its bank account. In fact, the average
25 daily balance in that account during this period never exceeded \$117,000.

26 9. During the summer of 2009, Khanna's assistant, who was in reality
27 Khanna's lawyer's law clerk, continued deceiving investors by falsely claiming
28 that the Commission's action had prevented repayments to investors. The same

1 person later openly ridiculed the investors as being “nutcases,” “whiners” and
2 “losers.”

3 10. The Defendants, by engaging in the conduct described in this
4 Complaint, have violated, and unless enjoined will continue to violate, the
5 antifraud provisions of the federal securities laws.

6 THE DEFENDANTS

7 11. **Mohit A. Khanna**, age 32, is a resident of San Diego, California.
8 Khanna is the sole owner and the CEO of MAK 1. In addition, Khanna is the
9 owner of relief defendant First Opportunities and the spouse of relief defendant
10 Sharanjit K. Khanna.

11 12. **MAK 1 Enterprises Group, LLC** is a Nevada limited liability
12 company located in San Diego, California. It is not registered with the
13 Commission in any capacity and it has not registered any offering of its securities
14 under the Securities Act or a class of securities under the Exchange Act. MAK 1 is
15 controlled by Khanna, who is its sole owner and officer.

16 THE RELIEF DEFENDANTS

17 13. **First Opportunities Management Group, Inc.** is a Nevada
18 corporation, owned and controlled by Khanna. First Opportunities is also MAK
19 1’s manager.

20 14. **Sharanjit K. Khanna**, also known as Sharanjit K. Grewal, aged 36,
21 resides in San Diego, California and is defendant Mohit Khanna’s wife. Sharanjit
22 K. Khanna filed a divorce petition on July 9, 2009.

23 FACTUAL BACKGROUND

24 The Defendants Are Conducting an Unregistered Offering of Securities

25 15. From about 2003 to the present, Khanna has raised at least \$5 million,
26 and potentially as much as \$70 million, from approximately 300 investors.
27 Khanna told investors orally and through MAK 1’s prospectus, that he pools their
28 funds to initially invest in “high yielding, guaranteed commercial paper and other

1 guaranteed investments.” At least since April 2008, he changed his strategy to
2 invest the pooled funds in a series of “individual currency CD units,” issued by
3 MAK 1, that purport to trade currency in the U.S. and on foreign currency markets
4 (the “CD Units”).

5 16. MAK 1 currently receives a 1% annual management fee, reduced
6 from 4% as stated in a 2003 prospectus. Khanna is the sole owner of MAK 1 and
7 the signatory on its bank accounts. Sharanjit Khanna also held signatory authority
8 on one MAK 1 account. Khanna and MAK 1 created and disseminated monthly
9 statements and occasional letters to investors containing representations about
10 MAK 1’s purported investments. Investors could also access their account detail
11 through MAK 1’s website.

12 17. Khanna initially operated this business through a California entity
13 called MAK Enterprises, LLC and later through defendant MAK 1. He cancelled
14 the California entity after he was barred by FINRA from being associated in any
15 capacity with any FINRA member. The bar was the result of certain false
16 representations by Khanna while he was previously employed at a broker-dealer.

17 18. Khanna and MAK 1 solicited investors from multiple states
18 principally by placing the company’s prospectus on its website which could be
19 accessed by the public without any password protection. Some investors were
20 solicited through word of mouth referral. Khanna and MAK 1 made no effort to
21 determine whether investors were “accredited” as defined by the securities laws, or
22 otherwise sophisticated, and did not provide investors with financial statements.

23 19. Along with their subscription, investors were typically required to
24 sign a “confidentiality agreement,” which required investors to maintain certain
25 information confidential for 10 years. Investors also signed a separate investment
26 agreement, which, similar to a promissory note, identified the principal amount
27 invested, the guaranteed rate of return, and the date for any interest and principal
28 payments. Some of these agreements (hereinafter, the “Notes”) had terms ranging

1 from 14 to 30 days with rollover options; others were essentially demand notes,
2 requiring a 30-day notice.

3 20. Khanna raised money as recently July 2009 from a family associated
4 with a charitable foundation, which itself is an investor.

5 **The Defendants Operated a Fraudulent Scheme**

6 **Defendants Falsely Promised Inflated and Guaranteed Returns**

7 21. From 2003 to the present, Khanna falsely promised his investors,
8 orally and in writing, exorbitant returns on their investment. During this period,
9 Khanna represented different annual rates of returns ranging from 17% to 27% per
10 year and 40% to 55% for terms ranging from 14 to 30 days. In some instances, he
11 promised an additional 10% annual dividend. Khanna promised investors orally
12 and through the prospectus that these returns were guaranteed. He even confirmed
13 the inflated returns and the fact that they were guaranteed in each of the Notes
14 given to investors.

15 22. Khanna further deceived investors by highlighting MAK 1's positive
16 performance history in the prospectus which showed MAK 1's purported monthly
17 returns between 17% and 26% for mid-2004 to the present (with a cumulative
18 return of 321% in 2008 alone). The prospectus also boasted MAK 1's "proven"
19 performance record over the past six years and particularly, its consistent double-
20 digit returns, even during down markets.

21 23. Contrary to Khanna's representations, several investors never received
22 these returns. For some other investors, Khanna rolled over their ostensible returns
23 upon expiration of the term of the Note. In early 2009, Khanna stopped making
24 the promised payments to investors.

25 **Defendants Misrepresented that the Investments were Insured**

26 24. Khanna told investors that their investments were insured.
27 Specifically, MAK 1's 2003 prospectus stated that investors' accounts had FDIC
28 and SIPC insurance which guaranteed the original principal as well as any other

1 future deposits. The same prospectus also stated that a portion of MAK 1's annual
2 management fee was for MAK 1's payments for "FDIC/SIPC insurance." In fact,
3 MAK 1 has never been a member of FDIC, nor has its investments ever been
4 insured by FDIC or SIPC.

5 25. From 2003 to the present, Khanna also orally misrepresented to
6 investors that MAK 1 had purchased policies insuring the investors' principal.
7 Additionally, MAK 1's 2008 and 2009 prospectuses included language that misled
8 investors into believing that their investments were insured. Specifically, the
9 prospectus stated that "the insurances [*sic*] purchased by MAK 1 and the bundling
10 of the investments in CD form along with insurance underwriting gives [*sic*] the
11 investor a guaranteed investment."

12 26. To corroborate his false statements, Khanna requested his insurance
13 agent to send a certificate of liability insurance to at least 70 individual investors in
14 multiple states specifying that the investor was the certificate holder. In fact, the
15 insurance policy referenced in the certificates related to MAK 1's professional
16 liability policy, which did not insure MAK 1's obligations to its investors.

17 **Defendants Concealed Information Relating to Khanna's FINRA Bar**

18 27. The prospectus touted MAK 1's years of business experience and
19 track record and boasted that MAK 1 was the general partner and "sole trading
20 advisor" for the series of currency trading accounts. MAK 1's website made
21 similar touts about the company and its performance.

22 28. These specific representations are false and misleading and blatantly
23 omit material facts. Specifically, Defendants failed to disclose that (a) in 2004,
24 Khanna, the owner and CEO of MAK 1, was barred by FINRA from associating in
25 any manner with a FINRA member; and (b) Khanna was found by FINRA in 2004
26 to have made false representations to investors of his then firm. In fact, MAK 1's
27 prospectus and its website did not even mention Khanna's name despite the fact
28 that he held himself out as the CEO of MAK 1.

1 daily balance in this account at that time never exceeded \$117,000. For this
2 purpose, Khanna faxed a fabricated “screen shot” of MAK 1’s purported account
3 activity at a bank, showing a fictitious ledger balance of over \$52 million.
4 Khanna then disseminated the accountant’s false written verification to investors
5 to mislead them into believing that MAK 1 was “\$50 million strong” and had
6 sufficient funds to repay them. In July 2009, Khanna approached the accountant
7 for yet another verification letter.

8 (b) In or about June 2009, Khanna asked the same accountant to “audit”
9 certain transactional trading documents for MAK 1’s purported account at a
10 foreign currency trading firm. For this purpose, Khanna provided the accountant
11 with fictitious trading records for one month. In fact, Khanna and MAK 1 have
12 no accounts at that firm, and the trading records appear to have been generated
13 from a tutorial/ demonstration page from the firm’s website.

14 (c) Defendants or their agents continue to promise investors that their
15 money is safe, that Defendants have ample funds to repay them, and that the
16 Commission had filed an action which prevented Defendants from repaying
17 investors. This information is false.

18 **FIRST CLAIM FOR RELIEF**
19 **FRAUD IN THE OFFER OR SALE OF SECURITIES**
20 **Violations of Section 17(a) Of the Securities Act**
21 **(Against All Defendants)**

22 33. The Commission realleges and incorporates by reference paragraphs 1
23 through 32 above.

24 34. Defendants Khanna and MAK 1, and each of them, by engaging in the
25 conduct described above, directly or indirectly, in the offer or sale of securities by
26 the use of means or instruments of transportation or communication in interstate
27 commerce or by use of the mails:

28 a. with scienter, employed devices, schemes, or artifices to

1 defraud;

2 b. obtained money or property by means of untrue statements of a
3 material fact or by omitting to state a material fact necessary in
4 order to make the statements made, in light of the

5 circumstances under which they were made, not misleading; or

6 c. engaged in transactions, practices, or courses of business which
7 operated or would operate as a fraud or deceit upon the
8 purchaser.

9 35. By engaging in the conduct described above, Defendants Khanna and
10 MAK 1, and each of them, violated, and unless restrained and enjoined will
11 continue to violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

12 **SECOND CLAIM FOR RELIEF**

13 **FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES**

14 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

15 **(Against All Defendants)**

16 36. The Commission realleges and incorporates by reference paragraphs 1
17 through 32 above.

18 37. Defendants Khanna and MAK 1, and each of them, by engaging in the
19 conduct described above, directly or indirectly, in connection with the purchase or
20 sale of a security, by the use of means or instrumentalities of interstate commerce,
21 of the mails, or of the facilities of a national securities exchange, with scienter:

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

23 b. made untrue statements of a material fact or omitted to state a
24 material fact necessary in order to make the statements made,
25 in light of the circumstances under which they were made, not
26 misleading; or

27 c. engaged in acts, practices, or courses of business which
28 operated or would operate as a fraud or deceit upon other

1 persons.

2 38. By engaging in the conduct described above, Defendants Khanna and
3 MAK 1, and each of them, violated, and unless restrained and enjoined will
4 continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and
5 Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

6 **THIRD CLAIM FOR RELIEF**

7 **UNREGISTERED OFFER AND SALE OF SECURITIES**

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

9 **(Against All Defendants)**

10 39. The Commission realleges and incorporates by reference paragraphs 1
11 through 33 above.

12 40. Defendants Khanna and MAK 1, and each of them, by engaging in the
13 conduct described above, directly or indirectly, made use of means or instruments
14 of transportation or communication in interstate commerce or of the mails, to offer
15 to sell or to sell securities, or to carry or cause such securities to be carried through
16 the mails or in interstate commerce for the purpose of sale or for delivery after
17 sale.

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

20 42. By engaging in the conduct described above, Defendants Khanna and
21 MAK 1, and each of them, violated, and unless restrained and enjoined will
22 continue to violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§
23 77e(a) and 77e(c).

24 **PRAYER FOR RELIEF**

25 WHEREFORE, the Commission respectfully requests that the Court:

26 **I.**

27 Issue findings of fact and conclusions of law that the Defendants committed
28 the alleged violations.

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II.

Issue judgments, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, temporarily, preliminarily, and permanently enjoining Defendants Khanna and MAK 1, and their officers, agents, servants, employees and attorneys, and those in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from violating Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c), Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a) and 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.

III.

Issue, in a form consistent with Rule 65 of the Federal Rules of Civil Procedure, a temporary restraining order and a preliminary injunction freezing the assets of each of the Defendants and any entity affiliated with any of them, appointing a receiver over MAK 1, prohibiting each of the Defendants from destroying documents, granting expedited discovery, repatriating funds, requiring accountings from each of the Defendants, and requiring Khanna to surrender his passport temporarily and prohibiting him from traveling outside the United States Khanna.

IV.

Order the Defendants and the Relief Defendants to disgorge all ill-gotten gains from the illegal conduct alleged herein, together with prejudgment interest thereon.

V.

Order Defendants Khanna and MAK 1 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).

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VI.

Issue, in a form consistent with Fed. R. Civ. P. 65, an order appointing a receiver over Defendant MAK 1 and the assets thereof.

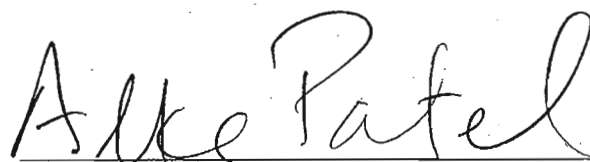
VII.

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.

VIII.

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

DATED: August 15, 2009



Alka N. Patel
Attorney for Plaintiff
Securities and Exchange Commission