

OREGON BUSINESS NEWS

Tonkon Torp to pay \$18.5 million for its role in Aequitas scandal

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Aequitas Capital's executive team, shown here at the grand opening of their Manhattan office in 2015, have moved on while investors have gone to court. The investors got some good news this week when Portland law firm Tonkon Torp agreed to pay \$18.5 million to settle investor claims against it.



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The Oregonian/OregonLive

The Portland-based Tonkon Torp law firm has agreed to pay \$18.5 million to investors who got burned in the 2016 collapse of Aequitas Capital.

It is the first settlement stemming from a class-action lawsuit that investors filed against lawyers, accountants and others who helped Aequitas raise about \$600 million.

Aequitas collapsed in 2016 amid accusations its top executives were running a Ponzi scheme. It is one of the largest investor losses in Oregon history.

Attorneys for the investors now turn their attention to the other defendants, most notably the accounting giant Deloitte & Touche, which audited Aequitas' books. "We have very strong claims against other parties that have sufficient resources to repay investors in full, including Aequitas's auditor Deloitte & Touche," said Tim DeJong, of the Stoll Berne firm in Portland.

The Aequitas drama has unfolded at an agonizingly slow pace since its spectacular collapse in winter 2016. The company poured investors' money into everything from motorcycle leases to health care receivables to student loans from sketchy for-profit colleges. It operated out of high-rent office space on Kruse Way in Lake Oswego and had just opened a swanky new office in Manhattan when the wheels fell off in fall 2015.

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In March 2016, the U.S. Securities and Exchange Commission drove the final nail into the company coffin when it accused Aequitas co-founders Bob Jesenik and Brian Oliver and a third Aequitas executive of systematically duping investors and lying about its true financial condition.

The court-appointed receiver has spent the bulk of the ensuing two years selling off Aequitas assets. It is believed that the receiver will raise about \$125 million for the investors.

Meanwhile, a federal criminal investigation is ongoing.

Investors accused Tonkon Torp of helping Aequitas sell hundreds of millions of dollars of unregistered securities to class members in violation of Oregon securities law.

Since its founding in 1974, Tonkon Torp has developed a reputation as a shrewd business firm. With more than 80 attorneys, it is one of the largest law firms in Portland.

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Tonkon Torp declined comment. Multiple calls to the firm were not returned.

Mike Esler, a Portland lawyer who represents an investor group, said he's convinced that Tonkon was taken in by Aequitas management just as investors were. "This is a law firm that got sucked in, like a lot of other people, by a group that was completely unscrupulous," Esler said. "Sometimes you miss the obvious because it's right in front of you."

Like everything else about the Aequitas case, the settlement has taken time. Tonkon offered a deal in March 2017 that amounted to the firm's liability insurance policy maximums, according to court documents. But the various lawyers couldn't decide how to divvy up the money.

U.S. District Court Judge Michael Simon agreed to mediate settlement negotiations. They finally reached a deal in which investors in the class-action lawsuit will get \$12.9 million and investors who chose not to participate in the class-action will get the balance.

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--Jeff Manning

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