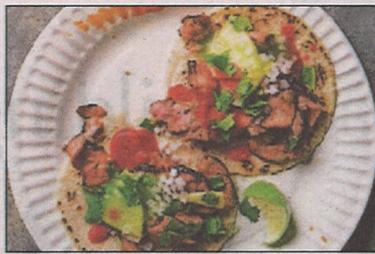




**FOODDAY**

Impress your crowd with these ideas for a sizzling Super Bowl buffet **D1**



**SPORTS**

CJ McCollum leads the Blazers over Milwaukee 107-95 **B1**



**BUSINESS**

Lake Oswego prepares to go it alone with fiber-optic network **C1**



DAVE WEAVER/ASSOCIATED PRESS

A precinct secretary counts votes at a caucus site Monday in Silver City, Iowa.

## In Iowa, winning can be relative to point of view

### Democrats in Iowa

**Why Clinton was a winner:** Hillary Clinton was declared the winner of the caucuses on Tuesday with 49.9 percent of vote.

**Why Sanders was a winner:** Sen. Bernie Sanders claimed 49.6 percent of the vote in the closest Democratic caucus in Iowa history. He also made the case he can challenge Clinton for the Democratic presidential nomination.

### Republicans in Iowa

**Why Cruz was a winner:** Sen. Ted Cruz is the first Republican of Hispanic heritage to win a presidential nominating contest, taking 27.6 percent of the vote.

**Why Trump was a winner:** Iowa was a dent in Donald Trump's defining declaration of being a winner, but earning 24.3 percent of the vote in an electorate with a heavy evangelical bent can be spun as a victory in a candidacy long expected to implode.

**Why Rubio was a winner:** Sen. Marco Rubio, with 23.1 percent of the vote for a strong third-place finish, established himself as a GOP option, more palatable to the establishment. But now he will also be taking more heat from the rest of the Republican field.

**Next up:** The New Hampshire Republican and Democratic primaries are Tuesday. Oregon's primaries will be May 17. Read an analysis on **Page A11**.

— From wire reports

# Investors fear their savings gone to pot

By Jeff Manning | The Oregonian/OregonLive

Shayne Kniss, a Lake Oswego investment adviser with a hipster beard and a leased Jaguar, ran his own company, Iris Capital, for five years before deciding in 2015 it was time for a career change. ■ The 40-year-old shuttered Iris and started working full time for his three marijuana startups. ■ There was only one problem: Kniss didn't tell some of his 50 clients, who had entrusted at least \$5.5 million with him. *See Investment, A10*

Shayne Kniss (third from left) and Nitin Khanna (second from left) celebrate one of their marijuana-business partnerships in this photo courtesy of an Iris Capital investor.



### Inside

• "It hurts, in the heart," one investor tells Steve Duin; there were many more who trusted the Lake Oswego investment adviser with their money | **Page A11**

## Legislature faces major issues

Here are some of the bills heard before House and Senate committees on Tuesday, the second day of the 35-day session.

**Marijuana:** Senate Bill 1511 would allow businesses with recreational marijuana licenses to sell to medical marijuana patients tax free, and House Bill 4014 would remove existing residency requirements for investors and owners of recreational marijuana businesses.

**Pay:** Senate Bill 1532, a proposal from Gov. Kate Brown, would raise the minimum wage

to \$14.50 in Portland and \$13.25 in the rest of the state by 2022.

**Renewable energy:** House Bill 4036 would increase renewable energy use and end coal power in Oregon.

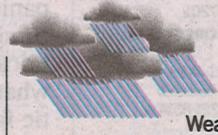
**Rape kits:** Senate Bill 1571 would require police to quickly process sexual assault kits.

On Monday, the Legislature dealt with bills on affordable housing, renter protections, corporate taxes and gun control.

For stories, go to **page A6** or see **oregonlive.com/politics**.

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## Investment

Continued from A1

For some customers, the first real inkling that things were amiss came in September, they said, when they didn't receive the monthly stipend Kniss normally sent them out of their investment earnings.

Five months later, the whereabouts of their money is unclear, as are the prospects they'll recover any of it.

Iris Capital is in the hands of a court-appointed receiver, and a phalanx of lawyers is sorting through the wreckage.

The collapse of Iris Capital has devastated its customers, primarily mom-and-pop investors, some of whom entrusted much or all of their retirement savings to the company.

Adding to the intrigue are the two high-profile entrepreneurs Kniss did business with. Sean Keys, a veteran local real estate developer and homebuilder, was Iris' real estate expert, according to Kniss. Lawyers familiar with Iris said there's no evidence the company ever employed Keys. Investors said Kniss told them their money would be used for the purchase and rapid resale of distressed residential properties, transactions that were to be identified and executed by Keys.

In early November, a judge appointed a receiver to take control of Iris and recover any funds possible for the investors and creditors. The receiver now says part of the investors' money never went to buy real estate. Instead, it went toward Kniss' marijuana-related businesses. Kniss' partner in two of his three marijuana operations is Nitin Khanna, a successful technology entrepreneur.

Keys declined repeated requests for comment. Khanna said he knows nothing about Iris and said any infusion of Iris money came before he got involved with Kniss' marijuana operations. Kniss says that he did nothing wrong and that he's dedicating himself to helping the investors recover as much as possible.

"I'm probably the only person in this situation without (legal) representation," he said. "I don't think I need it. I want the truth out there."

To tell this story, The Oregonian/OregonLive interviewed four former Iris investors. Feeling embarrassed and ashamed, most of them spoke on the condition their names would not be published. The Oregonian/OregonLive spoke to dozens of other sources and reviewed hundreds of pages of documents to confirm the details of their lost investments.

## Nation of investment amateurs

In 2010, Kniss was 35 years old and a veteran of more than a decade in financial services. He had job-hopped between three Lake Oswego stock brokerages in the prior decade before going out on his own and forming Iris in December 2010. His disciplinary record kept by the Financial Industry Regulatory Authority, a nonprofit regulatory agency, shows no serious issues.

One investor, a retired public employee living in Portland, says he hired Kniss as his financial adviser in 2008. The former Portland Public Schools employee said he appreciated Kniss' personal service.

The retiree, an admitted financial novice, said Kniss volunteered to accompany him to PERS financial-planning meetings as he neared retirement. Kniss told him he could earn more if he put all his public-pension money into a self-directed IRA that Kniss would manage instead, the retiree said. So he cashed out of his guaranteed state benefit and gave the \$729,000 to Kniss.

"I thought, 'Wow, this guy is really on top of things, he really cares about me,'" the Portland resident said. "Yeah, he cared about me. He cared about my money."

Details of the retiree's experience are supported in a state cease-and-desist order against Iris. Kniss declined to comment about his dealings with his clients.

The plight of Iris' investors underscores a harsh truth about the U.S. retirement system.

The decline of traditional pensions has transformed the country into a nation of untrained, unskilled investors. Critics of the system argue that Americans aren't saving enough for retirement and too often make bad decisions due to their lack of training and experience.

"The shift from traditional pensions to 401(k) and IRAs has created a do-it-yourself pension system, with all the predicted results of a project constructed by amateurs," said Teresa Ghilarducci, an economist and recognized expert on retirement issues at The New School in New York City. "Having people manage their own long-term savings is like asking us to pull our own teeth and fix our own electricity. The U.S. voluntary, commercial and self-directed pension system is a 30-year-old failed experiment."

To be sure, even the safest stock index fund can be brutal when the market declines, as the first three weeks of 2016 illustrate. But markets recover, even from cataclysmic setbacks like the economic crash of 2008. Iris investors worry there is no

## Key players

**Shayne Kniss:** Lake Oswego investment adviser, former owner of Iris Capital who moved into marijuana businesses.



Keys

**Sean Keys:** Local real estate developer. Kniss says Keys guided Iris' investments, but the exact nature of the relationship is unclear.



Khanna

**Nitin Khanna:** Technology entrepreneur, partner with Kniss in marijuana operations.

coming back for them.

The former Portland schools employee said he knew nothing of the issues at Iris until September, when the \$3,500 monthly stipend Kniss was to send him never showed up. Now 65, he faces the possibility of losing some or all of his \$720,000. He and his wife are getting by on their monthly Social Security checks.

"It's in the hands of the lawyers now," he said. "All I can do is hope and pray I get some of it back. I hope we can survive."

## Flipping homes for profit

Iris promised investors annual returns of 8 percent to 12 percent, according to the Oregon Division of Finance and Corporate Securities. It would do so not through stocks and bonds but residential real estate.

Kniss confirmed real estate was Iris' focus. He declined to specify the returns Iris offered.

Kniss had little real estate experience. But Keys was a savvy veteran. Perhaps best known for launching 45 Central, the 360-unit development of condos and single-family homes just east of Nike's main campus in Beaverton, his Metropolitan Land Group is one of the larger developers on Portland's west side.

Iris investors said they had no idea Keys was dealing with a slew of his own financial challenges during the period Iris was in operation. Between 2011 and 2015, dozens of lenders, subcontractors and other creditors filed lawsuits or liens against Keys, claiming he or his companies owed them millions.

In the same period, the Internal Revenue Service and Oregon Department of Revenue filed more than \$200,000 worth of tax liens against him.

Keys has managed to pay off many of his creditors and

tax liens. In May 2014, Keys enjoyed an enormous payday. Separate from Iris, his company, MLG at Murray Village LLC, sold the remaining 115 lots in his 45 Central development to giant homebuilder DR Horton for \$10 million, Horton officials confirmed.

Still, creditors continue to chase Keys to the courthouse. On Feb. 23, 2015, the state of Oregon filed a \$125,381 tax lien against him. In August, Deutsche Bank Trust Co. launched foreclosure proceedings against him seeking to take possession of a property in Lane County.

In the midst of the legal free-for-all, Keys engineered deals with Iris. The exact nature of their relationship, like so much about Iris, is uncertain. Kniss said he "hired Keys to manage all the assets." But lawyers close to the case say they've seen no evidence to indicate Iris ever employed Keys.

In any case, the Iris funds purchased 19 condos in Tigard, 124 apartment units in Gresham and 130 vacant residential lots in Vancouver in three separate transactions.

The seller in each case was a limited liability company owned and controlled by Keys, according to the receiver's Dec. 7 preliminary report. Kniss acknowledged that he knew that some of the real estate bought by Iris had been owned by Keys or his companies.

How much the Iris funds made, or lost, on those transactions remains a mystery. The complexity of the transactions and the "chaotic" nature of Iris' financial records make it impossible at this point to determine the bottom line for Iris investors, the receiver said.

Over time, Kniss said his relationship with Keys deteriorated. Kniss claims he removed Keys as asset manager for one of the Iris funds in late summer 2014. He

declined to say why.

"What happened to the profits, I don't know," Kniss said. "There were three parties to this arrangement: Iris, its investors and Sean. One of those three parties is in a better financial position today, and it's not Iris or the investors."

The Oregonian/OregonLive could not independently verify Kniss' claims. He offered to produce documents showing how much Keys made off the Iris deals but then decided against it. Keys and his lawyers declined repeated requests for interviews.

## A Divine detour

Kniss had in 2014 diversified into the marijuana business, too. By 2015, he was working full time on three marijuana companies: a retail location, a medical pot dispensary and a processing and distribution operation, all in Portland.

Kniss partnered with Khanna on two of the companies, Divine Kind LLC and Terwilliger Partners LLC. Khanna sold Saber Corp., the Oregon software company he co-founded, for \$420 million in 2007. Since then, he's become an adviser, cheerleader and sometime investor to the city's technology startup crowd.

The receiver noted in her report that Terwilliger Partners and Divine Kind received more than \$300,000 in 2014 from Iris to meet payroll and to buy grow-room and processing equipment.

Khanna declined interview requests. In a written statement, he said any financial dealings between the marijuana companies and Iris happened before he got involved.

"Upon the company's request, I assumed the role of CEO of Terwilliger Partners in July of 2015," Khanna said. "These matters predate my involvement as CEO. I have not read the receiver's report. To me, this is a matter between Shayne, Iris and the receiver. If and when the receiver contacts Terwilliger Partners, we will respond accordingly."

In November, Kniss gave up control of Iris as part of a deal with state financial regulators. The Oregon Division of Finance and Corporate Securities had launched an investigation after hearing from angry Iris investors.

In a Nov. 4 cease-and-desist order, state investigators ruled Kniss had failed to register the Iris stakes as securities and he'd violated his fiduciary duty to look out for his investors. The division permanently barred him from getting a state securities license and fined him \$350,000. It agreed to suspend the entire penalty if Kniss gave up control of Iris to the receiver.

The receiver could raise

## Pensions vs. savings

The shape of American retirement has been changing for decades, shifting from company-sponsored pension plans with reliable payments to pensions defined by how much workers save.

From 1980 to 2008, the percentage of U.S. workers with a defined-benefit pension plan fell from 38 percent to 20 percent. Over the same period, the percentage with a pension plan defined by their own contributions increased from 8 percent to 31 percent, according to the U.S. Department of Labor.

Nearly half of Oregon workers between 25 and 64 don't have a retirement plan at work, according to a 2012 study by the Washington, D.C.-based Economic Policy Institute.

— From staff reports

money for investors by liquidating what's left of Iris' property, primarily residential properties in Beaverton, Gresham and Springfield. But the real estate is significantly encumbered by bank debt, meaning there may be little left for investors after repaying the bank.

Mike Esler and a number of the city's other securities lawyers are now representing the Iris investors. Receiver Amy Mitchell, meanwhile, continues to unravel the Iris mess, a task complicated by what she said is her inability to get straight answers from Kniss.

"Based on independently obtained records, the Receiver has concluded that there are inconsistencies between the Petitioners' records and the representations made by Mr. Kniss," Mitchell concluded in a Dec. 7 report.

For their part, Iris investors feel like they've received more than their share of "inconsistencies." A Lake Oswego woman, another retiree who'd entrusted her entire half-million-dollar retirement nest egg to Kniss and Iris, still can't quite believe what's happened.

"You think if you know somebody over 10 years and they don't exhibit any strange behavior. ... I'd like to think I would detect any signs," the woman said. "But he was always so forthright."

Like other Iris investors, she is now getting by on Social Security.

"That's pretty frightening when you have a house and utilities," she said. "I'm barely hanging on."

# Financial loss comes down to personal betrayal



**STEVE DUIN**  
COMMENTARY

To the very end, she says, she was fooled. To the very end, she had total faith in the financial acumen of the charming and charismatic Shayne Kniss.

"Up until the very last day of all of this," said the devastated Eugene investor, now in her early 70s, "we really trusted him."

"Of course I feel angry about the money. That's automatic. But I also feel embarrassed that a person with a couple of graduate degrees could have been taken like this. I should have seen it coming."

The woman — a retired teacher who, owing to that embarrassment, asked not to be identified — invested \$495,000 in several Iris Capital funds managed by Kniss, who has long lived and worked in Lake Oswego.

She now wonders if she'll ever see a dime of her life savings again.

The woman was, according to court records, one of approximately 50 investors who entrusted Kniss with more than \$5.5 million in savings.

In November, Kniss — now wholly devoted, he says, to processing and selling marijuana — was permanently barred from brokering securities in Oregon for failing his fiduciary responsibility to those investors and for "unethical business practices."

The state Division of Finance and Corporate Securities also tagged him with a \$350,000 civil penalty, a fine that was suspended when Kniss agreed that Amy Mitchell, a court-appointed receiver, should manage the tattered remains of his real-estate portfolio.

In Mitchell's initial December report, however, she says that "misrepresentations and non-disclosure by Mr. Kniss and lack of full cooperation" have complicated and hampered her ability "to realize funds for creditors and investors."

In a 45-minute interview with The Oregonian/OregonLive, Kniss blamed Mitchell's stinging assessment on "poor communication and miscommunication."

He also tried to shift blame for his financial woes at Iris Capital onto local developer

Sean Keys, who Kniss said managed the Iris real-estate portfolios. Neither Keys nor his attorneys could be reached for comment.

That lack of accountability doesn't surprise Duncan Roberts, an Alaska Airlines pilot who met Kniss in 2004.

Roberts also owns the DLR Nordic Volvo dealership on Southwest Barbur Boulevard and once worked as an engineer for a French company in the oil fields of Kazakhstan.

"You can put away a lot of money living in a trailer in Kazakhstan," Roberts said.

Beginning in 2010, Roberts invested \$125,000 of that stash in three different Iris Capital funds that trafficked in distressed real-estate properties.

He says Kniss promised him a return of 8 percent or more flipping units at multifamily developments in Tigard, Gresham and Vancouver.



**"I'd say I wanted to meet up. He was always dodging me."**

*Duncan Roberts, an Alaska Airlines pilot who met Shayne Kniss in 2004*

"I toured properties with him," Roberts said. "At the discount we were purchasing them, I agreed with him. We were buying at the bottom of the market."

Four dozen other investors were similarly impressed.

"These are little old ladies from church and amateurs who are confused by the smoke and mirrors," said attorney David Shaw, who was eventually hired by Roberts to take legal action against Kniss.

Roberts was luckier than most. As Iris sold its Vancouver real estate in 2013, Roberts received distributions totaling \$67,500, according to Shaw.

But by late 2013, Roberts says, Kniss was ignoring his requests for monthly financial statements or the K-1 forms he needed to complete his taxes.

"I confronted him on a number of occasions," Roberts said. "I'd say I wanted to meet up. He was always dodging me."

After extensive delays,

Kniss dropped off a \$65,000 check at Roberts' house in October 2014 for partial payment on money owed.

The check bounced. Wells Fargo, Roberts' bank, billed him \$12 accordingly.

"No phone call that it might not go through. No 'You might want to hold it for a week,'" Roberts said. "The check was written from an account that had been closed."

In her December report on what's left of the Iris Funds, Mitchell said it appears that significant funds of the investors "were transferred to or for the benefit of... Shayne Kniss; his wife, Michelle Kniss; and other Kniss-managed entities including Terwilliger Partners and Divine Kind LLC."

"Furthermore," Mitchell wrote, "it appears that newer investments effectively funded payments to older investors, including those who invested in other funds."

Both Roberts and the Eugene investor said they had extensive, multi-year relationships with Kniss that ended about the time they refused his requests to invest in his marijuana enterprise.

Asked why he cut off communication with those clients, Kniss said, "I don't know that I can do anything at this time other than work with the receiver. I have 24 hours in the day, just like everyone else."

In the legal notice distributed to frustrated investors in the Iris Funds, Mitchell noted, "Kniss has alleged significant wrongdoing by Keys, but Kniss has not provided any evidence of such to the Receiver."

And Roberts and the Eugene investor have little patience with that argument. They have a long history with Kniss, not his business partner.

"You put so much trust and a portion of your life savings into a person. It hurts, in the heart," Roberts says. "There are so many good things that money could have done."

"This is a big blow," the Eugene woman adds. "This money represented our future. I'm not working. There's no way to make the money back."

"This doesn't just affect me. It affects every generation after me. It affects my kid and his family. They can't afford a house in Portland, and we can't afford to help them."

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CHARLIE NEIBERGALL/ASSOCIATED PRESS

Josh Kent celebrates Monday at the caucus night rally for Republican presidential candidate Sen. Ted Cruz, R-Texas, in Des Moines, Iowa.

## Altered presidential race heads to New Hampshire

By Cathleen Decker  
*Los Angeles Times*

MANCHESTER, N.H. — The dramatic results of Monday's Iowa caucuses thrust the presidential contest forward to a state that promises a wildly different eight-day battle for its voters.

Among Republicans the race shifts onto ground dominated by

### Analysis

more-secular New Englanders after weeks of appeals to Iowa's evangelical voters. A New Hampshire race that days ago appeared destined to define which of a quartet of establishment Republicans would rise to challenge Donald Trump will offer instead a battle between two young senators, Iowa winner Ted Cruz and third-place finisher Marco Rubio, for that mantle.

On the Democratic side, Hillary Clinton barely escaped a second straight embarrassment at the hands of an upstart movement candidate by effectively tying with Vermont Sen. Bernie Sanders. Now she must fight him on his home turf of New England.

The Iowa results don't necessarily point to an eventual nominee: Just twice in 40 years has the GOP caucus winner gone on to claim the nomination in campaigns with no incumbent Republican president.

Both Trump and Sanders open the fight for New Hampshire with leads of at least 20 points over challengers in recent state polls. But Trump's idiosyncratic campaign failed to live up to his Iowa poll numbers. A poll released Sunday had Cruz and Rubio tied in low double digits in New Hampshire, but that was before the momentum that each hopes will accompany him northeast.

### More drama awaits

Cruz's surprise victory, Trump's shortfall and Rubio's notable finish — and the tight Democratic race — would be drama enough leading into New Hampshire, but the state's history seems destined to add more before the Feb. 9 primary. New Hampshire often gives the back of the hand to Iowa's winners, and the race is often decided by the state's undeclared voters, the designation here for those not choosing either party.

Cruz heads to New Hampshire with the biggest claim to the party's religious wing. But evangelical voters make up half of Iowa voters and only about 1 in 5 in New Hampshire. History offers a warning: Former Arkansas Gov. Mike Huckabee and former Sen. Rick Santorum of Pennsylvania in 2008 and 2012, respectively, won the Iowa Republican caucuses with heavy support from evangelicals, arrived in New Hampshire lacking a strong organization, lost the state and didn't become GOP nominees.

Rubio, whose third-place finish was just as surprising, will now gain far more attention than the competitive establishment candidates. In New Hampshire, Rubio's placement was bad news for former Florida Gov. Jeb Bush, Ohio Gov. John Kasich and New Jersey Gov. Chris Christie, all of whom had roughly the same level of support as Rubio before Iowa.

"I think Rubio will get what he needed out of Iowa, which is to come into New Hampshire as one of the stories," said Dante Scala, associate professor of political science at the University of New Hampshire.

### Democrats' challenges

Without a clear win in Iowa, and running far behind Sanders in New Hampshire,

Clinton has been denied the running room an early victory would offer. Monday's results suggest that without a reversal on the ground in the next week in New Hampshire, the Democratic race is destined to be far longer than Clinton's team once surmised.

Even after his strong showing in Iowa, Sanders' challenge remains what it has always been: to expand his movement campaign beyond the young and financially extended voters who have formed his base. "Bernie Sanders has two kinds of states that he needs to win: caucus states where passion matters most, and New England states, the most liberal region in the country," said Charlie Cook, a nonpartisan political analyst.

Supporters of the New Hampshire primary process like to remind skeptics they have more often picked the Republican nominee in recent years than Iowa. Sen. John McCain of Arizona won there in 2008, and former Massachusetts Gov. Mitt Romney won the New Hampshire primary in 2012. Both won the nomination.

Former Florida Gov. Jeb Bush, whose father's 1988 campaign was salvaged in New Hampshire after he finished a dismal third place in the caucuses, spoke in Manchester on Monday night as voting in Iowa was about to begin. "You all have a chance to make a huge difference in this election," he said. "You're from New Hampshire, you know this. New Hampshire voters reset elections."

"The reset has started as of tonight," he said, as if speaking for them all. "And on next Tuesday, we're gonna surprise the world."

The Washington Post and the Associated Press contributed to this report.