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# Lawsuit against failed hedge funds grows

Portland Business Journal by Matthew Kish , Business Journal staff writer

Date: Friday, July 27, 2012, 2:53pm PDT



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A lawsuit against two failed Portland hedge funds has grown and now offers more details about the role of a major Portland accounting firm in the alleged scheme.

The lawsuit, originally filed last October, alleges that Yusaf Jawed and Lyman Bruhn, the respective founders of Portland-based **Grifphon Asset Management** and Portland-based Sasquatch Capital LLC, raised as much as \$50 million from investors but didn't invest any of the money as promised, according to an amended lawsuit filed in Multnomah County Circuit Court on Thursday.

Instead, investors claim the hedge funds were Ponzi schemes and money was co-mingled and steered to "extravagant" purchases, including a down payment on a penthouse at the John Ross Building in the South Waterfront and a \$350,000 membership in Exclusive Resorts, a luxury vacation club.

"Virtually none of the money plaintiffs and others invested in exchange for limited partnerships units was ever used for legitimate investments of the kinds described in the various Private Offering Memoranda," according to the amended lawsuit, which was filed by Portland attorney Michael Esler on behalf of roughly 20 plaintiffs.

The plaintiffs invested a combined \$14 million in various Sasquatch and Grifphon entities. It seeks the recovery of that amount plus 9 percent annual interest. The original lawsuit sought less than \$10 million.

Esler said additional plaintiffs could come forward.

"We think that there's another \$15 million or \$20 million of investors out there that are hoping against hope that something will materialize," he said. "We can't see anything that suggests there'd be a basis to believe that."

Among the new information in the amended lawsuit is additional detail about the role of the accounting firm **Perkins & Co.**, the largest accounting firm based in Portland.

Perkins was named in the original lawsuit filed in October, but the original lawsuit didn't provide much detail about the firm's knowledge of the alleged fraud.

Yesterday's filing claims Perkins & Co. knew about the alleged misuse of funds at Sasquatch as early as 2001 and the firm failed to "verify assets claimed to be owned, and investments claimed to have been made, by Sasquatch Funds and Grifphon Funds when they knew or had reason to believe that the information that Sasquatch and Grifphon provided to them was incorrect, incomplete or inconsistent."

Perkins & Co. terminated its relationship with Grifphon and Sasquatch in late 2009.

A Perkins spokesman did not immediately return several requests for comment.

When the lawsuit was originally filed last year, Perkins & Co. President Gary Reynolds said the firm planned to fight the lawsuit.

"The complaint is filled with inaccurate and misleading information, and we intend to vigorously defend our position," he said at the time.

The amended lawsuit also cites statements from Jawed about his "horrid track record" and a 2006 claim from Jawed that Grifphon's financial position was a "total disaster" in need of \$20 million in new investor money to remain solvent.

Previous efforts to collect from Grifphon have been unsuccessful.

The Business Journal previously reported that Jawed and Grifphon were also under a formal investigation by the Securities and Exchange Commission. It's unclear if Bruhn is also under investigation.

A formal SEC investigation means the government plans to file subpoenas for documents and force officers to testify under oath. Such investigations, if they uncover "egregious" acts of executive negligence, can result in arrests and jail sentences.

The SEC does not confirm or deny its investigations.

Jawed did not immediately return messages. Bruhn could not be reached.

Matthew Kish covers banking, finance and higher education.