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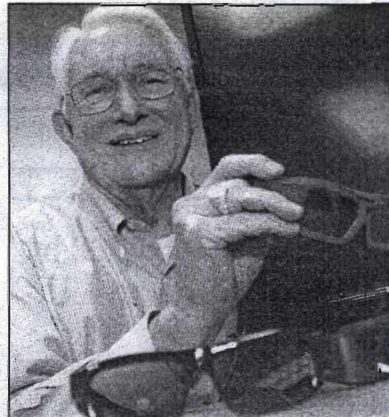
BUSINESS NEWS FROM THE FOUR-COUNTY REGION

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BIG VISIONS:

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SEC investigates Grifphon

Probe comes after settlement, release of financial documents

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The U.S. Securities and Exchange Commission has launched a formal investigation of Portland hedge fund Grifphon Asset Man-

agement, according to Bob Banks, a lawyer who represents some of the fund's disgruntled investors.

In legal filings, Banks has maintained Grifphon "is a fraudulent ponzi scheme."

Grifphon reportedly managed \$63 million for 150 investors. It first ran into trouble around 2009



Banks

when investors started trying to withdraw money from its various funds. Several investors have since sued the company, saying it has failed to return their money.

A formal SEC investigation means the government plans to file subpoenas for documents and force officers to testify under oath. Such



Jawed

investigations, if they uncover "egregious" acts of executive negligence, can result in arrests and jail sentences.

"There are a lot of occasions that the SEC is asked to look into something," said Mark A. von Bergen, a securities lawyer and partner in the Portland office of Holland & Knight. "If they see something of fairly large significance they will

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GRIFPHON: Related lawsuit that sought \$750,000 settles

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launch an informal investigation. If they think there is something that is pretty solid in terms of a violations of securities laws, they'll convert to a formal investigation, which is very serious."

It's unknown how much money Grifphon managed. CEO Yusaf Jawed told The Oregonian newspaper in 2010 that he managed \$63 million for 150 investors.

Several of those investors have sued Grifphon. One case remains ongoing while another resulted in a \$332,000 judgment that's been difficult to collect.

Until November, investors had not received any documents to prove how Grifphon invested their money, or if it was invested at all.

That changed when Grifphon shared financial records with Banks and other parties late last year as a result of a Multnomah County judge's order.

Banks didn't receive all of the documents he requested and he's prohibited from sharing what he received by a court order. But he said the records confirm his view of Grifphon.

"The documents support our theories

of the case," he said.

The documents were critical to an ongoing case Banks had brought against investment advisers who steered clients to Grifphon.

Banks argued that investment advisers who steered clients to Grifphon's funds didn't do enough due diligence on the funds or Jawed.

A records search shows the New York Stock Exchange suspended Jawed for three months for trading without a customer's written permission in 2002. He's also been sued "on multiple occasions for violations of the Oregon Securities Act," according to a legal filing by the couple that won the \$332,000 judgment.

"(Investment advisers) have an obligation to thoroughly investigate a private hedge fund before agreeing to sell it to clients," Banks said. "That was the heart of our case."

Banks is prohibited from disclosing terms of the settlement.

He sought \$750,000 in damages on behalf of three clients, plus attorney fees.

Since the case settled, Banks has been approached by other disgruntled investors. He's likely to decline any case that

doesn't afford the opportunity to collect from somebody other than Jawed and Grifphon because "unfortunately they are unlikely to pay an award. For that

'I hope the SEC and the U.S. Attorney's office **will seek prison time and fines** for those responsible for the Grifphon losses.'

Bob Banks

Lawyer who represents Grifphon investors

reason, I have been advising investors not to spend money doing that. I hope the SEC and the U.S. Attorney's office will seek prison time and fines for those responsible for the Grifphon losses."

Banks said investigators in the San Francisco office of the SEC contacted him after he received the court-ordered Grifphon financial documents late last year.

Grifphon did not return a call for comment.

A year ago, Grifphon attorney Bob Custis said the hedge fund had reached a deal to sell all of the assets in the four funds it managed and it planned to restructure its offerings so future investors would have more liquidity.

The firm has yet to return money to clients, likely meaning the sale hasn't happened.

Custis said the hedge fund's problems arose when investors started demanding more liquidity, not uncommon in a post-Bernie Madoff world.

Formal investigations don't always result in civil charges.

While the SEC doesn't disclose when it's investigating a company, public companies often disclose when they're the target of SEC investigators.

Portland-based Axial Vector Engine Corp. was the last Oregon company to disclose it was the subject of a formal investigation.

No charges were ever filed against the company, which has since moved overseas.