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Grifphon Ponzi scheme burned Coachella Valley elites

Indio investment banker Ben Daniels involved in bogus investment scheme



Linda Garrett at her Hemet home on Tuesday, July 23, 2013 with her dogs Pancho, center, and Cisco. She is a victim of a Ponzi scheme. / Richard Lui, The Desert Sun

Linda Garrett has been trying for seven years to get her money back.

After her husband died in 2006, Garrett contacted their investment adviser about getting a hold of the couple's little retirement savings. The adviser, Lyman Bruhn, got harder and harder to reach as Garrett sought the roughly \$32,000 she thought her investment was worth. She eventually had an attorney send Bruhn a letter "and, bang, I got a phone call." But never her money.

It wasn't until after Garrett had moved across the country twice and bought a home in Hemet that she found out about the problems facing Bruhn and his Portland-based company, Sasquatch Capital Management. Another investor with Bruhn emailed her to say it was a fraud and suggested she speak to an attorney.

Today, she is one of the smallest investors in a group of more than 50 people who claim in a lawsuit to have entrusted more than \$32 million with Bruhn and his partner, Yusaf Jawed. **The pair's Ponzi schemes also ensnared a number of high-profile Coachella Valley investors who were connected to the Oregon enterprise by Indio investment broker Ben Daniels, the son of outgoing Desert Hot Springs City Manager Rick Daniels.**

"Whether anything will come of it, I don't know," Garrett, 69, said of the lawsuit. "I'd be surprised if I got a fifth of my money."

The investors claim in their lawsuit that the named defendants, including Jawed and Bruhn, misrepresented the hedge fund investments they were managing, created sham entities as part of their operations and failed to disclose personal loans made to hedge fund operators. In a court filing, the operation is compared to the portfolio manipulations of jailed New York stockbroker and financial adviser Bernie Madoff, who doctored documents to show his funds greatly outperformed the S&P 500.

Madoff pleaded guilty to criminal charges related to his estimated \$50 billion scheme before being sentenced to 150 years in prison in 2009. The Madoff Ponzi scheme may be the best known of its type, but smaller cases closer to what Bruhn and Jawed managed are prosecuted regularly. The U.S. Attorney's Office for the Central District of California calculated that its successful Ponzi scheme cases over the past five years represented losses of more than \$460 million to victims throughout the country and world.

Assistant U.S. Attorney Rane Katzenstein, who prosecutes financial fraud cases in the Central District of California, said many of these schemes emerged as the economy faltered and people began to reassess their finances.

"I think all of the publicity of Madoff came at a time when the economy was contracting and people were trying to make sure they had the assets they thought they had," Katzenstein said. "People were trying to take out their money or withdraw their profits, and that's when their schemes were exposed."

Financial fraud has always been with us, she said, but there are an increasing number of ways for fraudsters to reach potential victims.

“It’s not surprising that when times get tough, some people — for whatever reason — resort to criminal methods to help themselves get money, and often times people are more susceptible to falling for these get-rich-quick schemes because they’re more desperate for money,” she said.

Mountain of lies

The Securities and Exchange Commission took action against Bruhn and Jawed last year. According to the SEC, Bruhn began Sasquatch in the late 1990s and ran a hedge fund trading in public securities until around 2000, when he started accumulating huge losses. That’s when he began recruiting new investors to pay off old ones.

Regular reports to investors about fund growth were falsified, the SEC said. Bruhn claimed the investments were based on a conservative and low-risk strategy that included Wal-Mart, Wells Fargo and other well-known publicly traded companies, but he instead placed client money with risky private securities, the SEC claimed, most notably a nickel mine in Quebec. According to the SEC, Bruhn knew the mine never produced or sold nickel, never purchased mining equipment, had no employees and never produced an income.

Around late 2008, the SEC said new investors became harder to find and Bruhn had to be more creative. Linda Garrett had been investing with Bruhn for about a decade before her husband died. The investor relationship began when she was living in Portland and continued after she moved to Nevada. As Bruhn changed companies, her money went with him, until it ended up at Sasquatch.

The good returns Garrett experienced early on with Bruhn reversed as the dot-com bust disrupted the market, but Garrett said she still felt secure.

A former accountant, Garrett said the explanations she heard about auctions and short sales made sense. Later, when she was trying to get her money, Bruhn would tell her he was just waiting on signatures.

Bruhn was like Superman, Garrett said, an imposing physical figure, “yet he was country-boy polite.”

“You’ve got to understand, he’d done a lot for us,” she said. “In the beginning he had more than doubled everything that we’d put in, and of course it’s a reasonable thing, the dot coms crash and of course you’re going to lose some money.”

In October, the SEC accepted a settlement offer from Bruhn that barred him from working as an investment adviser. Bruhn could not be reached, and the Oregon public defender who represented him, Chris Schatz, declined to offer any comments.

The SEC described Bruhn and Jawed as friends and said the men worked together on a scheme Jawed devised to make it appear as if money he'd given Bruhn was supporting the investment funds.

Jawed was born in Bangladesh and graduated in 1991 from Reed College in Portland with a degree in political science, according to a 2006 article in the college's alumni magazine. For Jawed's investment fund, an English professor and mentor suggested the name Grifphon, an old spelling of "griffin" used by poet Geoffrey Chaucer.

"I try to manage (investors') money the way I'd manage my own money," Jawed told the magazine, "and all my money and my wife's money is in the funds of this company."

In April, he pleaded guilty to 17 counts of mail and wire fraud in connection to the investment scheme and currently awaits sentencing in Oregon. The SEC accused him of masterminding a \$37 million Ponzi scheme through his companies, Grifphon Asset Management and Grifphon Holdings.

Around 2008, as those companies began to collapse, the names Grifphon and Yusaf Jawed entered conversations in the Coachella Valley between potential investors and Ben Daniels, whom Jawed hired to sell his funds.

According to the SEC, from 2007 to 2009, Daniels worked as an independent consultant for Jawed. Daniels signed on about 20 investors who together contributed roughly \$4.3 million to a group of investment funds known as Grifphon. The group he brought in included his parents, Rick and Joyce Daniels.

Ben Daniels has not faced criminal charges. He did not respond to multiple phone messages over the past month requesting an interview. Rick Daniels declined an interview, saying, "It's a personal and private matter." Rick and Joyce Daniels are listed among the investors seeking to recoup some of their lost money through the same lawsuit as Garrett. They claim in court documents to have invested \$976,900 starting in January 2007.

Ben Daniels now works as a senior vice president with a division of the real estate development firm American Colonial Capital, according to the company's website and Daniels' profile on LinkedIn.

Many victims

Indian Wells businessman and former mayor Dick Oliphant said he made one initial investment of about \$200,000 with Grifphon and then for years received monthly statements showing the balance moving upward.

Based on what Oliphant saw, the fund seemed extremely well-managed, and it had the diversification he was seeking. The fund was presented to him in a leather-bound portfolio and had ties to the largest accounting firm in Portland.

Looking back, Oliphant wondered if he had missed clues. He didn't expect to recoup any of his lost investment and hasn't joined in the lawsuit filed by other investors. "Rather than throw a lot of money after bad, I've decided to go on with my life," he said.

Oliphant, a cofounder of the desert's Lincoln Club, is senior vice president of development and a board member for American Colonial Capital, the real estate development business that hired Ben Daniels after Grifphon.

Another investor, who asked that his name not be used for this story, said he neglected to ask one important question before he got involved: What was Ben Daniel's commission? "If the deal's really good, they don't need to pay a good commission."

According to the SEC, Ben Daniels was paid between four and 10 percent of any investment he brought in and earned \$286,683. Regulators did not impose a fine against Daniels, who said he was unable to pay back the money, but Daniels was barred from associating with investors for three years.

"I have no doubt that Ben Daniels believed it all and did a fair amount of due diligence with the accounting firms and the law firms, and he got duped," the investor said.

He said his contribution to Grifphon was "a quarter of a million type of number," and that he understood there was some risk involved

"You never hit a home run sitting in the dugout," he said. "You've got to get out and get up at the plate, and sometimes that's where you strike out."

With Ben Daniels as a conduit, Jawed tried to gain access to wealthy clients of Palm Springs automobile designer Alfred Dimora and the clients of prominent sports agent Leigh Steinberg, a friend of Dimora's.

Dimora said neither he nor Steinberg invested with Jawed. Documents from the SEC show that in 2007, Jawed changed the name of one his sham companies to the Steinberg Dimora Fund, but then changed the name back two years later.

"I don't know what that was actually," Dimora said of the investment fund with his name on it. "I think they were trying to talk Leigh into going into a fund of some sort, but we weren't involved in any way, shape or form."

Others in the Coachella Valley had doubts when they heard about Grifphon. The pitch was one of countless investment proposals Jim Casey hears as president and CEO of Integrated Wealth Management, which has an office in Palm Springs. Casey said he couldn't recall exactly how he got introduced to Grifphon. It was one of those "friend of a friend of a friend" communications, he said.

Casey, who lives in Palm Springs, said he was skeptical, and not just because it involved people he hadn't worked with before.

“It was pretty simple for me,” Casey said. “The numbers they were touting as far as performance were a little out of this world. I’ve always said that investing should not be entertainment and anytime that I’ve seen any investment go south or was the wrong investment for a client, it was just because they got blindsided by the shiny objects they were pitching.”

Rancho Mirage Councilman Scott Hines also heard Grifphon’s pitch. While he remembers being impressed with Jawed, the investments seemed overly sophisticated and Hines didn’t feel he understood the strategy enough to commit his money.

The Hatch Partnership, a nonprofit business and technology support program Hines was heavily involved with when it began in 2009, had looked to Grifphon to manage its investments, but Hines said the relationship never materialized because the investments Jawed was making with Grifphon seemed too complex.

Haddon Libby of Indian Wells learned about Grifphon in 2008, when two acquaintances asked him to give some feedback on the investment. At the time, Libby was the chief financial officer at El Paseo Bank and had spent a career in investment banking. The breakfast meeting at the Renaissance Esmeralda Hotel didn’t relieve Libby’s initial skepticism.

“They either didn’t know what they were doing or they were frauds,” Libby said.

The investment was presented in a thin, hardcover book that, Libby said, “looked ridiculous.”

The book lacked basic information, such as statements from accountants and auditors. Jawed and another man, whose name Libby forgot, wouldn’t provide supporting information about supposed billion-dollar deals in Africa, Libby said.

And when Libby asked about tax implications, the men said those details were left to the accountants.

The biggest red flag, Libby said, was Jawed’s interest in small investors.

“If you’re as successful as you say you are, what are you doing meeting with a bunch of us?” Libby said. “Basically, what are you doing in the middle of nowhere? You wouldn’t waste your time with us. You would be doing presentations to the big guys.”

Sitting in the living room of her modest Hemet home, two Chihuahuas on her lap, Garrett ponders a question about a suitable punishment for the people who took her money. She repeats the question, then is silent while she thinks it over. “They should have to live on Social Security,” she eventually said.

A low-security prison might be more comfortable than where many on Social Security must live, she said. Maybe a public shaming campaign would be appropriate, she said.

Without the investment savings, Garrett lives on Social Security and money from one of her sons. It's enough to get by, but has meant putting off repairs to her home and traveling less than she'd like. She plans to get a part-time job once she's recovered from the back surgery she had in March.

"I'm really sad for Lyman, because he does have a brilliant mind and for a while he was doing quite well," she said. "And to turn around and get greedy and to get mixed up with the others is just sad."

Thinking back, she said the lack of communication should have tipped her off earlier that something was wrong. But, as she will attest, trust can make you miss things.

"It's hard to tell people to be careful, because how do they be careful?" she said. "They know somebody like I knew Lyman, and we were almost like friends. Almost."

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