

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 68370 / December 6, 2012**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15122**

**In the Matter of**

**Stephen Persad,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTIONS 15(b) AND 21C  
OF THE SECURITIES EXCHANGE ACT OF  
1934, MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Stephen Persad (“Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### **Respondent**

1. Respondent Persad, age 50, resides in Milwaukie, Oregon. From 1989 through 2003, Respondent was a registered representative associated with three Oregon broker-dealers registered with the Commission. He held Series 7 and 63 licenses from about March 1987 to April 2005. He is not currently associated with a registered broker-dealer. Persad is presently employed by Avior Funding Group, LLC, an Oregon company he co-founded, which business model is to serve as an intermediary for commercial funding.

#### **Other Relevant Persons and Entities**

2. Yusaf Jawed, age 44, resides in Portland, Oregon and is the principal, owner, and manager of Grifphon Asset Management, LLC ("GAM") and Grifphon Holdings, LLC ("Holdings"), both Portland-based investment advisory entities, which he used to manage various hedge funds he created and controlled, including Grifphon Alpha I Fund, L.P. and Grifphon Qualified Fund, L.P. (hereinafter, all Jawed managed hedge funds are referred to as the "Grifphon funds").

#### **Background**

3. On September 20, 2012, the Commission filed a lawsuit in federal district court for the District of Oregon against Yusaf Jawed, GAM, and Holdings, among others, for perpetrating a long-running Ponzi scheme that raised over \$37 million from more than 100 investors in the Pacific Northwest and across the country. In its complaint, the Commission alleged that Jawed used false marketing materials that boasted double-digit returns to lure people to invest their money into several hedge funds he managed. In reality, he invested very little of the \$37 million and, instead, used the money to pay back other investors, to fund his lifestyle, and to pay for the operations of the entities he controlled. The Commission further alleged that Jawed created phony assets, sent bogus account statements to investors, and manufactured a sham buyout of the funds to make investors believe their hedge fund interests would soon be redeemed. *See SEC v. Jawed, et al.*, Civ. Action No. 12-1696 (D. Oregon, Sep. 20, 2012).

#### **Persad's Conduct**

4. Jawed retained Persad as an independent consultant to help him raise money for his purported funds. From 2006 through 2009, Persad placed approximately 26 investors, who invested about \$9 million, in the Grifphon funds. Certain of these investors were Persad's former clients. Others were individuals who Persad cold-called and introduced to the Grifphon funds.

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. While acting as a broker, Persad went beyond identifying potential investors who might be interested in purchasing interests in the Grifphon funds. For example, Persad served as the primary point of contact between certain investors and the Grifphon funds. Persad discussed with investors the Grifphon funds' purported high rates of returns, the purported nature of the investments, and also attested to Jawed's reputable and trustworthy character. He also provided to investors Grifphon funds private placement memoranda and other marketing materials. Some investors relied solely on Persad's representations in deciding to invest in the Grifphon funds. Indeed, some of them never met or spoke with Jawed or other GAM employees before they invested.

6. During the relevant period, Jawed paid Persad four to six percent of any investment made by any investor for whom Persad served as a broker. Jawed paid Persad approximately \$386,720 in transaction-based compensation.

### **Violations**

7. Section 15(a) of the Exchange Act makes it unlawful for any broker or dealer to use the means of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security unless such broker or dealer is registered with the Commission. Section 3(a)(4) of the Exchange Act defines as "broker" as any person, other than a bank, "engaged in the business of effecting transaction in securities for the account of others."

8. Based on the conduct described above, Persad acted as a broker without being registered or associated with a registered broker or dealer.

9. As a result, Persad willfully violated Section 15(a) of the Exchange Act.<sup>2</sup>

### **Disgorgement and Civil Penalties**

10. Respondent has submitted a sworn Statement of Financial Condition dated August 28, 2012, and other evidence and has asserted his inability to pay disgorgement, prejudgment interest, and a civil penalty.

## **IV.**

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Persad's Offer.

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<sup>2</sup> A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent Persad cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.

B. Respondent Persad be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock;

with the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondent shall pay disgorgement of \$386,720 and prejudgment interest of \$28,705, but that payment of such amount is waived based upon Respondent's sworn representations in his Statement of Financial Condition dated August 28, 2012, and other documents submitted to the Commission. Based upon Respondent's sworn representations in his Statement of Financial Condition dated August 28, 2012, and other documents submitted to the Commission, the Commission is not imposing a penalty against Respondent.

E. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of disgorgement, pre-judgment interest, and the maximum civil penalty allowable under the law. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent was fraudulent,

misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of disgorgement, interest, and a civil penalty should not be ordered; (3) contest the amount of disgorgement and interest to be ordered or the imposition of the maximum penalty allowable under the law; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Elizabeth M. Murphy  
Secretary