

KASHYA K. SHEI (Cal. Bar No. 173125)
sheik@sec.gov
MARC J. FAGEL (Cal. Bar No. 154425)
MICHAEL S. DICKE (Cal. Bar No. 158187)
ROBERT S. LEACH (Cal. Bar No. 196191)

Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
44 Montgomery Street, Suite 2800
San Francisco, California 94104
Telephone: (415) 705-2500
Facsimile: (415) 705-2501

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON
DIVISION OF PORTLAND

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

JACQUES NICHOLS,

Defendant.

Case No. _____

COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”) alleges:

SUMMARY OF ACTION

1. This matter involves Jacques Nichols, an attorney and member of the State Bar of Oregon, who aided and abetted a long-running, multi-million dollar Ponzi scheme masterminded by Yusaf Jawed.

2. For many years, Jawed presented himself as a successful and sophisticated financial adviser who consistently earned double-digit returns for the hedge funds he managed. In truth, Jawed was engaged in a massive Ponzi scheme: raising money through false representations and omissions, misappropriating assets from the hedge funds, and using money from new investors in one fund to repay earlier investors in separate funds.

3. As of 2008, infusion of new investor funds slowed and Jawed could not meet investors’ requests to cash out their hedge fund interests. As the funds were collapsing, Jawed continued to deceive investors by promising them that an independent third-party, QFF Securities Funds, Ltd. (“QFF Securities”), would pay tens of millions of dollars to buy Grifphon fund assets (and therefore investors would be paid back shortly).

4. Nichols aided Jawed by holding himself out as a responsible officer of QFF Securities and assuring investors that QFF Securities was buying the Grifphon funds’ alleged assets. In truth, QFF Securities was a sham entity initially formed by Jawed with no ability to pay tens of millions of dollars to buy the Grifphon funds’ alleged assets.

5. Nichols violated the antifraud provisions of the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940.

JURISDICTION, VENUE, AND DIVISIONAL VENUE

6. The Commission brings this action pursuant to Sections 21(d) and 21(e) of the

Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d) and 78u(e), and Sections 209 and 214 of the Investment Advisers Act of 1940 (“Advisers Act”), 15 U.S.C. §§ 80b-9 and 80b-14.

7. This Court has jurisdiction over this action pursuant to Sections 21(d)(3), 21(e), and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d)(3), 78u(e), and 78aa, and Sections 209 and 214 of the Advisers Act, 15 U.S.C. §§ 80b-9 and 80b-14. Defendant, directly or indirectly, has made use of the means and instrumentalities of interstate commerce or of the mails in connection with the acts, transactions, practices, and courses of business alleged in this complaint.

8. Venue in this District is proper pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa and Section 214 of the Advisers Act, 15 U.S.C. § 80b-14, because a substantial part of the events or omissions that give rise to claims alleged in this Complaint occurred in this District. Assignment to the Portland Division is appropriate because most of the illicit activities occurred in Portland, Oregon, in Multnomah County.

DEFENDANT

9. Defendant Jacques Nichols, Esq., age 75, resides in Washington and is an Oregon licensed attorney and a self-proclaimed venture capitalist.

FACTUAL ALLEGATIONS

10. From approximately 2001 through 2009, Jawed – as the person controlling Grifphon Asset Management, LLC (“GAM”) and Grifphon Holdings, LLC (“Holdings”) – raised more than \$37 million from over 100 investors located in Oregon, Washington, California, Texas, New Jersey and other states. Jawed lured investors by claiming that hedge funds he controlled, including Grifphon Alpha Fund, Limited Partnership (the “Alpha Fund”), Grifphon Alpha I Fund, L.P. (the “Alpha I Fund”), and Alpha Qualified Fund, L.P. (the “Qualified Fund”)

– earned double-digit returns year after year even as the S&P 500 Index declined. In truth, the Grifphon funds were simply a Ponzi scheme

11. As of 2008 and likely earlier, Jawed was unable to honor investors’ increasing redemption requests. Jawed, with Nichols’ assistance, began telling investors an independent third party would either invest hundreds of millions of dollars in Grifphon funds or purchase Grifphon fund assets (including securities) at a premium.

12. On or around March 30, 2009, Jawed provided to an investor a letter signed by Nichols on behalf of Merchant Securities & Trust (“Merchant Securities”) as its senior trustee and director. In the letter, dated March 10, 2009, Nichols stated he was confirming the “interest and intent of Merchant Securities & Trust to invest up to One Billion, Three Hundred and Fifty Million Euros (Euros 1,350,000,000.00) in Alpha Qualified Fund on or before Dec. 31, 2009.”

13. On or around August 24, 2009, Jawed provided another investor a letter signed by Nichols, dated March 16, 2009, purporting to confirm Merchant Securities would “purchase all private equity and debt in your Grifphon Alpha Funds in the USA, by July 1, 2009. The said purchase will be at a 10% premium for all private equity positions to the value they are being carried on the books of the Alpha Funds (Alpha, Alpha 1, Alpha Long Term, and Alpha Qualified.”

14. After receiving Nichols’ March 16, 2009 letter, the investor invested \$1.2 million with Jawed. Jawed misappropriated the money for his own uses.

15. The Merchant Securities letters were false and misleading in many respects. As Nichols and Jawed knew, Merchant Securities had no assets, no income, no bank or brokerage accounts, no meaningful operations, and no ability to buy the Grifphon funds’ purported assets.

16. Throughout 2010, Jawed, with Nichols’ assistance, told Grifphon fund investors

that a different entity, QFF Securities, had agreed to buy Grifphon fund assets.

17. QFF Securities was a British Virgin Island entity originally formed by Grifphon in 2004 and named DV Global Sector Fund Ltd. In 2007, Grifphon changed the name of the entity to Steinberg Dimora Fund Ltd. In 2009, Jawed changed the name of the entity again to QFF Securities.

18. On or around September 10, 2010, Jawed provided investors with signed “Agreements for Sale and Purchase of Limited Partnership Assets” (the “Alleged Buyout Agreements”) suggesting that QFF Securities had definitively agreed to buy Grifphon assets for tens of millions of dollars. Nichols signed the Alleged Buyout Agreements on behalf of QFF Securities as its senior director and trustee. The Alleged Buyout Agreements included purported promissory notes signed by Nichols in which QFF Securities allegedly promised to pay Grifphon funds tens of millions of dollars due on the earlier of December 31, 2010, or “the release and receipt of said funds by [a Grifphon fund] that are backed by the Sovereign Bonds in the minimum sum of 500 Million Euros that are currently being transferred through Euro Clear to [a Grifphon fund]. Said bonds have been placed with Morgan Stanley for the purpose of transferring the liquidity created thereby to [a Grifphon fund].”

19. As Jawed and Nichols knew, by 2009, QFF Securities had no assets, no income, no bank or brokerage accounts, no meaningful operations, and no ability to pay tens of millions of dollars to buy the Grifphon funds’ alleged assets. It was a sham entity and the Alleged Buyout Agreements were sham transactions designed to deceive Grifphon investors seeking to redeem their securities.

20. As Jawed and Nichols knew, the so-called “sovereign bonds” referred to in the promissory notes that Nichols signed were a fiction. QFF Securities never paid a penny of the

tens of millions of dollars it promised to pay for the Grifphon funds' alleged assets.

21. In September 2010, Nichols also met personally with agents of an investor and made similar misrepresentations that QFF Securities would soon be purchasing the alleged assets of the Grifphon funds at a premium.

22. In February 2011, Jawed provided to a Grifphon fund investor a letter signed by Nichols as the senior director and special counsel of yet another entity, QFF Holdings LLC. In the letter Nichols stated that QFF Holdings LLC "has at this time received assets in our accounts, which are adequate to meet our obligations to purchase the investment assets owned by Grifphon Asset Management (Grifphon) managed funds. QFF intends to complete the transaction as soon as possible, and we anticipate that transfer will occur in as little as five (5) days but no more than thirty (30)."

23. The February 2011 letter was false and misleading in many respects. QFF Holdings LLC was a Delaware limited liability company formed by Jawed (not an independent third party) on June 10, 2009. Jawed was the sole manager and member. Moreover, as Nichols knew, QFF Holdings LLC had no assets, no income, no bank or brokerage accounts, no meaningful operations, and no ability to pay tens of millions of dollars to buy the Grifphon funds' alleged assets.

24. During the period 2008 through 2011, Jawed paid Nichols approximately \$42,500.

25. Jawed and Nichols knew that the representations Nichols made to investors regarding QFF Securities' and QFF Holdings' alleged purchase of Grifphon funds' alleged assets were false and misleading.

FIRST CLAIM FOR RELIEF

**(Aiding and Abetting Violations of Section 10(b) of the Exchange Act
and Rule 10b-5 Thereunder)**

26. The Commission hereby incorporates and realleges here paragraphs 1 through 25, above.

27. By engaging in the acts and conduct alleged above, Jawed, GAM, and Holdings directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national security exchange, with scienter: (a) employed devices, schemes, or artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons, including purchasers and sellers of securities.

28. By reason of the conduct described above, Defendant Nichols knowingly aided, abetted, counseled, commanded, induced, or procured said violations by Jawed, GAM, and Holdings, and thus aided and abetted such violations.

29. Unless restrained and enjoined, Defendant Nichols will continue to aid and abet violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. §§ 240.10b-5] thereunder.

SECOND CLAIM FOR RELIEF

**(Aiding and Abetting Violations of Sections 206(1), 206(2), and Section 206(4)
of the Advisers Act and Rule 206(4)-8 Thereunder)**

30. The Commission hereby incorporates and realleges here paragraphs 1 through 25, above.

31. Jawed, GAM, and Holdings by engaging in the conduct set forth above, directly or indirectly, through use of the mails or the means or instrumentalities of interstate commerce, and

while engaged in the business of advising others for compensation as to the advisability of investing in, purchasing, or selling securities, with scienter, employed devices, schemes, or artifices to defraud. By reason of the foregoing, Jawed, GAM, and Holdings violated Section 206(1) of the Advisers Act, 15 U.S.C. § 80b-6(1).

32. Jawed, GAM, and Holdings by engaging in the conduct set forth above, directly or indirectly, through use of the mails or the means or instrumentalities of interstate commerce, and while engaged in the business of advising others for compensation as to the advisability of investing in, purchasing, or selling securities, engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon clients or prospective clients. By reason of the foregoing, Jawed, GAM, and Holdings violated, Section 206(2) of the Advisers Act, 15 U.S.C. § 80b-6(2).

33. Jawed, GAM, and Holdings, while acting as investment advisers to a pooled investment vehicle, made untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading, to an investor or prospective investor in the pooled investment vehicle or otherwise engaged in acts, practices, or courses of business that are fraudulent, deceptive or manipulative with respect to an investor or prospective investor in the pooled investment vehicle. Jawed, GAM, and Holdings thereby violated Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 thereunder [17 C.F.R. § 275.206(4)-8].

34. By reason of the conduct described above, Defendant Nichols knowingly aided, abetted, counseled, commanded, induced, or procured said violations by Jawed, GAM, and Holdings, and thus aided and abetted such violations. Unless restrained and enjoined, Defendant Nichols will continue to aid and abet such violations.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Enjoin defendant Nichols, his agents, servants, employees, and attorneys, and all persons in active concert or participation with him who received actual notice of the injunction by personal service or otherwise, and each of them, from directly or indirectly violating and/or aiding and abetting violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], Section 206(1), (2) and (4) of the Advisers Act [15 U.S.C. §§ 80b-6, and Advisers Act Rule 206(4)-8 [17 C.F.R. § 275.206(4)-8], thereunder.

II.

Order defendant Nichols to provide an accounting and to disgorge his ill-gotten gains in an amount according to proof, plus prejudgment interest thereon.

III.

Order defendant Nichols to pay civil money penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1] and Section 209 of the Advisers Act [15 U.S.C. § 80b-9].

Dated: September 20, 2012

Respectfully submitted:

By: /s/ Kashya K. Shei

Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION