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UNITED STATES DISTRICT COURT
DISTRICT OF OREGON
DIVISION OF PORTLAND

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

**LYMAN BRUHN, SASQUATCH CAPITAL
LLC, AND PEARL ASSET MANAGEMENT,
LLC,**

Defendants.

Case No. _____

COMPLAINT

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

SUMMARY OF ACTION

1. This matter involves Lyman J. Bruhn, who, since approximately 2000, presented himself as a sophisticated financial adviser who managed successful hedge funds. Contrary to his representations, Bruhn used the money entrusted by investors to pay off old investors and to pay himself.

2. Bruhn created and exercised sole control of Pearl Asset Management, LLC (“Pearl”) and Sasquatch Capital Management, LLC (“Sasquatch”), both Portland based entities that Bruhn used as investment advisers to provide investment advice to his various hedge funds.

3. In or around the late 1990s, Bruhn began Sasquatch and ran a hedge fund that traded in public securities. However, in or about 2000, Bruhn’s trading resulted in huge losses to the fund. As a result, Bruhn ceased operating a legitimate hedge fund business, but instead began using new investor funds to pay off old investors.

4. Bruhn also began looking for other ways to make money. By approximately 2002, Bruhn’s hedge funds no longer invested in public securities. Instead, his funds only invested in a handful of private entities, which Bruhn hoped to result in huge pay-offs.

5. The value of these private entities had not been independently verified. Bruhn, however, would himself, based on his own opinion, value these entities and assign that value to the investors’ hedge fund investments.

6. Bruhn never told investors that he conducted his own unverified valuations and never told investors he had ceased investing in public securities. Rather, he lied and claimed that his funds invested in blue chip stocks, which are stocks of publicly traded, well-established companies that have demonstrated a long record of stable and reliable growth. Bruhn also told

investors that his funds had continuously out-performed the Standard & Poor's 500 ("S&P 500") average, which was blatantly false.

7. Defendants Bruhn, Pearl, and Sasquatch violated the antifraud provisions of the antifraud provisions of the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Advisers Act of 1940.

JURISDICTION, VENUE AND DIVISIONAL VENUE

8. The Commission brings this action pursuant to Section 20(b) of the Securities Act of 1933 ("Securities Act"), 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.

9. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act, 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. Defendants Bruhn, Pearl, and Sasquatch, 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.

10. Venue in this District is proper pursuant to Section 22 of the Securities Act, 15 U.S.C. § 77v, 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.

DEFENDANTS

11. Defendant Lyman J. Bruhn, age 50, resides in Vancouver, Washington. He is currently self-employed as an independent contractor and insurance agent.

12. Sasquatch Asset Management, LLC, is an Oregon limited liability company formed on or about June 25, 1999, and is owned and controlled by Bruhn. It serves as the general partner and investment adviser to hedge funds created by Bruhn.

13. Pearl Asset Management, LLC, is an Oregon limited liability company formed on or about March 25, 2005, and is owned and controlled by Bruhn. It serves as the general partner to the Blue Chip Focus Fund and other Bruhn hedge funds.

FACTUAL ALLEGATIONS

14. From approximately 2006 through 2008, Lyman Bruhn raised more than \$600,000 from ten investors located in Oregon, Washington, California, Hawaii, and other states for a hedge fund he created called the Blue Chip Focus Fund, L.P. ("Focus Fund"), with Pearl serving as its investment adviser.

15. From the approximately late 1990s until 2005, Bruhn raised over \$2 million from other investors from multiple states for other hedge funds he created, including the Total Market Strategies, L.P., and the U.S. Blue Chip Model, L.P., where Sasquatch served as their investment adviser.

16. In soliciting investors, Bruhn would falsely assure investors that his investments were based on a conservative and low risk strategy. He would typically send to investors, in person, by mail and/or email, a private placement memorandum ("PPM"), a limited partnership agreement, and marketing materials he created. The marketing materials consisted of one to four pages that contained descriptions of the funds' strategy, the securities held in the funds, and the

funds' performance, but these statements were false and misleading.

17. An example of Bruhn's false statements contained in his marketing materials includes representations that the Focus Fund consists of twenty large cap companies that had market valuation above \$50 billion and were leaders in their industry. In truth, the Focus Fund held no publicly traded securities.

18. Similarly, and by way of example, Bruhn claimed that on average, by holding his publicly traded blue chip stocks, his Focus Fund consistently beat the Standard & Poor's 500 by almost ten percent and was expected to continue to experience extraordinary returns. In actuality, this was false as Bruhn did not buy blue chip stocks for the Focus Fund and the Fund did not beat the S&P 500.

19. Another example of the false marketing materials include Bruhn's claims that the Focus Fund held AMGEN, Proctor and Gamble, United Technologies, Wal-Mart, and Wells Fargo stock, and that these companies were selected based on their financial strength, market leadership, liquidity, and historical performance. Bruhn never purchased these securities for the Focus Fund.

20. As part of his fraudulent scheme, Bruhn sent to investors quarterly account statements that contained fake valuation of their investments. In addition, his quarterly statements to one investor in the Focus Fund also contained performance assessments, where Bruhn would claim the fund's performance was up year-to-date by 3.53%, or 5.31%. Bruhn's statements on both the investment valuation and fund performance were materially false.

21. In actuality, by 2002, Bruhn's funds contained only private securities. In particular, Bruhn's primary investment was in a nickel mine in Quebec. However, Bruhn knew that this mine has never mined any nickel, never sold any nickel, never purchased equipment to

mine the nickel, had no employees or contractors to work the mines, and never produced revenue or income.

22. From approximately 2006 through 2008, in contravention of his representations to investors, Bruhn unlawfully misappropriated the \$600,618 raised from new investors and used that money solely to pay himself and to pay old investors

23. By about late 2008, Bruhn was no longer able to raise funding from new investors. Rather than admit to his failings, Bruhn concocted new lies to cover up his fraud.

24. Starting in or about 2010 through approximately 2011, Bruhn falsely informed investors that their investments would soon be redeemed through a third-party purchase of the funds' assets.

25. When investors confronted Bruhn on why he had refused to return their money, Bruhn claimed that the third-party purchase of the funds' assets was held up for a myriad of reasons, such as bad weather, delays by foreign banks, and delays by a domestic bank. In actuality, there was no such planned third-party purchase.

FIRST CLAIM FOR RELIEF

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

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

27. By engaging in the acts and conduct alleged above, Defendants Bruhn, Sasquatch, and Pearl, 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 foregoing, Defendants Bruhn, Sasquatch, and Pearl have violated and, unless restrained and enjoined, will continue to violate 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

(Violations of Section 17(a)(1) of the Securities Act)

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

30. By engaging in the conduct described above, Defendants Bruhn, Sasquatch, and Pearl, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, with scienter, employed devices, schemes or artifices to defraud.

31. By reason of the foregoing, Defendants Bruhn, Sasquatch, and Pearl violated, and unless restrained and enjoined will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

THIRD CLAIM FOR RELIEF

(Violations of Securities Act Sections 17(a)(2) and (3))

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

33. By engaging in the conduct described above, Defendants Bruhn, Sasquatch, and Pearl, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails: (a) obtained money or property by means of untrue statements of material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under

which they were made, not misleading; and (b) engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchasers.

34. By reason of the foregoing, Defendants Bruhn, Sasquatch, and Pearl, violated, and unless restrained and enjoined, will continue to violate Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. § 77q(a)(2) and (3)].

FOURTH CLAIM FOR RELIEF

(Violations of Sections 206(1) and 206(2) of the Advisers Act)

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

36. Defendants Bruhn, Sasquatch, and Pearl, 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.

37. By reason of the foregoing, defendants violated, and unless restrained and enjoined will continue to violate, Section 206(1) of the Advisers Act, 15 U.S.C. § 80b-6(1).

38. Defendants Bruhn, Sasquatch, and Pearl, 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.

39. By reason of the foregoing, defendants violated, and unless restrained and enjoined will continue to violate, Section 206(2) of the Advisers Act, 15 U.S.C. § 80b-6(2).

FIFTH CLAIM FOR RELIEF

(Violations of Section 206(4) of the Advisers Act and Rule 206(4)-8)

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

41. The Focus Fund is a pooled investment vehicle, as defined in Rule 206(4)-8 under the Advisers Act, engaged primarily in the business of investing, directly or indirectly, in securities.

42. By engaging in the acts and conduct alleged above, Defendants Bruhn, Sasquatch, and Pearl, 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.

43. By reason of the foregoing, Defendants Bruhn, Sasquatch, and Pearl have violated and, unless restrained and enjoined, will continue to violate Section 206(4) of the Advisers Act [15 U.S.C. § 80b 6(4)] and Rule 206(4)-8 [17 C.F.R. § 275.206(4)-8] thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Enjoin Defendants Bruhn, Sasquatch, and Pearl, their agents, servants, employees, attorneys, and all persons in active concert or participation with them who received actual notice of the injunction by personal service or otherwise, and each of them, from directly or indirectly violating 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15U.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 Bruhn to provide an accounting and to disgorge their ill-gotten gains in an amount according to proof, plus prejudgment interest thereon.

III.

Order defendant Bruhn to pay civil money penalties pursuant to Section 20(d)(1) of the Securities Act [15 U.S.C. § 77t(d)(1)], 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
Kashya K. Shei

Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION