



GJB under court receivership

Lender quit sending investors checks

By Allison Bruce

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A Los Angeles commercial finance lender that stopped sending checks to investors early this year is undergoing a close examination of its finances, but it could be months before the number of investors and amount invested — and total missing — are determined.

From court documents, it's apparent that more than \$10 million is likely at stake, but how much more is unknown.

So far, less than \$1 million has been recovered from the company, GJB Enterprises Inc., which is now under court-ordered receivership and the subject of investor accusations that founder Gerald Berke may have made off with millions.

Paul Beck, Berke's attorney, said he could not comment on the case or the receivership.

For James Bellah of Oxnard, the whole situation is in limbo. Even though it appears he may have lost \$250,000, Bellah is not ready to point fingers yet.

That's despite accusations flying from other GJB investors that this could be another Bernard Madoff-type Ponzi scheme.

"I'm willing to give Gerry the benefit of the doubt," Bellah said.

Berke has lung cancer. Bellah believes the fallout in recent months could be due to that. He's waiting to see the outcome.

Bellah first spoke with Berke on the phone about six or eight years ago, he said. Berke seemed straight and trustworthy, and Bellah invested about \$10,000 with him.

The monthly checks came in regularly, Bellah said. So he kept adding to the fund, eventually reaching a \$250,000 investment.

GJB claimed to use the money received for lending and "factoring," which involves commercial paper; a company sells its accounts receivable to a firm such as GJB to get financing. The purchasing firm then takes on the credit risk for that bill.

Bellah said he liked the idea of factoring, which is "rather idiotically simple but complicated," he said.

There are companies that need money right away that have large inventories, such as car dealers, that are willing to pay high levels of interest on loans because they need the money for only a few days, Bellah said. Being involved in those kind of loans could mean a high rate of return.

Each month, he and other investors received interest checks. The 78-year-old retiree is now trying to figure out how he can replace the roughly \$3,000 a month he was getting.

“Fortunately, I’m not ruined as some of these investors are,” he said, “but I’m pretty damn close to it.”

Monthly payments dried up in January and February for investors.

The initial complaint, filed by California company LBS Fund LP, said GJB put forth several claims. In the suit, LBS states that GJB was presented as a commercial finance lender with more than 31 years in business that claimed to never loan out more than half of its assets.

It cites a contract in which GJB stated the operation had never had to write off any losses exceeding 1 percent of its volume in any year. Also, in a statement typed all in caps, GJB stated it always absorbed the loss rather than passing it on to clients.

LBS put more than \$13 million into GJB, with GJB agreeing to pay interest on those funds at an annual rate of 18 percent of the principal. Because LBS received principal payments between last April and February, its money with GJB was down to about \$11.6 million in February.

On Feb. 1, LBS did not receive its interest payment of \$174,205.49.

It’s now suing for the principal and interest owed.

In March, the Los Angeles County Superior Court appointed Stephen Donell as receiver to step in and take possession of the GJB offices. Donell closed the office April 1.

Relatively few documents and records have been retrieved since then, though Berke did hand over data on his laptop computer in mid-April.

As of April 20, \$883,804.98 has been recovered from GJB.

Donell said it is still unknown how many total investors exist and how much money was invested with GJB.

He said his office is still reviewing Berke’s computer information and has not been able to get the bank records needed.

“The only way to determine how much was raised is to subpoena the bank records and do a forensic accounting,” Donell said. That could take months, he said.

According to the receiver’s Web site, it will take a “substantial amount of time and funds to obtain and create accurate investor lists, financial records and banking records.”

Similar cases have taken more than a year to resolve.



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