

## 1985---Sheldon Player and Greyhound Leasing Scandal

*(A reader was cleaning out files from his office and ran into a newspaper article he though Leasing News readers would be interested in, as it is not available on the internet, and gives the background of the person who founded and reportedly bilked \$150 million from leasing companies as Equipment Acquisition Resources. It shows history does repeat itself using a similar routine, including real estate and even gambling at casinos. Whether there is cash overseas or what is going to happen next, it sounds almost like a movie, including Las Vegas casinos, again. Editor)*

When businessman Sheldon Player asked Greyhound Leasing & Financial Corp. representatives to lend him \$40 million in August, 1984, the request was unusual only for its size.

Mr. Player, then 34, and living in Vernal, Utah, had borrowed a total of \$7.7 million from the Greyhound Corp. unit over the previous five years of the same purpose---to be a middleman in the financing and purchasing of machine tools.

Because Mr. Player had been a customer of Greyhound Leasing for years and had a spotless credit record, his \$40 million request wasn't seen as outlandish. Moreover, in presenting the request to D. Scott Mayne, then the Greyhound Leasing sales representative in salt Lake City, Mr. Player also supplied a letter from the Hycalog division of NL industries Inc. stating that it wanted to buy \$40 million of equipment from Mr. Player over 18 months. The equipment was to secure the loan.

So Mr. Mayne quickly approved the loan and sent it along to his superiors and to the parent Greyhound Corp. Although the company had cultivated a hard-nosed, no nonsense image in recent years under its chairman, John Teets, who has been diversifying the company away from its flagging bus business, the Player loan request went through without a hitch, winning the approval of Mr. Teets and the board of directors.

### **ANOTHER QUICK APPROVAL**

Last December, furthermore, when Mr. Player sought an additional \$50 million from Greyhound, this time to finance and supply oil-field equipment to Baker International Corp. of Los Angeles, approval again, came quickly.

Alas for Greyhound, the orders from Hycalog and Baker and the machinery backing the loans apparently never existed. Mr. Player, who was on such good terms with Greyhound Leasing that he played golf and went on a fishing trip with its top executives, has admitted the sham in depositions filed in a federal court in Phoenix, Arizona in a civil suit brought by Greyhound.

He testified that he forged the letters from Hycalog and Baker requesting the equipment. He also admitted forging purpose orders and legal opinions from attorneys they supplied to verify the existence of the equipment. Mr. Player even says he had the Hycalog stationery printed at a Utah print shop. Greyhound, in any case, never called Hycalog or Baker to verify the orders.

Over a period of months, Mr. Player received \$66 million from Greyhound, out of the total \$90 million credit line of the two loans. The court is trying to sort out what happened to the money, only \$11 million of which has been repaid to Greyhound. Much of it appears to have gone into Arizona real estate.

### **Federal Investigation**

After renegotiating its loans with Mr. Player and after what some critics see as an unjustified delay in disclosing the company's problems, Greyhound filed its suit against Mr. Player and others in the Phoenix court, charging fraud and racketeering. Since the filing of the suit, an assistant U.S. attorney in Phoenix, Mark Aspey, has begun supervising an investigation into the whole affair. (Today he is a federal magistrate judge for the United States District Court for the District of Arizona, Flagstaff. editor)

As details of the elaborate fraud emerged in recent months, Greyhound Leasing fired four officials, including Mr. Mayne in Salt Lake City, and the parent company took a 419.5 million write-off against the loan losses, a charge that reduced Greyhound's third-quarter earnings by 42%. Greyhound Leasing also had its credit rating downgraded.

In another series of bizarre turns, doubt has even been cast on the ownership of Player Industries, in, an umbrella company formed last summer to take over Player entities and the Greyhound loans. Saed Hasan, who wears flowing white robes and claims to be a descendant of Mohammed, says he bought the company this summer, and he is a defendant representing himself in the Phoenix court case.

### **Counsel's Defense**

In pretrial testimony in the suit, on a request to freeze certain assets, Jeffrey Leyton, the former Greyhound Leasing general counsel, was asked about the equipment that ostensibly was to be collateral for the loans. he said he relied on the opinion letters from lawyers, on insurance documents and on the word of his subordinates. Mr. Leyton was another of the Greyhound Leasing officials fired in the case. The others besides Mr. Mayne were James T. Foley, a vice-president of the unit, and Irving Hymson, the chief legal counsel and vice president for risk management. All four declined to be interviewed.

Mr. Leyton testified that starting last February, Greyhound Leasing asked to inspect the equipment, but that Mr. Player kept putting off the inspection. In his attempts to appease Greyhound Leasing, his lawyers say, Mr. Player even agreed to buy an old fishing boat, and some repossessed oil rigs that the company had had trouble selling.

Finally, last July, Mr. Player apparently ran out of excuses. He hired the Bountiful, Utah, law firm of McRae DeLand, which specializes in criminal cases, and the lawyers arranged a meeting with Greyhound Leasing to talk about the loans.

On July 12, the lawyers, Loni F. DeLand and Herschel Bullen, met with Greyhound Leasing's Robert H. Damm who was the executive vice president for commercial finance, and Mr. Hymson, the chief counsel. Mr. DeLand gives an account of the meeting that Greyhound lawyers generally don't dispute. Messrs. DeLand and Bullen told the Greyhound Leasing officials that there were "problems" with the collateral busing the \$66 million in loans that Greyhound had made to Mr. Player.

Mr. DeLand says he suggested that the Greyhound officials shouldn't want to know what Mr. Player's actual problems were. He says he tried to convey the idea that Greyhound might have felt compelled to publicly disclose the problems if he was forced to be more explicit about the problems. The problems, of course, concerned the nonexistence of the collateral pledged against the loans.

Mr. DeLand then proposed a new deal that would better secure Greyhound and that Mr. DeLand hoped would obviate the need for any litigation or criminal charges against his client, Mr. Player.

Under the new agreement, Mr. Player, in effect, bought the bogus equipment loans back from Greyhound and attested to the fact that he had "ample opportunity to inspect the equipment." The inspection of the nonexistent equipment undoubtedly didn't take long. Greyhound threw in the repossessed oil rigs and the old fishing boat.

In return, under the agreement, Greyhound received \$11 million in cash and a promissory note for \$79.3 million, to be paid by Dec. 15, 1985

### **Real-Estate Collateral**

In the event of a default on the note, Greyhound was to get the Arizona real estate that Mr. Player had been buying with some of the Greyhound loan money. Mr. Player had accumulated commercial land, industrial tracts, homes and condominiums that he claimed were worth \$125 million.

Mr. DeLand contends that both sides knew his client had no hope of coming up with the \$79.3 million in just a few months. He says Greyhound didn't press for information on Mr. Player's fraud, as he had hinted it shouldn't. Robert Ehrenbard, an attorney with the Wall Street law firm of Kelley, Drye & Warren, which Greyhound hired in early August to handle the affair, defends the company's actions. He contends that what Mr. DeLand calls his hints didn't necessarily imply that a fraud had been committed. As for not disclosing the problem for more than a month, he says, "You don't want to alarm shareholders unnecessarily by disclosing problems you aren't even sure yourself exists."

Others suggest that by this time Greyhound Leasing should have known that its loans were in serious trouble and should have informed its shareholders. Among those advocating early disclosure in such cases is Irving Einhorn, the regional administrator for the Las Angeles office of the Securities and Exchange Commission, although he hasn't any special knowledge of the Greyhound case. "When you know you have a bad loan," he replies in response to a question about the Greyhound situation, "normally you swallow your pride, take the hit and make it public."

## **Eventual Disclosure**

In any case. Greyhound didn't disclose the loan problems until a month later, just before it sued Mr. Player, Mr. Hasan and others, seeking a judgment for the \$79.3 million owed on the note, plus treble damages, plus punitive damages.

Mr. Ehrenbard, the Greyhound lawyer, says the delay pending the new agreement with Mr. Player was the only way to try to secure the company against a default on the original loan agreement.

"We can see objectively that the repurchase agreement was an improvement in Greyhound's position," Mr. Ehrenbard says. "The reality is, whether or not Greyhound got \$125 million, it got very substantial security, in a situation where it turned out it had little or no security."

The ink was hardly dry on that agreement, nevertheless, before it started fading. On July 26, Mr. Hasan, resplendent in his embroidered white robes, showed up at Player Industries and claimed that in June he had bought the company, lock, stock and real estate. To back up his claim, he produced a letter signed by Mr. Player granting him power of attorney.

## **Documentation of Sale**

Mr. Hawn and Mr. Player say they first met in November 1964. The only documentation indicating that Mr. Player sold his company to Mr. Hasan is some photocopies of transferred stock certificates that Mr. Hasan filed in court. Mr. Hasan, who says he is a native Saudi Arabian and carries a British passport, claims to control a billion-dollar trust fund for women in the Middle East.

News of Mr. Hasan's arrival at Player Industries didn't overjoy Greyhound. "Greyhound got very apprehensive," says Mr. Ehrenbard. "Nobody had heard of Mr. Hasan before, and here he was claiming control over the company."

Perhaps just as disturbing was Mr. Hasan's contention that the real estate owned by Player Industries was worth only about \$40 million---an estimate that now appears to be much closer to reality than Mr. Player's \$125 million figure.

So on Aug. 9, Greyhound Leasing filed its suit against Messrs. Player and Hasan, several other individuals, and various Player companies. Since then, Greyhound has won some legal victories, notably a judgment from federal Judge Robert C. Broomfield instructing Mr. Player to honor the repurchase agreement signed in July. But Mr. Hasan, acting as his own counsel, throws up motions and objections at every turn, including a continuing attempt to liquidate Player Industries in federal bankruptcy court. "I have my enemies on the run," he brags.

### **Real-Estate Interests'**

One question the civil litigation hasn't answered is to why Player had put his misappropriated funds into real estate. Mr. DeLand says his client planned to make enough money to pay back the phony equipment loans. And Kenneth Gabel, a real-estate investment advisor to Mr. Player, says "He seem very serious about becoming a force in local real estate developments"

In court arguments, Greyhound lawyers contend that the real estate was to be used in new swindles. They point to real-estate transactions in Utah among Mr. Player and business associates in which the value of property was allegedly inflated through self-dealing transactions. Greyhound also contends that some of its money was spirited overseas. Mr. Player's attorneys say Greyhound's versions of Mr. Player's intentions are "ridiculous."

Mr. Player also was an avid gambler, according to friends, and associates, who say he frequently flew in his private plane with employees and business associates to Las Vegas on an impulse to play baccarat at Caesars Palace. Evidence filed with the court shows he took out as much as \$150,000 in gambling chips in a single evening

The criminal investigation may provide further answers as to what happened to all the money. Several people who have been interviewed as part of that study say investigators asked about the activities of Greyhound Leasing personnel as well as Mr. Player and his associates.

But some aren't sure the whole story will ever be known. "This case is like three-dimensional chess," says Mr. Ehrenbard, the Greyhound lawyer who also was a trial lawyer in litigation arising from the "Great Salad Oil Swindle" in the early 1960s. "It is one of the most complicated, sophisticated and convoluted frauds I've ever seen."

