

Hedge Fund ALERT

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FTI Pitches LPs on Fund Wind-Down Services

A consulting firm known for handling complex restructuring and asset-recovery work has formed a unit to advise investors on winding down troubled funds.

FTI Consulting, whose assignments have included Ponzi schemes orchestrated by **Bernard Madoff** and **Allen Stanford**, is setting up a subsidiary called FTI Capital Management under the leadership of **Carlyn Taylor**, co-head of FTI's corporate-finance and restructuring business. The unit will work with investors in distressed hedge funds and private equity funds who have lost patience with management and want to wind down the vehicles while maximizing the values of their stakes.

FTI has handled such assignments in the past, but often has missed winning potential assignments because it lacked credentials as an investment advisor. The new unit is set up to take over as a fund's general partner when the original manager is removed by investors. FTI Capital would enlist help from the parent's other units, including bringing in structured-finance and corporate-turnaround specialists as needed.

"We have had multiple requests to step in to distressed hedge funds and private equity funds on behalf of limited partners to take over and wind down their investments," Taylor said. "We've actually done that without physically managing the money multiple times, but we believe we would be more competitive if we had the ability to take over possession and cash-manage the fund ourselves."

FTI Capital already has a client on board and is set to take over management of a private fund in the next few weeks. Most of the funds it works on are expected to be private-debt vehicles whose underlying loans need to be restructured. For its services, FTI Capital will charge clients a management fee in addition to a performance fee tied to the amount of capital recovered.

It's unclear how much demand there is among hedge fund investors for the kind of services FTI Capital is offering. But several funds that fit the description lately have been in the news. Among them: **Platinum Partners**, a New York hedge fund manager that entered court-supervised receivership last year after some of the firm's executives were accused of fraud. And in August, **Highland Capital** lost control of one of its funds, Highland Crusader, as limited partners accused the Dallas fund operator of charging improper fees. The wind-down of the Highland fund is being handled by **Semaphore**, a New York consulting firm spe-



cializing in distressed assets.

Taylor, who joined FTI in 2002 via its purchase of **PricewaterhouseCooper's** restructuring business, was appointed co-head of the corporate-finance unit in May, alongside **Michael Eisenband**. Taylor's responsibilities include oversight of a broker-dealer unit called FTI Capital Advisors, which handles private sales of distressed corporate loans, among other types of assets.

Taylor's clients have included **Angelo Gordon & Co.**, **Anchorage Capital**, **Bank of America**, **H.I.G. Capital**, **J.P. Morgan**, **Silverpoint Capital** and **Tennenbaum Capital**. She also has played a lead role in restructuring or bankruptcy cases including those of **Charter Communications**, **Global Crossing** and **Tribune Co.**

FTI, headquartered in Washington, is a publicly traded company that reported \$1.8 billion of revenue for 2016. The corporate-finance unit accounted for \$483 million of the total.