

Investment Funds – Enhancing and Protecting Stakeholder Value

Services

Forensic Investigations & Litigation Consulting

- Financial investigations
- Inspector appointments
- Corporate governance reviews
- Recalculation of Net Asset Value
- Expert witness & litigation support
- Computer forensics & e-Discovery

Valuation Advisory

- Asset & portfolio valuations
- Valuation of intellectual property rights & intangible assets
- Business valuations
- Financial reporting compliance
- Expert evidence
- Third-party verification & methodology reviews

Restructuring

- Independent fund reviews
- Identification of strategic investors
- Realisation of illiquid assets and portfolios
- Management-led wind downs
- Chief Restructuring Officer roles and independent directorships
- Voluntary liquidations

Insolvency & Enforcement

- Official liquidations
- Provisional liquidations
- Regulatory appointments
- Receiverships
- Creditor representation

Despite many offshore funds taking proactive steps to restructure in the wake of the 2008 financial crisis, a significant number continue to face liquidity constraints, redemption pressure, valuation issues and increasing investor discontent. There have also been unprecedented challenges presented by major market collapses such as those involving Bernie L. Madoff, Lehman Brothers and MF Global, along with an ever changing regulatory environment, both on and offshore. Against this backdrop, it remains crucial for funds and their stakeholders to have access to competent and experienced professionals who can provide independent and practical advice.

Who We Are

FTI Consulting is a leading global business advisory firm with over 4,200 employees located in 26 countries worldwide. Our professionals in the Caribbean have extensive experience providing assistance and support to investment managers, directors, investors, regulators and other service providers in relation to critical issues faced by funds and their stakeholders across a wide range of investment strategies and fund structures. Our proven track record is driven by our ability to draw on the extensive range of skills, technical expertise, experience and resources within our wholly owned offices worldwide.

Why FTI Consulting?

- A reputation for taking on challenging assignments, which funds and traditional service providers are often not equipped to deal with alone.
- Pragmatic and outcome-driven, we understand the duties of investment managers, directors and other stakeholders and can balance those with the need to achieve practical solutions.
- A one-firm approach globally, free of the geographic franchise restrictions faced by many of our competitors, allows us to deal with the most complex fund matters, regardless of scale, strategy or location of operations.
- A range of complementary service offerings enabling specialist forensic accountants, skilled investigators, technology specialists, valuation experts and restructuring and insolvency professionals to be deployed rapidly.
- Flexible fee structures – we are often able to offer alternative fee arrangements and align our fees with the overall success of the project.
- Skilled and experienced across a broad spectrum of asset classes and industry sectors.
- Our independence means we are rarely affected by conflicts of interest.

Common Concerns

Lack of Transparency

- Insufficient information from service providers
- Failure to provide timely updates to directors or investors
- Lack of audited financials or qualified audit reports
- Unexplained material changes in performance, expenditure or asset valuation

Corporate Governance

- Resignation/removal of key service providers
- Unexplained changes to basis of fee calculation
- Deviation from investment strategy
- Failure to liquidate on specified date without proper explanation

Alleged Fraud or Misconduct

- Inadequate explanation of material expenditure or asset impairments
- Identification of previously undisclosed losses
- Negative media coverage or speculation

Litigation and Disputes

- Legal proceedings initiated by investors or regulators
- Fund's books and records held by geographically dispersed providers

Asset Valuation

- Disagreements between managers and service providers or investors
- Independent opinions required for transactions, financial reporting or litigation
- Methodology inconsistent with offering documents

Our Solutions

Forensic Investigations & Litigation Consulting

Independent investigations can be used as a discreet and effective tool to obtain greater transparency and restore stakeholder confidence. FTI Consulting has extensive experience conducting challenging investigations on behalf of independent directors, lenders and investors. We also offer a wide range of services to assist those parties and other service providers in dealing with complex litigation claims and regulatory action.

- **Financial investigations:** Forensic accounting and financial reporting skills combined with industry expertise and practical experience provides clarity and direction to investigations triggered by internal and external events.
- **Inspector:** Formal appointments by the Court or special resolution of investors to review and report affairs of fund.
- **Corporate governance:** Independent reviews to determine compliance with constitutional documents and best practice policies and procedures.
- **Recalculation of Net Asset Value (NAV):** Re-statement of NAV following the discovery of fraud or other circumstances requiring material adjustments.
- **Expert witness and litigation support:** We unravel complex financial and economic issues, including damages and economic loss quantification, produce expert reports and give evidence in legal or regulatory proceedings.
- **Technology:** Computer data extraction and analysis and e-Discovery solutions to support the production of evidence and large disclosure exercises.

Valuation Advisory

The global financial crisis revealed the extent to which reliable valuation underpins the investment industry and independent verification continues to be a key focus area for alternative investment funds. FTI Consulting provides funds and their participants with robust valuations across a broad spectrum of industries and situations, including in distressed, wind down and liquidation scenarios.

- **Asset and portfolio valuations:** Valuation of complex financial investments, derivatives, convertible instruments, life settlement policies, insurance products, asset back securities, real estate and structured finance products.
- **Intellectual property and other intangible assets:** Valuation and advice on structuring of transactions where intellectual property or intangibles are a key driver of value.
- **Business valuations:** Valuation of underlying portfolio companies in relation to transactions or disputes.
- **Financial reporting compliance:** Preparation of valuations in accordance with international accounting standards.
- **Third-party verification:** Independent valuations for administrators, auditors, directors or investors and independent reviews to confirm adherence to valuation policies in offering documents.
- **Expert witness:** Preparation of expert reports and evidence in support of litigation, arbitration or regulatory proceedings against funds or their service providers.

Key Points to Consider

Liquidity

- Proportion of portfolio which is illiquid and timescale to realise
- Access to credit, potential margin calls or action by lenders to reduce leverage

Investor Redemptions

- Ability to suspend redemptions or limit further capital withdrawals
- Valuation of redemptions given uncertain value of illiquid assets

Viability

- Commitment of manager and key service providers to restructuring
- Investment objectives and strategy remain realistic and achievable?

Stakeholder support

- Temporary or complete loss of trust/confidence in management
- Allegations of fraudulent activity or other improper conduct

Investor Remedies

- Ability to remove/replace service providers
- Threats of litigation or winding up petitions

Enforcement

- Funding for winding up action, including adverse cost orders
- Support from other stakeholders
- Impact on future value and management of assets

Restructuring

In recent times fund investors have become all too familiar with traditional restructuring tools, such as suspensions, gates and side pockets. However, in many cases, such measures have not provided a long term solution. FTI Consulting specialises in identifying strategies, which are designed to generate liquidity for exiting investors, enhance investor confidence and avoid costly litigation or winding up proceedings.

- **Independent reviews:** Focused limited scope reviews which identify key issues and provide in-depth analysis of options and clear recommendations.
- **Disposal of illiquid assets:** Advisory and transaction services for valuation and disposal of assets or portfolios, including deal structuring advice, confidential exposure to secondary markets and cost effective long term management.
- **Strategic investors:** Access to our extensive network of international investors active in taking positions in distressed funds.
- **Informal wind downs:** Development and implementation of manager-led wind down plans, in both consensual and contentious circumstances, to draw on the extensive knowledge and expertise of the manager, while avoiding the higher costs, risks and potential adverse publicity from a formal liquidation.
- **Chief Restructuring Officer or independent directors:** Provision of an independent CRO or director with restructuring expertise will often improve communication, restore investor confidence and facilitate a more orderly wind down process.
- **Voluntary liquidations:** A formal solvent liquidation process is an effective means of closing down funds which have come to the end of their usual life or at the conclusion of a wind down process.

Insolvency & Enforcement

There will be many cases where underlying issues of liquidity, valuation or other disputes cannot be resolved and liquidation or enforcement is the only practical solution. Insolvency office holders are often required to deal with a myriad of issues, including cross-border recognition, development of asset realisation strategies, investigating causes of failure or wrongdoing, adjudicating over stakeholder disputes and pursuing complex litigation, all while maintaining an appropriate level of investor communication. FTI Consulting's unique combination of services, combined with our leading insolvency expertise, makes us the leading independent firm for dealing with such complex matters.

- **Official liquidations:** Enforcement by liquidation is usually inevitable in circumstances of fraud, insolvency or where the fund is no longer viable and has been a complete loss of trust confidence in the manager/directors
- **Provisional liquidations:** Temporary appointments to preserve assets in urgent cases or where there is risk of dissipation or other prejudice.
- **Regulatory appointments:** Appointments by regulators deal with funds which are not operating in accordance with their legal or regulatory obligations.
- **Receiverships:** Appointed over specific assets often arising from allegations of fraud or in cases involving segregated portfolio company structures.
- **Creditor representation services:** Instructed by investors to provide technical input and expertise in relation to insolvency proceedings in which they are a stakeholder and periodically represent them at stakeholder meetings.

Recent Experience

Examples of our recent relevant engagements include:

- Appointed as voluntary liquidators of GMB Partners LLC, a US\$500 million diversified group of U.S. and Cayman Islands registered hedge funds.
- Retained by the Trustee of Bernard L. Madoff Investment Securities LLC to provide global forensic and investigative support.
- Appointed Chief Restructuring Officer of New Stream Capital, a US\$900 million hedge fund focused on alternative investments.
- Appointed as independent director of a Cayman Islands registered hedge fund to investigate the payment of significant unexplained expenses and implement recovery appropriate action.
- Provided e-Discovery services for a major international bank with respect to a claim initiated by the liquidators of a Madoff feeder fund.
- Provided valuation services for the liquidators of a British Virgin Islands registered hedge fund in respect of the close out of complex swaps and other derivatives by large institutional counterparties leading to a significant reduction in claims.



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CRITICAL THINKING
AT THE CRITICAL TIME™

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring.

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