

FORENSIC ACCOUNTING & DISPUTE RESOLUTION



Overview

We have significant experience in dealing with disputes among various fund parties, such as investors, GPs, and portfolio companies. BRG has been instrumental in resolving hundreds of disputes by providing independent sworn testimonies in federal and state courts, arbitration, and deposition; including having served in the capacity of court-appointed neutral experts.

Services

Drawing upon decades of experience in the industry and conducting forensic accounting reviews and investigations, our experts have provided services, including:

INVESTOR AND INVESTMENT MANAGER DISPUTE RESOLUTION AND ARBITRATION

- Valuation dispute resolution services
- GAAP/Financial statement related disputes and restatements
- Auditor malpractice allegations
- Breach of contract
- Economic damages and business interruption
- Partner/Shareholder disputes

FORENSIC ACCOUNTING

- Reconstructing events from incomplete/corrupted data
- Tracing funds and assets
- Diversion of fund investments and trading opportunities
- Analytics to identify trends and recognize patterns of activity within large data sets
- Related party identification, activity analysis, and arm's-length assessments
- Timeline analysis and reporting
- Profit & Loss allocations and waterfall assessments

EXPERT WITNESS TESTIMONY

- Serve as third-party and court-appointed neutral experts
- Independent oral testimony and written reports
- Presenting complex issues in a meaningful and concise manner to the triers of fact
- Creating trial demonstratives to assist making difficult concepts understandable to the triers of fact

BRG's forensic accounting and dispute resolution team is fully familiar with record keeping, regulatory and accounting requirements, and disclosure issues. The team includes:

Certified Public Accountants
Certified Fraud Examiners
Certified Financial Analysts
Former CFOs
of hedge funds and other investment vehicles





CASE 1 – HEDGE FUND PARTNERS ARBITRATION

Dispute: The former partners of a high frequency trading hedge fund are in dispute concerning the relative value of their partner interests, the allocation of profit to the partners pursuant to the partnership contract. There are also allegations of “off-the-book” foreign trading that was concealed from one of the parties.

BRG Role: BRG served as the jointly retained, neutral expert in its performance of the investigation and presentation of findings to the arbitrator in this matter. Our investigation included services, such as:

- Conducting interviews with key personnel and related parties, including the fund’s CEO, Controller, and other fund traders
- Creating a waterfall schedule of profit/loss to the fund partners under the fund’s operating agreement
- Reconciling income and expenses as recorded in the books and records to third-party documentation
- Tracing contributions/distributions to the funds from investors
- Presenting findings to the arbitrator, clients, and their counsel

CASE 2 – FUND PONZI SCHEME

Dispute: The creditor bank that provided loans to a series of hedge funds, which were later found as having been managed as a Ponzi-scheme, alleged that the funds’ main depository bank knew or should have known about the fraud.

BRG Role: BRG is serving as the forensic accounting and damages expert tasked with assessing the damage incurred by the creditor bank and the victims of the fraud by performing services, including:

- Tracing the flow of funds between the series of hedge funds’ various operating accounts at the depository bank
- Reviewing emails between the funds’ CEO and the depository banks’ staff and relationship supervisors
- Analyzing the underlying contracts between the creditor, hedge funds, and the depository bank

CASE 3 – FUND LIQUIDATION CONTINGENT CLAIMS

Dispute: Hedge Fund in wind down mode precipitated by a restatement of the portfolio values by its auditor. Due to the restatement, there were claw back requirements for the LPs who cashed out on misstated values as well as a recovery of overpaid fees. In addition, an investigation by the regulator required a reserve for penalties and there were other disputes related to the application of proceeds from an investment into the manager by a third party.

BRG Role: BRG is valuing the assets of the Hedge Fund, including contingent liabilities related to the losses suffered by the remaining LPs, along with one of the remaining viable operating subs of the fund. In addition, we are investigating the assets of the founding partner as part of the potential for a settlement with investors and the possible emergence of a successor investment manager. Our work included:

- Reviewed prior sales of equity positions and valued operating subsidiary of the fund
- Valued solvency of founding partner’s estate to establish liquidity and viability of settlement
- Analyzed claims against the manager and forecast the potential for additional claims
- Calculated clawback of fees, including carry, against manager based on overstatement of fund values

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