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Hedge Fund Failures

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Summary

The growth of hedge funds — private, high-risk, unregulated investment pools for wealthy individuals and institutions — has been a striking development in financial markets. There are now about 8,000 funds with perhaps $1.5 trillion under management; both figures are roughly 10 times what they were a decade ago. Hedge funds are said to account for 20%-30% of trading volume in U.S. stocks and (at times) even higher proportions in more specialized instruments such as convertible bonds and credit derivatives. Their trades can move markets.

Since hedge fund investment is limited by law to the very wealthy, who are presumed to be capable of understanding the risks and bearing the losses of financial speculation, the traditional view has been that there is no public interest in regulating them. Many still hold this view. However, as their size and presence in the markets has grown, hedge funds have attracted scrutiny from regulators and Congress. Does hedge fund trading now create risk exposure outside the relatively narrow circle of their principals and investors? There are two ways this could happen.

First, the failure of a large fund (or a number with similar portfolios) could pose risks to banks and other creditors. If hedge funds had to liquidate a large market position quickly, prices could fall sharply, widening the circle of losses. It was to avoid such an outcome that the Federal Reserve organized a rescue of the Long-Term Capital Management (LTCM) hedge fund in 1998, because it judged that default posed an unacceptable risk of disruption to the financial system. Since financial turmoil began in mid-2007, however, there have been relatively few hedge fund failures, and none that has posed a systemic threat. Hedge funds are one focus of the Securities and Exchange Commission's (SEC) investigation into abusive short selling of financial stocks.

Second, investor protection concerns have emerged as the popularity of hedge fund investment has grown. Hedge funds are open only to "accredited investors," defined as those with over $1 million in assets. In the past, this standard seemed high enough to exclude the small, unsophisticated investors who provide the rationale for government regulation. However, since the $1 million figure includes the value of an individual's residence, rising home prices and inflation have lifted many who are not necessarily expert in financial matters over the "accredited" threshold. At the same time, institutional investors like pension funds and university endowments are placing more of their money in hedge funds, which means that rank-and-file workers, retirees, and others may be unwittingly exposed to hedge fund losses.

This report lists major hedge fund failures since LTCM. Because hedge funds are unregulated and do not file public financial statements, reports of the amount of losses and the reasons for failure are usually second hand and subject to inaccuracies. The list is based on sources CRS considers generally reliable, but there are real limits on the availability of information. For a general discussion of hedge funds, see CRS Report 94-511, *Hedge Funds: Should They Be Regulated?*, by Mark Jickling. This report will be updated as events warrant.

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Acknowledgment: Alison Raab was an original author of this report.
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Hedge Fund Failures

Background

In 1998, the Federal Reserve Bank of New York organized a rescue of Long-Term Capital Management (LTCM), a hedge fund that was on the brink of collapse. In exchange for providing about $3 billion to meet the fund's short-term cash obligations, 14 of LTCM's chief creditors (including some of the best-known Wall Street firms) became the new owners of the hedge fund's portfolio. The Fed's intervention was very unusual. Because investment in hedge funds is by law limited to wealthy individuals and institutions, who are presumed to be capable of understanding the risks and bearing the losses of speculation, regulators do not normally view hedge fund failure as cause for government action. Their strong preference is to let hedge funds collapse, rather than send a signal to other market participants that they, too, might be rescued from their mistakes.

In the LTCM case, however, the Fed concluded that default might have repercussions far beyond the losses that would accrue to the hedge fund's principals and investors.[1] Investors had about $3 billion in LTCM, but the fund had borrowed to accumulate a bond portfolio of about $100 billion, and had assumed derivatives positions with a notional value of about $1 trillion. The Fed feared that a default might have jeopardized the solvency of LTCM's creditors, which included several of the world's largest financial institutions, and its numerous derivatives counterparties. Moreover, if LTCM had been forced to liquidate its positions quickly, prices of bonds and other instruments might have been severely depressed, and other holders would have suffered unexpected losses, even though they had had no dealings whatsoever with LTCM. Given that global markets were already under stress at the time — Russia had defaulted on its sovereign debt and Asia was experiencing a second round of financial crises — and investor confidence was low, the Fed chose to intervene rather than risk widespread disruption to the financial system.

The possibility that the failure of a single institution could set off cascading failures throughout the financial system is known as systemic risk. The classic case is a banking crisis, where trouble in one bank can trigger runs on others, including financially sound institutions, if enough depositors decide to withdraw their funds as a precaution. With LTCM, regulators recognized that hedge funds can also be a source of systemic risk. There are several possible scenarios. First, a single hedge fund could grow large enough to pose a systemic threat if its investments were concentrated in a single market and constituted a significant share of that of that

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[1] For more on the LTCM near-default, and on hedge funds generally, see CRS Report 94-511, *Hedge Funds: Should They Be Regulated?*, by Mark Jickling.

market. In practice, this is unlikely to happen, as suggested by the case of the Amaranth hedge fund, which collapsed in September 2006, after losing about $6 billion in natural gas markets, without a major impact on the price of gas or other energy commodities. The risk increases, however, if a number of hedge funds make similar investments and incur losses simultaneously, or if other institutions (such as commercial or investment banks) copy hedge fund strategies.[2]

Hedge funds may also generate systemic risk when they are successful. During the Asian crises of 1997-1998, central bankers and regulators in several countries blamed hedge funds for manipulating currency prices and doing serious harm to the real economies. In addition, some observers believe that hedge fund speculation played a role in high and volatile U.S. energy prices in 2005 and 2006.[3] In 2008, as share prices of financial institutions plunged, short selling by hedge funds — perhaps abetted by the spreading of false information — became a focus of a Securities and Exchange Commission (SEC) investigation.[4]

Post-LTCM perceptions of systemic risk are not the only policy concern associated with hedge fund failure. As hedge fund investment has become more popular, new investor protection concerns have emerged. Hedge funds are open only to "accredited investors," defined as those with assets worth over $1 million. In the past, this standard seemed high enough to exclude the small, unsophisticated investors who provide the rationale for government regulation of securities markets. However, since the $1 million figure includes the value of an individual's residence, rising home prices have lifted many who are not necessarily expert in financial matters over the "accredited" threshold. A decade ago, most hedge funds required a minimum investment of $200,000 or more, beyond the reach of most households whose assets were concentrated in their homes. As a result of competition and the growing number of hedge funds, however, there are now funds that will accept amounts as low as $20,000. At the same time, pension funds, foundations, and other institutional investors are placing more and more of their money in hedge funds, which means that rank-and-file workers, retirees, and others may be unwittingly exposed to hedge funds losses. The SEC has cited this "retailization" of hedge funds as a reason to impose some form of disclosure requirements on the funds or their managers.[5]

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[2] This was the case with LTCM. The fund was able to borrow extensively and on very favorable terms in part because the lenders wanted information about LTCM's strategy, which was devised by Nobel prizewinners and executed by legendary Wall Street traders.

[3] See Senate Permanent Subcommittee on Investigations, *Excessive Speculation in the Natural Gas Market*, Staff Report, June 2007, 135 p.

[4] U.S. Securities and Exchange Commission, "SEC Expands Sweeping Investigation of Market Manipulation: Measure Will Require Statements Under Oath by Market Participants," press release 2008-214, September 19, 2008.

[5] In testimony before the Senate Committee on Banking, Housing, and Urban Affairs on February 5, 2003, in response to a question from Sen. Corzine, SEC Chairman Donaldson described the retailization of hedge funds as "a distressing move" that raised the possibility that "less sophisticated investors" might not understand the inherent risks. See also *Implications of the Growth of Hedge Funds*, SEC Staff Study, September 2003, pp. 80-82.

Systemic risk and investor protection concerns make hedge fund failure a subject of regulatory and legislative interest. **Table 1** below provides basic information about the most prominent hedge fund failures since the LTCM episode. The list is not comprehensive: many funds fail each year without attracting much notice. Because the list has been generated by searching periodical literature databases (principally ProQuest, Nexis, and Factiva), the cases included have been newsworthy for one reason or another — generally because of their size, the amount of investor losses, the risky or exotic trading strategies employed, or because fraud was involved — and thus should not be taken as representative of the entire hedge fund industry.

Why Hedge Funds Fail

Although some employ very conservative investment strategies, hedge funds can generally be characterized as high-risk, high-return operations. Pursuit of risk implies a high failure rate: various studies have estimated that from 7% to 10% of hedge funds fail each year.[6] Estimates of the number of hedge funds range from 7,000 to 9,000, which suggests that several hundred funds cease operations each year.

A recent study[7] distinguishes between three reasons for hedge fund failure:

- *financial issues*, or losses stemming from unfavorable market moves;
- *operational issues*, such as errors in trade processing or mispricing complex, opaque financial instruments; and
- *fraud*, or misbehavior by fund management.

The most common cause is undoubtedly the first. When hedge funds fail to earn the hoped-for returns, they are generally unable to attract new investors, and managers find it unprofitable to continue. The normal course is to dissolve the fund, in accordance with the partnership agreement, and return funds to investors. In many cases, investors suffer no loss at all (other than the opportunity cost of their failure to select a more profitable fund), and the end of the hedge fund receives no public notice. Such failures are not captured in the table below.

When financial losses to hedge funds are sudden or severe, investors are likely to suffer major losses, and the event is more likely to be reported in the press. Several such cases are listed below. It is noteworthy, however, that none of the post-LTCM failures has appeared to pose such a risk to the financial system that the

[6] See, e.g., Naohiko Babo and Hiromichi Goko, *Survival Analysis of Hedge Funds*, Bank of Japan Working Paper 06-E-06, March 2006, p. 30, and Nicholas Chan, Mila Getmansky, Shane Haas, and Andrew Lo, *Systemic Risk and Hedge Funds*, prepared for the NBER Conference on the Risks of Financial Institutions, August 2005, p. 51.

[7] Constantin Christory, Stephane Daul, and Jean-Rene Giraud, "Quantification of Hedge Fund Default Risk," *Journal of Alternative Investments*, fall 2006, pp. 71-86.

Federal Reserve has had to intervene. Nor have there been waves of hedge fund failures stemming from major market movements, such as the bear market in stocks of 2000-2002, the subsequent sharp fall in interest rates, or the energy price volatility that followed the invasion of Iraq. The most recent episodes, however, show that problems in the subprime mortgage market (and perhaps other corporate debt markets) have caused difficulties for a number of funds around the world. When the market turmoil that began in the summer of 2007 has subsided, the multiple failures may be seen as having constituted a significant risk to the system.

The incidence of failure as a result of operational issues is probably much lower, but is difficult to judge because hedge funds disclose so little information about themselves. Operational concerns have been addressed by regulators, however. In October 2005, the Federal Reserve Bank of New York convened a meeting of 14 major credit derivatives dealers to address back-office problems and to set goals to reduce the backlog of unprocessed trades in that market, where hedge funds play a significant role.[8]

Where fraud is involved in a hedge fund failure, legal and regulatory actions ensure that an unusual amount of information is made public about the fund and the circumstances of the failure.[9] Thus, cases of fraud are likely to be over-represented in any tabulation of failures. While the SEC has noted many times that the lack of disclosure makes hedge fund fraud a *potentially* serious problem,[10] there is no consensus as to whether actual fraud is more common among hedge funds than other types of private investment vehicles.

Limited information is available about the relative frequency of these three reasons for failure. Christory, Daul, and Giraud categorize 109 cases of hedge fund default between 1994 and 2005, and find that 54% involved fraud, 33% involved financial issues, and 13% involved operational issues.[11] Sometimes the categories may overlap: some cases of fraud begin with financial losses that fund managers seek to cover up by reporting false earnings data to investors.

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[8] "Statement Regarding Developments in the Credit Derivatives Market," Federal Reserve Bank of New York Press Release, October 5, 2005. A year later, the Fed reported that considerable progress had been made: "Statement Regarding Progress in Credit Derivatives Markets," Federal Reserve Bank of New York Press Release, September 27, 2006.

[9] Regulators' and prosecutors' versions of events are, of course, commonly disputed.

[10] *Implications of the Growth of Hedge Funds*, SEC Staff Study, September 2003, p. 76.

[11] Christory, Daul, and Giraud, "Quantification of Hedge Fund Default Risk," p. 76. The authors define default as "a loss large enough to prevent the manager from pursuing his strategy with his existing investors (resulting in investors exiting the fund at a significant loss)," as opposed to "dissolutions," where funds return all money to investors because of poor performance. Ibid., p. 72.

Table 1. Selected Hedge Fund Failures and Losses Since Long-Term Capital Management

Fund Name (Principal)	Date	Description of Failure or Loss	Sources
Modulus Europe (Powe Capital Management)	9/08	Fund liquidated after losses to its $500 million portfolio of investments in small and medium-sized companies.	[London] *Independent*, 9/25/08.
SageCrest II (Alan and Philip Milton)	8/08	Filed Chapter 11 bankruptcy after losses to its $1 billion portfolio of short-term credit instruments.	*Reuters.com*, 8/18/08.
Turnberry Capital Management (Jeff Dobbs)	8/08	Boston-based fund liquidated after 70% losses to its $800 million credit derivatives and distressed debt portfolio.	*Reuters.com*, 8/14/08.
Absolute Capital Management (Public company listed on London AIM stock market)	7/08	Absolute Capital closed one of its family of funds after losses from undisclosed investments in illiquid U.S. penny stocks (originally valued at $550 million).	*FT.Com*, 7/23/08.
Old Lane Partners (Citigroup)	5/08	In April 2008, substantially all unaffiliated investors notified Old Lane of their intention to redeem. Citigroup took a first-quarter charge of $202 million to write down the value of its investment in Old Lane.	*Bloomberg.com*, 5/3/08.
Navesink Equity Derivative Fund (Rumson Capital)	5/08	The convertible-bond arbitrage fund, which held $500 million at its peak, announced that it would close by June 30.	www.finalternatives.com, 5/2/08
Alternative Strategies Funds (Russell Investments)	4/08	Two fund-of-funds closed for "underperformance," after losing about $4 billion out of $6 billion.	*FT.Com*, 4/3/08.
Endeavour Capital LLP (Paul Matthews)	4/08	London fund shut down after losses to its $2.9 billion portfolio of Japanese government debt.	*Bloomberg.com*, 5/9/08.

Fund Name (Principal)	Date	Description of Failure or Loss	Sources
Blue River Asset Management (Robert E. Bigelow III and Paul Sinsar)	3/08	Liquidated its main $1 billion municipal bond fund, after it lost about 80% of its value.	*Financial Times*, 3/14/08; *International Herald Tribune*, 3/14/08.
Global Opportunities Fund (GO Capital Asset Management)	3/08	Investor exits have been blocked from this €601 million ($950 million) fund for a year because liquidity has dried up in the small and mid-cap stocks it holds.	*Reuters News*, 3/18/08.
Focus Capital (Tim O'Brien and Philippe Bubb)	3/08	The fund had $1billion invested in Swiss stocks, and was unable to meet margin calls when the portfolio lost value.	*Financial Times*, 3/5/08.
Carlyle Capital Corp. (Carlyle Group)	3/08	The fund invested $670 million of investors' capital in highly-rated mortgage-backed securities. It was unable to meet margin calls on its $21.7 billion leveraged portfolio.	*Wall Street Journal*, 3/7/08.
Asset-Backed Securities Fund (Peloton Partners/Ron Beller)	2/08	The fund collapsed after losses to its $17 billion portfolio, which was supported by $2 billion in investors' capital.	[London] *Independent*, 2/29/08.
Sailfish Capital Partners (Mark Fishman and Sal Naro)	2/08	The $2 billion bond fund was forced to close after trading losses.	*New York Times*, 2/12/08.
Tequesta Capital Advisors (Ivan Ross)	2/08	The fund invested $150 million in mortgage-backed securities, and was liquidated after it failed to meet margin calls from lenders.	*Chicago Tribune*, 3/11/08.
Tribeca Global Investments (Citigroup)	9/07	Citigroup announced the closing of its $2.4 billion fund, which had lost 1.6% of its value over the first 8 months of 2007. Many of its assets will be transferred to Old Lane, a hedge fund purchased by Citigroup earlier in 2007.	*New York Times*, 9/6/07.

Fund Name (Principal)	Date	Description of Failure or Loss	Sources
Global Advisors Commodity Investment Fund and Global Commodity Index Plus (Global Advisors)	9/07	The two commodity funds, with assets totaling about $70 million, were shut after losing about 13% since the beginning of 2007.	*Financial Times*, 9/6/07; [http://www.cnbc.com/id/20606649].
Synapse High Grade ABS Fund No. 1 (Synapse Investment Management LLP)	9/07	The London-based management firm shut down the $272.5 million fund after mortgage-related losses caused a key investor, the German bank Sachsen LB, to withdraw its capital.	*Wall Street Journal*, 9/4/07.
Global Equity Opportunities Fund (Goldman Sachs)	8/07	This "quant" fund, which uses a computerized model to trade stocks, had to be bailed out with a $3 billion cash injection from its parent investment bank and other investors. Another Goldman Sachs fund, Global Alpha, lost about $4 billion, or 37%, over the year ending August 2007.	*Wall Street Journal*, 9/14/07; *Financial Times*, 8/14/07.
Geronimo Multi-Strategy Fund, Geronimo Sector Opportunity Fund, and Geronimo Option & Income Fund (David Prokupek)	8/07	Geronimo Funds announced the closure of 3 SEC-registered funds, which had all lost money in 2007. Funds will be returned to investors by 9/30/07.	SEC filing (Supplement to the Prospectus dated March 31, 2007), 8/22/07.
Yield Alpha Fund (Basis Capital)	8/07	This Australian fund, which invested in U.S. mortgages, collapsed after losing about 80% of the $700 million it held at the start of 2007.	*Financial Times*, 9/8/07; *Financial Times*, 12/18/07.
Sowood Capital Management LP (Jeff Larson)	7/07	The fund, which invested in credit derivatives and corporate loans, lost over 50% of its $3 billion in capital in a single week during late July. Remaining assets were sold to Citadel, a larger hedge fund.	*Bloomberg.Com*, 8/01/07.
Absolute Capital Group (ABN Amro)	7/07	This Australian fund group suspended withdrawals on 7/26/07 after forecasting losses related to U.S. subprime mortgages. The funds held about $177 million.	*Bloomberg.Com*, 7/27/07.

Fund Name (Principal)	Date	Description of Failure or Loss	Sources
High-Grade Structured Credit Strategies Enhanced Leverage Fund and High-Grade Structured Credit Strategies Fund (Bear Stearns Cos.)	6/07	The two funds invested in bonds backed by sub-prime mortgages. Attempts to rescue the funds failed when Merrill Lynch seized and sold about $850 million of bonds it held as loan collateral; bankruptcy petitions were filed on 8/1/07.	*Chicago Tribune*, 6/21/07.
Dillon Read Capital Management (John Costas/UBS)	5/07	The fund was closed after losing $123 million in the first quarter of 2007, as a result of investment in bonds backed by sub-prime mortgages.	*Investment Dealers' Digest*, 5/7/07; *International Herald Tribune*, 6/5/07.
KL Funds (Won Sok Lee, Yung Bae Kim, and Jung Bae Kim)	1/07	The three principals were indicted on charges of securities fraud; about 250 investors lost $194 million.	*New York Times*, 1/11/07.
Ritchie Capital Management LLC (A.R. Thane Ritchie)	12/06	Liquidated the assets of its largest fund (Multi-Strategy Fund, worth about $1 billion) after it earned only 1% during the first three-quarters of 2006.	*Wall Street Journal*, 12/14/06.
Amaranth Advisors LLC (Brian Hunter and Nicholas Maounis)	9/06	Ill-timed speculation in natural gas prices; investors lost about $6.4 billion from the fund's peak value of $9 billion. In May 2007, Amaranth agreed to pay more than $716,000 to settle SEC charges of securities law violations.	*Futures*, 11/06; *Wall Street Journal*, 10/28/06; *The Globe and Mail* (Canada), 9/23/06.
Archeus Capital (Gary K. Kilberg and Peter G. Hirsch)	9/06	Started in 2003 by bond traders from Salomon Brothers, Archeus's assets grew to $3 billion by 2005. By September 2006, assets had shrunk to about $682 million, and the fund announced it would close by the end of 2006.	*New York Times,* 10/31/06; *MarketWatch*, 10/30/06; *New York Times*, 10/05/06.
Latitude Fund (Brummer and Partners)	8/06	Swedish global macro fund closed after losing 27% of its capital in 13 months.	*Daily Telegraph*, 10/28/06; *Powerswings* [http://www.powerswings.com], 9/14/06.

Fund Name (Principal)	Date	Description of Failure or Loss	Sources
Mother Rock LP (Robert “Bo” Collins)	8/06	Energy fund fell victim to natural gas price volatility — lost $230 million in June and July 2006.	*Futures*, 11/06; *Barron’s*, 8/07/06.
International Management Associates LLC (Kirk Wright)	2/06	Founder fled after $150 million in investor assets were discovered missing; arrested in May 2006, Wright faces trial on various counts of mail and securities fraud.	*The Atlanta Journal-Constitution*, 10/26/06, 7/14/06, 2/23/06; *Daily Deal/The Deal*, 7/10/06; *Los Angeles Times*, 3/14/06.
Wood River Partners (John H. Whittier)	10/05	Fund was placed in receivership, and the SEC brought civil fraud charges, in October 2005. Criminal charges were filed against Whittier in May 2007. Wood River had invested 65% of its assets, about $265 million, in a single telecom stock, Endwave, whose value plunged in 2005.	*Forbes*, 12/12/05; *Financial Times*, 10/14/05; *Wall Street Journal*, 10/12/05.
Bayou Management (Samuel Israel III and Daniel E. Marino)	9/05	The fund’s founder, Israel , and its finance chief, Marino, and others pleaded guilty to fraud and conspiracy charges, admitting to using fake results and accounting to hide trading losses. Investor losses reportedly about $350million-$400 million.	*Forbes*, 12/12/05; *Futures*, 11/06, 10/06; *U.S. Fed News*, 9/29/06; *New York Times*, 12/15/06.
Philadelphia Alternative Asset Management (Paul M. Eustace)	7/05	Fund was shut down by the Commodity Futures Trading Commission (CFTC) amid charges of trading improprieties which involved Man Group, a large UK hedge fund that executed trades for Philadelphia. Assets were $320 at the peak; investor losses estimated at $175 million.	*Washington Post*, 10/19/05; *The Guardian* (UK), 10/10/05; *Barron’s*, 7/25/05; *Wall Street Journal,* 7/06/05.
Bailey Coates Asset Management LLP (Jonathan Bailey and Stephen Coates)	6/05	This stock fund incurred losses of nearly 25% in 2005, and ceased operations after promising to return about $500 million to investors. At its peak, the fund held about $1.3 billion.	*Investment News*, 8/22/05; *Financial News*, 7/31/05; *Asian Wall Street Journal*, 6/22/05.

Fund Name (Principal)	Date	Description of Failure or Loss	Sources
Marin Capital	6/05	This bond arbitrage fund had $1.7 billion in capital at its peak. It closed after sharp losses triggered by the downgrading of General Motors to junk bond status. Investor losses were not disclosed; fund promised to return losses to investors.	*Wall Street Journal*, 8/31/05, 6/16/05.
Aman Capital Global (Mayur Ghelani and Rahul Kumar)	4/05	This Singapore fund was closed after losing derivatives trades cost it 18% of its $200 million capital.	*Financial Times*, 4/04/06; *The Edge Singapore*, 6/27/05.
Lyceum Capital (John Muresianu)	2/05	Technology stock fund closed after 28 months of operation, having earned minuscule returns on investors' $112 million capital.	*Wall Street Journal*, 6/16/05, 2/10/05.
Sterling Watters Group (Angelo Haligiannis)	6/04	The fund made "over-under" (long-short) stock investments, and claimed to have had $180 million under management. Haligiannias was arrested and charged with running a Ponzi scheme, but subsequently went into hiding.	*Institutional Investor*, 2/15/06, 8/05
Lancer Offshore Fund (Michael Lauer)	5/03	SEC charged Lauer with fraud and manipulation related to investment in small-cap technology stocks. Investor losses estimated at $500 million.	*Forbes*, 12/26/05; *HedgeWorld News*, 1/06/06; *National Post*, 5/28/03.
Eifuku Master Trust (John Koonmen)	1/03	Founded in 2000, Eifuku had $300 million assets at its peak, invested in various Japanese stocks. During 3 weeks in January 2003, the fund lost 98% of its capital.	*Wall Street Journal*, 4/10/03.
Beacon Hill Asset Management (John D. Barry)	11/02	This "market neutral" stock fund was shut down by the SEC, which brought fraud charges based on trading improprieties. Charges against Barry and other principals were settled in 2004. Investor losses estimated at $300 million.	*Derivatives Litigation Reporter*, 11/12/06; *Los Angeles Times*, 10/29/04; *Institutional Investor*, 2/03.

Fund Name (Principal)	Date	Description of Failure or Loss	Sources
Klesch European Distressed Fund (Gary Klesch)	9/02	Bond "vulture" fund lost money trading WorldCom debt. When closed, the fund (which had aimed to raise $100 million when it was launched in March 2001) had only $15 million in capital.	*Global Finance*, 10/02; *The Times*, 9/10/02; *Reuters*, 9/9/02.
Lipper Convertibles LP (Kenneth Lipper)	2/02	Bond arbitrage fund was liquidated after losing 40% of its value, or about $315 million, in 2001. Fund's capital was reportedly $2.85 billion at its peak, much of it contributed by Hollywood celebrities.	*Business Week*, 12/9/02; *Pensions & Investments*, 8/19/02.
Maricopa Investment Fund (David Mobley)	10/01	Founder was sentenced to 17 years in prison and ordered to repay $76 million to defrauded investors.	*Barron's*, 5/30/05; *Business Week*, 5/26/03; *Derivatives Litigation Reporter*, 6/2/02.
Tiger Management (Julian Robertson)	3/00	Once the world's largest hedge fund, with capital of $22 billion, Tiger closed after losses stemming from the tech stock crash.	*Institutional Investor*, 12/1/02; *Wall Street Journal*, 3/30/00.
Quantum Fund (George Soros)	3/00	Fund lost 11% of its capital in five days when the tech-stock bubble burst. By May 2000, losses were 22%. Quantum Fund was subsequently renamed Quantum Endowment Fund and abandoned high-risk strategies.	*Wall Street Journal*, 5/22/00.
Manhattan Investment Fund (Michael Berger)	1/00	In January 2000, the SEC brought charges of fraud against this fund, which sold Internet stocks short during the boom. In 2003, Berger failed to appear for sentencing after pleading guilty to criminal charges, and remains a fugitive. Investor losses estimated at $575 million.	*Newsday*, 9/2/06; *Wall Street Journal*, 1/19/00.

Sources: Factiva, LexisNexis, and ProQuest databases.