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Hedge Fund Manager Conned Investors With Phony Law Firm Connections, Say Prosecutors

Zusha Elinson/The Recorder
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Law firms are happy to get just about any client these days -- except if it's an alleged international con man who's just pretending to be a client.

Albert Hu, a Silicon Valley hedge fund manager, was arrested in Hong Kong and on Wednesday was charged by the U.S. Attorney and the Securities and Exchange Commission with duping investors out of millions of dollars.

Part of Hu's scheme, authorities claim, was to impress investors by telling them that his funds were represented by prominent law firms. In a private placement memo, for example, Hu allegedly told investors that Pillsbury Winthrop Shaw Pittman was legal counsel to his Fireside LS Fund. In other fund documents, Hu claimed to be using law firms "Heller Ehrman Rose," Proskauer Rose and "Kirkpatrick & Lockhart."

Authorities say it was all a ruse -- the law firms had nothing to do with the scheme cooked up by Hu, who allegedly promised big returns and then wouldn't return the money when investors got suspicious.

"There would be representations that these law firms were providing legal counsel to the hedge funds," said Elena Ro, an SEC staff attorney on the case. "Those were just a web of lies used to get access to the money."

The law firms gave declarations, swearing up and down that they had nothing to do with Hu's alleged fraud -- though they may have represented him on other matters. "Although some of the firms had provided unrelated legal advice to Hu or Asenqua entities, none served as legal counsel to the Asenqua hedge funds as specified in the investment agreements," the SEC said in court papers.

"None of these Fireside entities was or is a client of Pillsbury," wrote Pillsbury partner Jay Gould in court papers. "And Pillsbury did not prepare or provide legal services for a private placement memorandum."

Pillsbury general counsel Ronald Van Buskirk said that the firm had no comment, except that "Pillsbury is not involved in the alleged wrongdoing."

Lucas Chang, a Palo Alto, Calif., partner at Morgan, Lewis & Bockius, wrote that as a partner at Heller Ehrman, he'd represented Hu's Asenqua Capital in 2002 or 2003. But Chang wrote that he didn't give advice on preparing the documents where Hu listed Heller Ehrman. Chang was in Beijing and couldn't be reached for comment.

[K&L Gates](#) (formerly Kirkpatrick & Lockhart) said in its declaration that it got a subpoena from the SEC in February. Partner Jeffrey Maletta wrote that the firm had given unrelated legal advice to Hu and some of his funds -- and noted that the attorneys who did the work are no longer with the firm. The declaration didn't identify the departed lawyers, and Maletta didn't immediately respond to a message left late Wednesday.

The case against Hu is much broader than just lying about law firms. Authorities claim that Hu forged signatures for a nonexistent CFO and also claimed that his books were overseen by an independent auditor when they weren't. The SEC says that Hu got investors "with Silicon Valley connections" to put \$5 million into hedge funds

he managed from 2002 to 2008.

The U.S. Attorney is charging Hu with six counts of wire fraud. The SEC is charging him with violating anti-fraud provisions of federal securities laws.

Even on its own, pretending to be represented by a law firm the way Hu did is illegal, said Michael Dicke, head of enforcement for the SEC in San Francisco.

"It's a misrepresentation of a material fact and material facts matter to investors," Dicke said.

According to the SEC, Hu hasn't hired a lawyer to represent him yet.