

HEDGE HEADACHE

Whistleblower stirring trouble for Plainfield

EXCLUSIVE

By KAJA WHITEHOUSE

Max Holmes has another headache.

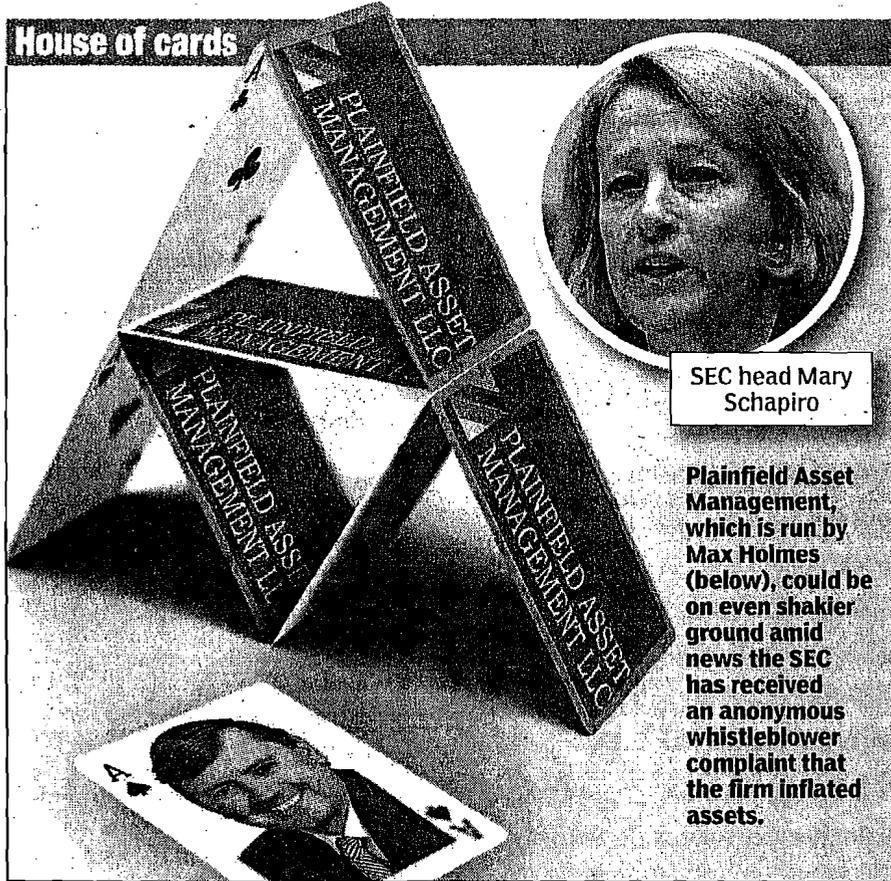
The embattled hedge fund titan, whose mastery of distressed assets helped him build his Plainfield Asset Management into a \$5 billion fund at its peak, intentionally overvalued his firm's assets so he can pocket fraudulently inflated management fees, according to a whistleblower complaint lodged with the Securities and Exchange Commission this month.

Plainfield and Holmes "have knowingly and intentionally defrauded its own investors... through the fraudulent overvaluation of its own assets under management," according to the complaint, which came in the form of a four-page letter to SEC Chairwoman Mary Schapiro, a copy of which was obtained by The Post.

Such whistleblower complaints were created under the recently enacted federal FinReg legislation.

The whistleblowers, whose identities were not revealed in the Aug. 6 letter, claim some assets have been valued "in excess of their true value, enabling Plainfield to de-

House of cards



SEC head Mary Schapiro

Plainfield Asset Management, which is run by Max Holmes (below), could be on even shakier ground amid news the SEC has received an anonymous whistleblower complaint that the firm inflated assets.

Post photo composite

fraud its own investors by unlawfully charging higher management fees than those which it is in fact entitled to," according to a redacted copy of the letter.

Holmes set up shop in 2005 and quickly grew the fund to \$5 billion near

the peak of the market. As the recession began and credit markets froze, performance fell and the fund was frozen.

Like a lot of credit funds hit by the recession, it has never recovered and now assets under management at the

Connecticut-based firm have dwindled to \$3 billion.

Making matters worse, in January reports surfaced that Manhattan District Attorney was investigating client allegations of predatory lending practices. At the time, the

DA would not comment.

Then, in March, The Post reported that Plainfield, beset by redemption requests, closed its posh Greenwich office and moved into lower-cost digs in Stamford — into a building that housed its disaster-recovery operation.

The whistleblower complaint, filed by New York securities lawyer Stuart Meissner and relying, in part, on former Plainfield employees' claims as evidence, also accuses the firm, which specialized in distressed debt and lending to small businesses, of failing to disclose "multiple investigations of which Plainfield is the focus to its investors."

Under FinReg, people making whistleblower complaints that are found to be true can pocket a bounty of up to 30 percent of recoveries over \$1 million.

Plainfield denied the allegations, saying, "We firmly believe our valuation policies and procedures are best in class," adding that each complaint about it and its business practices had been heard by a judicial or arbitration panel and found to be "utterly without merit."

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