

January 10, 2019

PEOPLE MOVES

## Adam Gale to Co-Lead BakerHostetler's New Investment Funds Team

By Robin L. Barton, *Hedge Fund Law Report*

---

BakerHostetler has launched an investment funds team with Adam Gale as its co-leader. Gale, who was co-leader of Mintz Levin's investment funds practice, counsels U.S. and international hedge funds; private equity funds; real estate funds; venture capital funds; and funds of funds on their formation, structuring and operation. In addition, he represents institutional investors on regulatory and compliance matters, as well as broker-dealers on a variety of market regulations. Gale has also advised on [initial coin offerings](#) and formed a number of [startup cryptocurrency funds](#).

For coverage of another recent hire at the firm, see "[BakerHostetler Expands Litigation Group With Addition of Partner Howard E. Cotton](#)" (Aug. 30, 2018).

"The idea of the new team is to bring together all of the firm's capabilities in the investment funds space to provide seamless service across practice groups, including fund formation, regulatory and compliance advice, in addition to transactional expertise across numerous industries," explained Gale. "As co-leader, I will be working with lawyers across the different practice groups to ensure that we are offering top-notch service, as well as spearheading our marketing efforts to investment funds."

In the hedge fund space, Gale said that he has received a lot of questions about hybrid funds from fund managers. "I have not, however, seen too many clients actually decide to form a hybrid fund," he observed. "It is more difficult to explain to investors how such a fund will work. Putting a hybrid fund together is also more difficult operationally."

See "[Hedge Fund Managers Turn to Hybrid Fund Structures to Reconcile Fund Liquidity Terms and the Duration of Assets](#)" (Feb. 4, 2009).

"Cybersecurity is definitely a challenge, especially for smaller fund managers, because of the expense of implementing cybersecurity policies and procedures," observed Gale. "Fund managers are trying to figure out how to do that in a cost-effective manner." He added that other challenges include monitoring for [insider trading](#); ensuring fee and expense disclosure accuracy and completeness; and properly using [performance advertising](#).

See our three-part series on how fund managers should structure their cybersecurity programs: "[Background and Best Practices](#)" (Mar. 22, 2018); "[CISO Hiring, Governance Structures and the Role of the CCO](#)" (Apr. 5, 2018); and "[Stakeholder Communication](#),

[Outsourcing, Co-Sourcing and Managing Third Parties](#)” (Apr. 12, 2018).

“In terms of specific types of investments, despite the volatility of emerging markets, I am still seeing interest in that space,” remarked Gale, who has expertise with Latin American fund managers. “I have clients that either think emerging markets are going to improve or have strategies that they believe will capitalize on the volatility.”

A former senior counsel at The Bank of New York, Gale also advises institutional investors and family offices. “A lot of investors continue to push for separately managed accounts instead of investing in the fund,” he noted. “That is a continual challenge for my fund manager clients, but if an investor is willing to invest sufficient assets in a separately managed account, it is usually worthwhile for the fund manager.”

See [“Pepper Hamilton Attorney Discusses Fundamental Structuring Issues for Investment Advisers: Separately Managed Accounts, Registration and Securities Laws \(Part One of Two\)”](#) (Oct. 18, 2018).

“With start-up fund managers, I continue to see [family offices](#) push to acquire a piece of the general partner. That is not necessarily new, but it certainly has continued,” said Gale. “Bigger institutional investors continue to focus on operational due diligence. Some of them look at what OCIE has been focusing on and then focus on those areas themselves.” He listed fees and expenses and valuation issues as areas that institutional investors have targeted.

For coverage of several OCIE risk alerts, see [“Five Ways to Avoid Common Violations of](#)

[the Cash Solicitation Rule Identified in OCIE’s Recent Risk Alert”](#) (Nov. 29, 2018); [“How to Avoid the Eight Best Execution Compliance Issues in OCIE’s Latest Risk Alert”](#) (Aug. 30, 2018); [“OCIE Risk Alert Warns of Six Most Frequent Fee and Expense Compliance Issues”](#) (May 3, 2018); and [“Risk Alert Highlights Six Most Frequent Advertising Rule Compliance Issues”](#) (Oct. 19, 2017).

“I have also heard that investors are paying some attention to whether there are any potential sexual harassment claims that could derail the fund or cause key personnel to leave,” added Gale. “Investors are still figuring out how to diligence those issues, however.”

See [“IMDDA Offers Fund Managers a Blueprint for Conducting Sexual Harassment Due Diligence”](#) (Aug. 2, 2018).

Qualified opportunity zone funds have been a big focus of Gale’s practice lately. “I have been working on forming several qualified opportunity zone funds, and there is tremendous interest in them from my real estate fund manager clients and real estate developers generally,” he said. “The tax incentives for investors are tremendous, both on the capital gains from the investors’ prior investments that they are going to invest in the qualified opportunity zone fund, as well as on the gains on the fund’s investments.”

“Because the fund must invest in real estate that is in one of the qualified opportunity zones, identifying those investments in the first place is a challenge,” observed Gale. “In addition, everyone is waiting for the Treasury Department to issue final guidance on a number of questions.” He noted that although the Treasury Department has issued proposed regulations, most fund managers are waiting

for the final regulations. “Managers can still do a lot of the groundwork and draft the documents, however, so they are ready to go when the final regulations are released,” he added.

For additional commentary from Gale, see [“How Can Hedge Fund Managers Identify and Navigate Pitfalls Associated With the JOBS Act’s Rollback of the Ban on General Solicitation and Advertising?”](#) (Mar. 7, 2013).