

## The boy wonder of the MF Global nightmare

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**Who is James Koutoulas and how did the 30-year-old commodities investor end up leading the charge to recover \$1 billion for customers from one of Wall Street's biggest bankruptcies?**

By [Leah McGrath Goodman](#), contributor



PHOTO: JUSTIN LANE/EPA/CORBIS

FORTUNE -- James Koutoulas walked into one of the worst bankruptcies in U.S. history with almost zero legal experience.

"When I got up the first day in bankruptcy court and saw the look on the judge's face, I couldn't blame him," he says. "Bankruptcy court is a rich man's club where everyone is old, so I stood out. Honestly, when I'm shaved, I look like I'm about 12."

Yet Koutoulas, 30, may be one of the only former customers of MF Global, the now-defunct futures brokerage house, with the gumption to publicly object to the way they are being treated. Since filing for bankruptcy Oct. 31, MF Global's woes have rapidly piled up – chief among them losing an estimated [\\$1 billion-plus of customer funds](#). The loss directly crimped the wallets of some of the futures market's most active participants, from [small-time farmers](#) to ranchers to hedge funds.

Koutoulas, chief executive of three-year-old commodities fund Typhon Capital Management, stumbled into the courtroom drama accidentally. His Chicago firm, which conducts the bulk of its business in the futures market, discovered shortly

after MF Global's bankruptcy that \$55 million of its \$70 million under management had been dragged into the proceedings. This was a surprise, because, by law, customer funds are supposed to be kept completely segregated from a brokerage firm's own assets. That wasn't the case with MF Global. For Koutoulas and tens of thousands of other MF customers, it was a rude awakening.

"My goal is real simple: getting everybody's money back," he says. "And I think we have a very high likelihood of doing just that." In early November, Koutoulas, along with fellow Chicago futures trader, John Roe – son of Tennessee Republican congressman Dr. Phil Roe – founded the Commodity Customer Coalition, a grassroots group that seeks to represent the complex legal interests of MF Global's former clients. In the space of just a few weeks, the group has amassed more than 8,000 members, received tens of thousands of dollars of donations and singlehandedly proven that enough people, when banded together, can change the course of a multibillion-dollar bankruptcy.

### [MF Global: The mess that keeps getting messier](#)

But there's a catch. While Koutoulas is a trained lawyer who graduated from Northwestern Law in 2006, his legal experience extends no further than a one-time \$8,000 pro bono case. "I never wanted to practice law," says Koutoulas, whose father was an accountant and mother a homemaker. "I hate lawyers. I only went to law school to specifically avoid getting screwed by them."



COURTESY: COMMODITY CUSTOMER COALITION

James Koutoulas

Koutoulas got into markets early: As a tech-savvy kid from Sunrise, Florida, he landed an internship with a telecom startup after winning a contest designing his school's Web site. He learned about trading from the company's CFO and bought his first car at 16 using capital gains he earned from betting on technology stocks. At 17, he interned for Smith Barney writing analytical software that assessed the performance of brokers and he founded Typhon after graduating from law school. "Typhon's business model is predicated on the fact that traders

are, by nature, disorganized," Koutoulas says. "I have lots of skills, but I think like a programmer. I built all our back-office legal and accounting systems and package our products. The business pretty much runs itself."

But at his core, Koutoulas is a legal cynic, which appears to be just what MF Global's customers need. Working alongside partners at the law firm Barnes & Thornburg (whose clients include those hurt by the MF Global bankruptcy) Koutoulas has successfully expedited the restoration of hundreds of millions of dollars of customer funds and drawn national attention to the plight of MF Global customers still desperately awaiting their returns. "We are directly responsible for much of the progress that's been made," he says. "But there are still adverse interests at work and we have a ways to go."

For instance, Koutoulas is looking to address what he believes to be staggering conflicts of interest on the creditors' committee – primarily the fact that Bank of America ([BAC](#)), J.P. Morgan ([JPM](#)), and other committee members can exploit inside information while trying to set up "vulture funds" to buy customers' claims for pennies on the dollar, then get paid out once the bankruptcy is settled. If customers' funds are not returned swiftly, selling their claims might be their only feasible option, but it should not have to be that way, he says. Koutoulas also has issues with the bankruptcy trustee. "The trustee is not there for the customer; he's there to make the bankruptcy take as long as possible, so he can get the most fees possible." (In this case, \$891 an hour.)

Meanwhile, Roe's pedigree as the son of a congressman may also be paying off: former New Jersey Governor and CEO of MF Global Jon Corzine has been called to testify at a Senate hearing on Dec. 8. Among the questions he's expected to face is why customer funds were violated before the collapse of his company.

In [a white paper](#), Koutoulas and Roe write that their greatest fear is that the MF Global bankruptcy will be botched so badly that "it will be the end of the United States as a viable jurisdiction for commodity trading. Congress should use whatever power it has to prevent this from happening."

Regarding Corzine, also former co-chairman of Goldman Sachs ([GS](#)), Koutoulas harbors strong views; few of them fit to print. "He's a Wall Street bond trader, not a futures guy. That's what ruined it. He's an alien invader. He personifies what is wrong with Wall Street and what is wrong with this country."

With the help of J. Samuel Tenenbaum, an expert in complex civil litigation and the director of Northwestern Law's Investor Protection Center, Koutoulas's coalition also has earned the respect of MF Global's bankruptcy judge, Martin Glenn, who has directed the bankruptcy trustee, James Giddens of Hughes, Hubbard & Reed to heed the concerns of MF's customers. "When I first told the judge I was co-founder of the Commodity Customer Coalition, he held up a folder

about six inches thick, full of letters from our members," Koutoulas says. "Those numbers give us power."

Before the coalition appeared on the scene, MF customers say they were being ignored, even as their assets dwindled or were returned in sloppy fashion. "The bankruptcy trustee was not interested in working with the customers at all," says one member of the coalition. "Before James came along, there was absolutely nobody looking out for us, despite the fact that what happened to us was totally illegal. In 150 years of futures trading, this has never happened before. No one knew what to do. Everyone was terrified."

Although Koutoulas has had to put some projects on hold (he'd planned to launch a multi-strategy fund, as well as an equity fund early next year) for now he doesn't mind working 20-hour days and flying back and forth between Chicago and New York.

Also, if he can get his money back from MF Global, he says he'll be able to report to his clients the fund's best year yet.

"I am the nicest guy in the world," he says. "But if you cross me, watch out."

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