

Bear hid dire state of funds, say investors

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Investment News - Investors in The Bear Stearns Cos.' two collapsed hedge funds have filed arbitration claims against firm, according to Reuters.

The up-to-11 claims are filed with the Financial Industry Regulatory Authority, the Washington and New York-based non-governmental regulator. Altogether, the 11 investors share a combined \$62 million in losses.

They were involved in the Bear Stearns High Grade Structured Credit Strategies and Enhanced Leverage funds, which tanked at the end of July and burned up \$1.6 billion in investments.

Attorneys for the investors said that the firm kept selling the funds' shares this spring as the subprime mortgage market imploded, Reuters reported.

One claim involves a Cayman Islands fund-of-hedge funds manager who lost \$1 million in the Bear Stearns High Grade Structured Credit Strategies Enhanced Leverage (Overseas) Fund, Reuters said.

“Officials at Bear Stearns engaged in a concerted effort to conceal the true state of affairs at both of these hedge funds for an extended period of time before they imploded,” said Steve Caruso, a lawyer at Maddox Hargett and Caruso in New York, to Reuters.

His firm is one of the four representing the fund-of-funds manager.

In August, a Wisconsin-based investor claiming to have lost \$500,000 in the High Grade Structured Credit Fund filed the first investor arbitration claim, while Navigator Capital Partners filed a civil lawsuit against the firm in the Supreme Court in New York.