

# New Arbitration Filed Over Bear Stearns Hedge Fund Collapse

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By Bill Rochelle

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**Bloomberg** - Four law firms announced yesterday that they began an arbitration against two subsidiaries of Bear Stearns Cos. arising from the liquidation of two hedge funds that were told last month by a federal district judge that they can't undergo bankruptcy anywhere other than New York.

**The new arbitration was filed on behalf of a professional money manager from overseas, Steven Caruso, one of the plaintiff's lawyers, said in an interview. Caruso said his group previously began three other arbitrations on behalf of more than 10 investors who lost ``north of \$60 million."**

The ruling in May was made in Bear Stearns's appeal of a decision last August by a bankruptcy judge in New York, who concluded it wasn't proper for the hedge funds to liquidate in the Cayman Islands, where they were incorporated.

**``The whole scheme of the bankruptcy filing was to keep people from getting information about how these funds were decimated in such a short period of time," Caruso said in an interview.**

**Caruso said members of his group ``have not reached a decision" on whether they might use the New York bankruptcy court to take discovery for use in the arbitration or other legal proceedings.**

The new arbitration is also against Ralph R. Cioffi Jr. and Matthew M. Tannin, whom the plaintiffs identified as portfolio managers for the hedge funds.

A phone call for comment on behalf of Bear Stearns wasn't returned.

The two Bear Stearns hedge funds filed bankruptcies last July in the Caymans and asked U.S. Bankruptcy Judge Burton R. Lifland to recognize the Caymans as the site of the ``foreign main proceeding" under newly enacted Chapter 15 of the U.S. bankruptcy laws governing cross-border insolvencies. Lifland refused, ruling the bankruptcy was properly in New York. He was upheld last month by U.S. District Judge Robert W. Sweet.

Bear Stearns was acquired June 2 by JPMorgan Chase & Co.

In Chapter 15, if a company's principal place of business or principal assets are outside the U.S., the U.S. court takes a back seat and allows the foreign court to liquidate the assets, settle creditors' claims, and distribute the assets under foreign, not U.S., law.

The hedge funds in Chapter 15 are Bear Stearns High-Grade Structured Credit Strategies Master Fund Ltd; and Bear Stearns High-Grade Structured Credit Strategies

Enhanced Leverage Master Fund Ltd.

The Chapter 15 cases in the U.S. are Bear Stearns High-Grade Structured Credit Strategies Master Fund Ltd., 07-12383 and Bear Stearns High-Grade Structured Credit Strategies Enhanced Leverage Master Fund Ltd., 07-12384, U.S. Bankruptcy Court, Southern District of New York (Manhattan). The appeal was 07-08730, U.S. District Court, Southern District of New York (Manhattan).