

FINANCIAL TIMES

November 16, 2007

Collapsed Fund Taken over by Investors.

By Paul J. Davies

Investors in London have successfully wrested control of one of the collapsed Bear Stearns hedge funds from its previous management and directors as a first step towards seeking recovery of some of their losses.

The vote yesterday, which applies to the High-Grade Structured Credit Strategies Enhanced Leverage (Overseas) fund, will be followed by one for US-based investors tomorrow.

Two Bear Stearns hedge funds collapsed spectacularly in July with investors losing all of their money.

"Today's shareholder victory is an important first step in bringing objective review

and transparency to these crashed CDO funds," said Constantine Karides, a lawyer with Reed Smith, which represents investors in the funds.

The fund's previous management and board will be replaced by FTI Capital Advisors, forensic accountants who seek evidence of mismanagement that could be used for lawsuits.

Jacob Zamansky, a lawyer who negotiated an early settlement from Merrill Lynch in a scandal over skewed investment bank research, said the move could also assist some investors' pursuit of arbitration in London and the US under the jurisdiction of the Financial Regulatory Authority.

Bear Stearns declined to comment on either of the developments.