

Securities Litigation and Consulting Group, Inc. Releases Leveraged Municipal “Arbitrage” Study

WASHINGTON, Sep. 25 /PRNewswire/ -- Securities Litigation and Consulting Group, Inc. ("SLCG") has issued an updated study on leveraged municipal bond hedge funds -- including Citigroup's MAT 3, MAT V and Falcon Strategies. The study reports that more than 35 similar hedge funds, including Stone & Youngberg Municipal Advantage Fund, 1861 Capital Management, Gem Capital, Rockwater Hedge Fund, LLC, and Blue River Asset Management Main Muni Fund were mis-marketed to investors as high yield, low risk alternatives to traditional municipal bond funds.

The SLCG study explains what the purported arbitrage strategy actually was and why it failed. While marketed as an arbitrage strategy, it was simply an opaque high-cost, highly leveraged bet on the value of call options, interest rates and liquidity and credit risk.

The study concludes that the brokerage firms misrepresented the strategy by comparing the yields on callable municipal bonds with the yields on non-callable Treasury securities without adjusting the yields on municipal bonds for their embedded call features and by ignoring 30 years of published literature which demonstrates the remaining difference in after-tax yields is compensation for liquidity and credit risk.

The SLCG study also shows that much of the losses suffered by investors were suffered during a period of relatively routine interest rates and not during an unprecedented interest rate environment.

This study and other working papers are available at <http://www.slcg.com/research.php>.

Securities Litigation and Consulting Group, Inc. ("SLCG") is a financial economics consulting firm based in the Virginia suburbs outside of Washington, DC. SLCG provides consulting services and expert witnesses to law firms, publicly-traded corporations, banks, brokerage firms and individuals involved in complex litigation throughout the United States. SLCG's staff includes PhD, MA and BA level professionals with academic, industry and government experience. Its experts have testified in state and federal court and in various arbitration forums.

For further information about SLCG or its research, please contact Dr. Craig McCann at 703-246-9381, craigmccann@slcg.com or visit us at <http://www.slcg.com>.

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