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SafraBank, Republic New York Agree to Settle 6 Suits by Investors in Metals

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▣ Abstract (summary)

SafraBank, California, and Republic New York Corp agreed in principle to pay \$10 million to settle six lawsuits by borrowers who had lost money after taking out bank loans to invest in gold, silver or platinum. The investments were typically sold by brokers using high-pressure sales tactics.

▣ Full Text

SafraBank (California) and Republic New York Corp. agreed in principle to pay \$10 million to settle six lawsuits by borrowers who had lost money after taking out bank loans to invest in precious metals, according to lawyers representing the investors.

The gold, silver and platinum investments were typically sold by brokers using high-pressure telephone sales tactics, the lawsuits alleged.

A spokesman for SafraBank and Republic New York confirmed that the two banks had reached settlements in several of the investor lawsuits but declined to provide details. The spokesman said that the settlement amounts agreed to on Friday aren't material to the banks.

International financier Edmond Safra owns SafraBank and 29% of Republic New York.

SafraBank and Republic New York, parent of Republic National Bank of New York, which participated in the loans through a Texas subsidiary, agreed to pay investors \$9,550,000 to settle five of the lawsuits, said Richard M. Heimann, an attorney with San Francisco law firm Lieff, Cabraser & Heimann who is representing investors in the five cases. One of the lawsuits had received court certification as a class action.

The lawsuits involved five different precious metals dealers, but the settlement is open to any borrower regardless of the broker that sold them the investment, Mr. Heimann said. Final settlement papers are expected to be signed in the next week or so, he said.

Separately, the two banks also agreed to pay a Kansas investor \$400,000 to settle her lawsuit against SafraBank and a broker, said Harold S. Youngentob, an attorney with the Topeka, Kan., law firm Goodell, Stratton, Edmonds & Palmer. The investor, Betty Moore Stowers, said she had lost \$1.04 million in the precious metals investment.

Other lawsuits are still pending. But Charles J. Murray, an attorney representing investors in five other lawsuits against SafraBank and brokers, said he received a phone call from the bank's attorneys on Thursday night to talk about a possible settlement.

Anuradha Vaitheswaran, an Iowa assistant attorney general, said her office, at SafraBank's request, had sent the bank the state's

proposal for a settlement of its lawsuit in early December, but has not yet received a response. Iowa seeks recovery for all investors in the state who borrowed money from SafraBank to buy precious metals, she said.

Mr. Heimann and Mr. Youngentob said they agreed to settle the cases because a quick recovery of funds was in the best interest of their clients, most of whom are elderly.