

Salomon, Two Funds Set to Settle Claims

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NEW YORK — Salomon Brothers Inc. and two powerful investment funds have agreed to pay a total of \$100 million to settle claims arising out of alleged manipulation of several big Treasury auctions.

The Salomon Inc. unit, in an agreement in principle with a federal court here, said it will pay \$86 million to settle a class-action suit filed by buyers of Treasury securities following the firm's 1991 Treasury-auction bidding scandal.

No Admissions

The settlement, which needs approval by a federal judge, would essentially close the legal docket stemming from the worst scandal in Salomon's 84-year history. Salomon said more than \$40 million of the settlement amount is covered by a restitution fund set up by the firm in May 1992.

As part of the proposed accord, Steinhardt Management Inc. and Caxton Corp. have agreed to pay investors a total of about \$34 million. Steinhardt will pay \$22 million, with most of the remainder to be paid by Caxton, lawyers familiar with the case said.

Salomon, Steinhardt and Caxton agreed to the settlement without admitting any violation of law.

The class-action case, which consolidated 10 separate actions, was filed on behalf of hundreds of thousands of Treasury-market buyers who say they were harmed by alleged manipulation in the government-bond market.

The Treasury-auction scandal erupted in August 1991 after Salomon admitted to falsifying customer orders and bidding beyond government limits in a series of sales of government notes and bonds. The scandal resulted in the forced departures of Salomon's senior management, including Chairman John Gutfreund and President Thomas Strauss. Steinhardt and Caxton were separately accused by investors of manipulating the market for \$12 billion of two-year notes auctioned by the Treasury in April 1991, in what Wall Street traders called "The Forgotten Squeeze."

Settled With SEC

Last year, Salomon agreed to pay \$67 million to settle class-action cases filed by holders of Salomon stock and bonds following the bidding scandal. This amount also is covered by the restitution fund. A federal court here "now is considering whether to approve that settlement," Salomon said yesterday.

In 1992, Salomon agreed to pay \$200 million to settle federal civil charges

brought by the Securities and Exchange Commission. With yesterday's proposed accord, "Salomon believes that it has resolved the most significant Treasury auction-related matters," the firm said.

It isn't clear how the proposed settlement will be doled out to investors. "We believe that the recovery to members of the class is very substantial, and demonstrates the importance of class actions in protecting investors in the securities markets," Stanley M. Grossman, class counsel in the case, said in a statement.

Steinhardt said in a statement: "We're participating in the settlement in order to reduce the continued burden, expense and distraction of protracted litigation. The firm continues to deny that it engaged in any wrongdoing."

Lawyers for Caxton couldn't immediately be reached for comment. Two other investment funds and defendants in the case, Tiger Management Co. and Soros Fund Management, were dropped from the action, lawyers familiar with the matter said.

A hearing on the proposed settlement before U.S. District Judge Robert Patterson hasn't yet been set. Investors who opt out of the settlement will be barred from bringing any additional similar claims against Salomon, Steinhardt or Caxton.