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# News from Attorney General Robert Abrams

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FOR IMMEDIATE RELEASE: THURSDAY, FEBRUARY 7, 1985

ABRAMS JOINS WITH ATTORNEYS GENERAL OF 20 STATES IN ARGUING  
BALDWIN-UNITED SETTLEMENT SHOULD NOT LIMIT CONSUMERS RIGHT TO SUE

Attorney General Robert Abrams of New York announced today (Thursday) he was joining with the attorneys general of 20 other states in opposing important provisions of a proposed settlement of the class action lawsuits which grew out of the financial collapse of Baldwin-United.

Mr. Abrams said that, while the attorneys general do not oppose settlement of the federal law aspects of the case, they do object to provisions of the proposed settlement under which consumers would be forced to relinquish all parallel claims they might have under state law.

In a friend-of-the-court brief prepared by the office of Maine Attorney General James Tierney and filed today in federal court in Manhattan, the attorneys general allege that brokers sold billions of dollars worth of Baldwin-United Single Premium Deferred Annuities (SPDA's) to 100,000 consumers throughout the United States.

Though the tax-deferred annuities were represented by the brokers as safe investments, there were early indications of legal and financial problems, and in September, 1983, Baldwin-United went into bankruptcy.

Class action suits were brought by individual consumers against the major brokerage firms which sold the annuities, and under the proposed settlement of these suits, the firms would pay to consumers approximately \$139 million, in partial compensation for the approximately \$1 billion in promised interest which the consumers lost.

In return, the consumers would be obliged to relinquish any claims they have against the brokers under state or federal law.

Attorney General Abrams stated:

"Consumers would get far too little under such a settlement to have their state law claims signed away. The loss to these consumers approaches a billion dollars. While \$139 million is a sizable settlement,

(over)

compared with the returns promised by brokers and what was specified in the annuity contracts, it is quite small."

In their brief, the attorneys general object to the portion of the settlement that would affect the claims of consumers under the laws of their states. Mr. Abrams said he and the other attorneys general who filed the brief believe that the state law claims are "far stronger than the federal claims."

Under federal law, he said, attorneys for consumers first have to prove that the annuities fall within the technical definition of "securities," and that those who sold them intended to deceive consumers. Under state laws, Mr. Abrams said, injured consumers need not prove either contention.

A hearing before Federal District Judge Charles L. Brieant, Jr. on the proposed settlement is scheduled for February 25.

On September 24, Mr. Abrams subpoenaed records of eight major securities firms, as part of an investigation into the sale of the Baldwin-United annuities. The firms ordered to produce records were E.F. Rutton & Co.; Merrill Lynch & Co.; Moseley, Hallgarten, Estabrook & Weeden; Paine Webber Jackson and Curtis; Prudential-Bache Securities; Shearson Lehman Brothers/American Express; Smith Barney, Harris Upham & Co.; and Thompson McKinnon Securities, all of New York City. Kidder Peabody had already responded to an earlier subpoena, Attorney General Abrams said.

In addition to Maine and New York, states whose attorneys general joined the friend-of-the court brief are: Arizona, California, Connecticut, Georgia, Illinois, Kentucky, Massachusetts, Michigan, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Ohio, Tennessee, Texas and Washington.