

Judge approves \$5.6 million settlement of Trustcorp suit

From News Journal and wire reports

MANSFIELD - A federal judge Friday approved a \$5.6 million settlement of a shareholders' lawsuit against Trustcorp Inc. that alleged the bank holding company misled investors.

"I feel satisfied that there was no fraud involved in the case," U.S. District Court Judge Nicholas Walinski said at the settlement hearing. "There may have been errors in judgment made, but I'm satisfied that there was no criminal intent."

Toledo-based Trustcorp merged with Society Corp. of Cleveland in January.

The settlement calls for 30 percent of the money to go to the plaintiffs' lawyers. The rest will be split among about 9,000 people.

While Trustcorp and its former executives agreed to the settlement, the defendants denied all allegations of fault, wrongdoing or liability.

Three shareholders from Mansfield, joined later by three other shareholders, filed suits in U.S. District Court in Toledo against Trustcorp and some of its directors and officers in February 1989. The shareholders said the defendants provided false financial information in annual and quarterly reports.

The complaints said the reports also misled the

Securities and Exchange Commission about the company's loan portfolio, losses and general financial condition.

The complaints were consolidated into a class-action suit in June 1989.

The shareholders had exchanged preferred stock for common stock, and alleged that the value of the common stock fell below the cash value of the preferred stock after information about loan write-offs became known.

Mansfield attorney James A. Calhoun filed the original suit on behalf of shareholders Charles Hand, Daniel Siegenthaler and David Moysi. Moysi was the IRA coordinator for Trustcorp in Mansfield when his job was phased out in December 1987.

The settlement was reached May 1, but had to be approved by Walinski.

At the hearing, it was disclosed that Society settled the suit because of a report showing that Trustcorp, including the board of directors, knew as early as June 1988 that the institution was having problems with bad loans, mostly involving downtown projects. The report was prepared for an Indiana bank that considered merging with Trustcorp.

Before merging with Society, Trustcorp took write-offs and charge-offs totaling \$116 million.