

INVESTOR RECOVERS \$111.5 MILLION FROM BEAR STEARNS

New York, New York May 15, 2000

Banking Industry, Shaken by the Verdict, Vows to Appeal

A jury sitting in the United States District Court for the Southern District of New York today returned a \$111.5 million verdict against Bear Stearns. The jury found Bear Stearns negligent in failing to warn a client, Henryk de Kwiatkowski, about the risks of foreign currency speculation and in the handling of Mr. de Kwiatkowski's investment of \$6.5 billion in foreign currency futures. This case was the first of its kind to go to a jury.

Mr. de Kwiatkowski, a 76 year old native of Poland, emigrated to Canada in the 1950's after having fled the Nazis in 1939. He served in England's Royal Air Force during World War II. In 1961, he started a business devoted to leasing and selling airplanes. Over the years, Mr. de Kwiatkowski was able to amass hundreds of millions of dollars, and expanded his business and investments worldwide. He currently owns Calumet Farms in Kentucky.

During the 1990's, Mr. de Kwiatkowski invested heavily in currency futures. In late 1994, he opened a total of sixty-five thousand futures contracts. When the U.S. dollar fell against other major currencies in early 1995, Mr. de Kwiatkowski lost nearly \$300 million. According to Mr. de Kwiatkowski, this loss was attributable to the bad advice he received from Bear Stearns' broker, the broker's failure to adequately warn him about the risks, the mishandling of his account, and Bear Stearns' inability to deliver on its promise to "get him out on a dime" if it became necessary. Most important, Bear Stearns' favorable view regarding the dollar changed to bearish in early 1995, and Mr. de Kwiatkowski's broker never gave him the new report.

Bear Stearns argued that Mr. de Kwiatkowski was a sophisticated investor, familiar with the highly speculative nature of investing in currency futures, who made his own investment decisions. Bear Stearns also pointed out that Mr. de Kwiatkowski was a world renown gambler who had once lost \$1 million at a casino "before dinner."

The jury, deliberating for about a day, found Bear Stearns negligent. The verdict, in favor of a sophisticated customer of an investment bank, was characterized as extraordinary by industry experts. Bear Stearns' counsel, in a state of shock, vowed to appeal. As the appeal grinds forward, \$27,000 a day will be added to the verdict, which could total as much as \$163 million, including interest to date.

Litigation Strategies provided pre-trial jury research and witness preparation assistance to Mr. de Kwiatkowski and his trial team, led by Paul Curran and Myron Kirschbaum of New York's Kaye, Scholer, Fierman, Hays & Handler.

- Strategic Research
- Witness Preparation
- Demonstrative Exhibits



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