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Deutsche Bank hit by $5.8M arbitration decision

The Associated Press

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NEW YORK An arbitration panel recently issued an award worth more than $5.8 million (€4.56 million) against the securities unit of Deutsche Bank AG, siding with three Florida brothers who said they lost money after they were put into several risky alternative investments.

The arbitration panel last month ruled in favor of Charles, John and Robert Switzer, from Pensacola, Florida. According to a lawyer for the brothers, the three became instant millionaires in the late 1990s when a company that was founded by a family member went public, allowing them to tap into their inherited stock in Lamar Advertising Co.

One of the underwriters in Lamar's initial public offering was Alex. Brown, a securities firm that later merged with Bankers Trust, which itself eventually merged with Deutsche Bank. After the IPO, Alex. Brown signed up the Switzers as brokerage clients. Over time, the three brothers were each sold "seven illiquid, high-risk alternative investments for a total commitment of $8 million per brother," according to their attorney, Alan Sparer.

The investments were made on the advice of a broker at the firm, Paul Young. There was no immediate comment from Deutsche Bank. Young's status with the firm could not immediately be determined and an attorney for Young could not immediately be reached.

Despite their millionaire status, the Switzer brothers were novices when it came to investing, Sparer said. The investments included collateralized debt-obligation funds, a fund of private-equity funds and a venture-capital fund, according to Sparer, who characterized the investments as "esoteric and complicated" and 'speculative." Sparer said an estimate of the losses incurred by the Switzers ranged "anywhere from a low of about $3 million to $4 million to as high as $10 million."

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Gaston F. Ceron is a correspondent of Dow Jones Newswires.

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