

Parmalat to pay out stock worth €24 million to settle U.S. lawsuit

The Italian dairy group Parmalat will pay out stock worth about €24 million to settle a U.S. class-action lawsuit stemming from its collapse in the biggest bankruptcy in Europe, the company said Friday.

The payment of 10.5 million shares valued at \$37.1 million would settle litigation against the company in U.S. District Court in New York, Parmalat said. Its stock rose 39 euro cents, or 1.8 percent, to close at €2.24 in Milan trading.

Parmalat, the biggest listed food company in Italy, would also pay up to €1 million of the cost for notifying class members of the settlement, it said in a statement.

"This removes the issue of the class-action suit, which has probably weighed on the stock over time, in return for a nominal payment," a company spokesman said.

The shares to be issued are part of a pool set aside to satisfy late claims, he added. The settlement, which still requires court approval, was worth about €24 million based on Friday's share price.

In a research report, a Santander analyst, Andrea Paladini, said that the amount to be paid was "significantly lower than expected."

The Italian consumer group ADUC said the "new Parmalat had got away with relatively little money" as a payout. In a statement, it said that investors' losses were estimated at \$8 billion.

Based in Collecchio, Italy, Parmalat collapsed in December 2003 into bankruptcy, later disclosing more than €14 billion of debt, about eight times the amount reported by its former management.

The Italian prosecutors filed criminal charges after discovering that the company had never earned a profit after its stock market listing in 1992, though it reported earnings every year.

Parmalat's collapse wiped out the savings of thousands of small investors. The company was restructured and relisted on the Milan exchange in 2005.

"We are very pleased with the settlement reached with the company, bringing total investor recovery obtained so far in the Parmalat case to approximately \$90 million," said Stuart Grant, a managing partner at the U.S. law firm Grant & Eisenhofer, which represents Parmalat investors in the case.

"We will also continue to press claims against other defendants whom we allege defrauded investors over a period of years prior to Parmalat's ultimate collapse in 2003," he said.

In November 2006, Credit Suisse Group's Credit Suisse First Boston unit and Banca Nazionale Del Lavoro agreed to pay a total of \$50 million in the first settlements in the proposed class-action lawsuit. The suit alleges that former Parmalat managers committed fraud and holds them responsible for the 2003 bankruptcy.

Enrico Bondi, the Parmalat chief executive who led the company's reorganization as a government-appointed administrator, has sued banks and accountants in the United States and Italy. He has claimed that they ignored Parmalat's deteriorating financial condition and the looting by insiders.

Bondi so far has recovered more than €1 billion.

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