

Bank denies Hobart's charges

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PATERSON — A charge that the New Jersey Bank illegally transferred securities out of the trust account of the great-grandson of one of its founders was disputed yesterday in sworn statements filed here.

A copy of a June 29, 1973, letter to the bank from Garret A. Hobart IV the man who filed the charge against the bank in a suit last week, detailed the stocks and bonds to be used as collateral for loans.

The loans, totaling more than \$1-million from the Middle States Leasing Corp., a subsidiary of the bank, and the bank were for the purchase of three airplanes by T and L Industries Inc.

Hobart, as president of T and L Industries Inc., expected to use the planes for charter flights.

Hobart, in the suit seeks to quash the loans. The bank and the Middle States Leasing Corp. are planning to sell the securities put up as collateral and the planes because Hobart has defaulted on the loans.

The letter from Hobart to the bank

lists \$413,700 in bonds and stocks to be pledged as collateral for the purchase of the planes. The dollar figure is the estimated market value at that time.

The letter said none of this information should be revealed to any others connected with the T and L Corp.

"Under no circumstances," Hobart said in the letter, "should any information regarding this collateral for my guaranty be given to any other corporate officers of T and L Industries Inc."

Hobart, an attorney, did not return a call yesterday from a reporter.

The suit charges the bank and its officers with fraud, breach of trust and mismanagement.

The defendants in answer to the suit said Hobart agreed to the use of his securities as collateral for the loans.

They said Hobart never sought their advice on the degree of risks involved in starting a plane leasing business at a time of increased inflation.

The answer said Hobart, after defaulting on several mortgage payments to the MSL corporation last year, agreed that the bank could use more bonds as collateral rather than stock for bank loans to help pay the mortgages.

The use of bonds would allow the bank to give Hobart loans totaling 90 per cent of the bond market value, whereas the use of stocks would only permit loans of 66 per cent of the stock value.

"Hobart appeared to be delighted with this suggestion," the defendants said in the answer, "and readily agreed that this exchange should be made so that additional funds could be loaned to him and he could use these funds to pay MSL. . ."

Norman Brassler, president of the bank, said in a sworn statement that Hobart and his associates "failed to indicate any meaningful proposal to pay their indebtedness to either 'the bank or the MSL company."

William J. Schneider, trust officer of the bank who handled the Hobart account, said any sale of securities to pay the loans was done with the approval of Hobart.

Schneider said Hobart never consulted him about the risks in buying the three planes.

The bank also denied it charged an excessive rate of interest on its loans.

No date was set for trial.