

Barry R. Lloyd v. CVB Financial Corp. et al.

COURT: United States District Court for the Central District of California
CASE NUMBER: 2:10-cv-06256-MMM(PJWx)
CLASS PERIOD: 10/21/2009 - 08/09/2010

Securities fraud class action filed on behalf of all purchasers of CVB Financial Corp. ("CVB" or the "Company") common stock from October 21, 2009 through August 9, 2010, inclusive (the "Class Period"), alleging claims pursuant to Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 against CVB and certain of its executive officers.

On January 21, 2011, the Honorable Margaret M. Morrow appointed the Jacksonville Police and Fire Pension Fund as Lead Plaintiff and approved its selection of BLB&G as Lead Counsel for the Class.

CVB is a California-based bank holding company whose principal asset is its bank, Citizens Business Bank (the "Bank"), a mid-sized lender with nearly \$7 billion in assets that primarily services small- and medium-sized California-based businesses. The Bank offers commercial real estate, agribusiness, consumer, and real estate loans in the Inland Empire and Central Valley regions, and Los Angeles and Orange Counties — areas in which plunging housing prices and a spike in foreclosures following the bursting of the mortgage bubble have taken a tremendous toll.

The Company reassured investors throughout the Class Period that its adherence to strict underwriting standards drove "record" earnings and helped CVB avoid the fate of many of its peer lenders that had been decimated by skyrocketing defaults. At the same time, the Company emphasized its strong internal controls and stressed that its financial statements were prepared in accordance with Generally Accepted Accounting Principles. For example, on October 21, 2009, CVB described the overall credit quality of its Bank's loan portfolio as "sound." The Company's CEO declared that he was "very pleased [at CVB's] outstanding results . . . particularly in these challenging times." CVB continued to announce positive earnings throughout the Class Period, attributing its success to conservative underwriting and an aggressive growth strategy.

On August 9, 2010, CVB shocked investors when it disclosed an SEC investigation into the Company's accounting practices. The SEC questioned almost the entirety of CVB's accounting methods including its underwriting guidelines, allowance for credit losses, and provision for credit losses. The SEC also sought information from the Company's investor presentations and conferences. Strikingly, CVB reported that it received the subpoena on July 26, 2010 — the very same day that the Company's CFO announced his retirement. Following this disclosure, CVB's stock price plunged over 20% in a single day from \$10.30 per share to \$8.30 per share — representing a market capitalization loss of approximately \$245 million on very high trading volume.

After three rounds of motions to dismiss, the district court dismissed the Second Amended Complaint on May 9, 2013, and entered a final judgment on September 27, 2013. Lead Plaintiff Jacksonville Police and Fire Pension Fund thereafter appealed the dismissal, and filed its opening appellate brief with the Ninth Circuit Court of Appeals on May 7, 2014. Defendants filed their answering appellate brief on July 7, 2014, and Lead Plaintiff's filed their reply brief on August 20, 2014. On December 10, 2015, BLB&G appeared on behalf of the Lead Plaintiff and the Class before the Ninth Circuit for oral argument on the appeal. On February 1, 2016, the Ninth Circuit reversed in part and remanded the case to the District Court for further proceedings.

On December 6, 2016, the Court granted preliminary approval of the settlement reached by the parties to resolve this securities class action for \$6.2 million in cash. On March 13, 2017, the Court granted final approval to the settlement.

The claims administration process has concluded and the net settlement fund has been fully disbursed. This matter is considered closed.

Case Documents

- August 20, 2018 - Order Approving Distribution Plan
- December 19, 2016 - Notice of (I) Pendency of Class Action, Certification of Settlement Class, and Proposed Settlement; (II) Settlement Fairness Hearing; and (III) Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses
- December 6, 2016 - Order Preliminarily Approving Proposed Settlement and Providing for Notice
- March 7, 2011 - Consolidated Class Action Complaint for Violations of the Federal Securities Laws