

Ohio Public Employees Retirement System, et al. v. Freddie Mac, et al.

COURT: United States District Court for the Southern District of Ohio
CASE NUMBER: 03-cv-00711
CLASS PERIOD: 07/15/1999 - 06/06/2003
CASE LEADERS: Max W. Berger, Hannah Ross

Securities fraud class action filed on behalf of all purchasers of Freddie Mac common stock during the period July 15, 1999 through June 6, 2003, against the Federal Home Loan Mortgage Corporation ("Freddie Mac") and certain of its current and former officers.

Freddie Mac Agrees to Pay \$410 Million to Settle Securities Class Action

At a status conference held on April 25, 2006, the parties reported to the Court that they had reached an agreement in principle to settle the case for \$410 million. On July 26, 2006, the Court granted preliminary approval of the settlement.

A settlement fairness hearing was held on October 26, 2006 at 3:30 p.m. before the Honorable John E. Sprizzo, at the United States District Court for the Southern District of New York, 500 Pearl Street, Courtroom 21C, New York, New York, 10007, at which time final approval of the settlement was granted.

IN ORDER TO BE ELIGIBLE TO SHARE IN THE BENEFITS OF THE SETTLEMENT, CLASS MEMBERS WERE REQUIRED TO SUBMIT A COMPLETED AND SIGNED PROOF OF CLAIM FORM POSTMARKED NO LATER THAN DECEMBER 7, 2006.

Background

On January 15, 2004, Bernstein Litowitz Berger and Grossmann LLP filed an Amended Class Action Complaint on behalf of the Class and Court-approved Lead Plaintiffs, the Ohio Public Employees Retirement System and the State Teachers Retirement System of Ohio. The Complaint alleges that Freddie Mac and certain current or former officers of the Company issued false and misleading statements in connection with the Company's previously reported financial results during the period July 15, 1999 through and including June 9, 2003. Specifically, the complaint alleges that the defendants misrepresented the Company's operations and financial results by having engaged in numerous improper transactions and accounting machinations that violated fundamental GAAP precepts in order to artificially smooth the Company's earnings and to hide earnings volatility. On November 21, 2003, Freddie Mac restated its previously reported earnings in connection with these improprieties, which resulted in the Company reporting a net loss of \$111 million in the first quarter of 2001, compared to a net gain of \$837 million as previously reported, lowering 2001 earnings downward by more than \$1.0 billion, and decreasing reported earnings in three quarters of 2001 and two quarters in 2002. In total, the Company restated more than \$5.0 billion in earnings.

On July 19, 2004, the Honorable John E. Sprizzo denied the defendants' motion to dismiss, and ordered discovery to begin immediately. Over the course of the next year, defendants produced more than five million documents. In October 2005, with document review nearly complete, Lead Plaintiffs began deposition discovery.

Case Documents

- January 15, 2004 - Amended Class Action Complaint
- Notice of Pendency and Proposed Settlement of Securities Class Action