

# *Lord Abbett Affiliated Fund, Inc. v. Navient Corporation*

**COURT:** United States District Court for the District of Delaware  
**CASE NUMBER:** 1:16-cv-00112-MN  
**CASE LEADERS:** Salvatore J. Graziano, Jeremy P. Robinson, Jesse L. Jensen  
**CASE TEAM:** Andrew Boruch, Ryan Candee

## **Lead Plaintiffs Have Settled the Action for \$35 Million**

The Court-appointed lead plaintiffs and class representatives Lord Abbett Affiliated Fund, Inc., Lord Abbett Equity Trust–Lord Abbett Calibrated Mid Cap Value Fund, Lord Abbett Bond-Debenture Fund, Inc., and Lord Abbett Investment Trust–Lord Abbett High Yield Fund (collectively, the “Lord Abbett Funds” or “Lead Plaintiffs”), on behalf of themselves and the Settlement Class, have reached a settlement of this Action for \$35,000,000 in cash that resolves all claims in the Action (the “Settlement”).

On March 17, 2022, the Court held a hearing to consider final approval of the Settlement and related matters. Following the hearing, the Court entered a judgment finally approving the Settlement, an order approving the Plan of Allocation for the proceeds of the Settlement, and an order awarding attorney’s fees and litigation expenses.

The Classes consist of:

For claims brought pursuant to the Securities Exchange Act of 1934 (the “Exchange Act Class”): all persons and entities who purchased or otherwise acquired Navient’s common stock or Navient call options, or sold Navient put options, from April 17, 2014 through September 29, 2015, inclusive (the “Exchange Act Class Period”)—and who were damaged thereby.

For claims brought pursuant to the Securities Act of 1933 (the “Securities Act Class”): all persons and entities who purchased or otherwise acquired Navient’s 5.000% Senior Notes due 2020 (CUSIP 63938CAA6), 5.875% Senior Notes due 2024 (CUSIP 63938CAB4), and 5.875% Senior Notes due 2021 (CUSIP 63938CAC2) (collectively, “Navient Senior Notes”) from November 6, 2014 through December 28, 2015, inclusive (the “Securities Act Class Period”)—and who were damaged thereby.

Excluded from both Classes are: Defendants, their officers and directors, all members of their immediate families, their legal representatives, heirs, successors, or assigns, and any entity in which Defendants have a majority ownership interest. Also excluded from the Classes are the persons and entities who excluded themselves by previously submitting a request for exclusion from the Classes in connection with the Notice of Pendency of Class Action (“Class Notice”) disseminated to potential Class Members beginning in May 2021. A list of the persons and entities who previously submitted a request for exclusion from the Classes in connection with the Class Notice (the “Opt-Out List”) is available on the **Case Documents** section of this page.

Please read the Notice of (I) Proposed Settlement and Plan of Allocation; (II) Settlement Hearing; and (III) Motion for Attorneys’ Fees and Litigation Expenses (the “Notice”) to fully understand your rights and options. The Notice is available on the **Case Documents** section of this page. You may also visit the case website maintained by the Claims Administrator, [www.navientsecuritieslitigation.com](http://www.navientsecuritieslitigation.com), for more information about the Settlement.

Claims administration has now concluded. The distribution motion was filed on February 28, 2023, and approved by the Court on March 1, 2023. The initial distribution occurred on May 24, 2023, and the second distribution occurred on June 11, 2024. Subsequent distributions will occur on a rolling basis, provided that net settlement funds are available.

## The Litigation

This case asserts claims against Navient Corporation and its top executives for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 as well as SEC Rule 10b-5 on behalf of investors who purchased the publicly-traded securities of Navient from April 17, 2014 through September 29, 2015, and for violations of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 in connection with public offerings of Navient's 5.000% Senior Notes due 2020 (CUSIP 63938CAA6), 5.875% Senior Notes due 2024 (CUSIP 63938CAB4), and 5.875% Senior Notes due 2021 (CUSIP 63938CAC2) from November 6, 2014 through December 28, 2015.

On June 30, 2016, the Court appointed the Lord Abbett Funds as Lead Plaintiffs. On January 29, 2019, the Court sustained the claims in Lead Plaintiffs' Second Amended Complaint that Defendants made numerous false or misleading statements of fact with respect to Navient's business operations and financial results, which caused the price of Navient securities to be artificially inflated, and caused significant damages to purchasers of Navient stock and notes when they ultimately learned facts revealing that Defendants' prior representations were false or misleading when made. Specifically:

**Exchange Act Claims.** The Court sustained Lead Plaintiffs' Exchange Act claims arising from Defendants' class-wide misrepresentations about Navient's loans, including its purportedly high-quality loan portfolio, forbearance practices, loan loss reserves and related SOX certifications. Unbeknownst to investors, Defendants manipulated Navient's delinquency and default rates, misrepresented its risks, depressed loan loss reserves and artificially inflated earnings through various improper means, including by indiscriminately pushing Navient's most financially vulnerable student-borrowers into forbearance. Investors learned the truth about Defendants' loan-related misconduct through a series of partial disclosures beginning in July 2015, and culminating on September 29, 2015, when a CFPB report exposed the reality that loan servicers like Navient systematically pushed student-borrowers into forbearance. Indeed, Navient is now the target of numerous government actions, including by the CFPB as well as dozens of state Attorneys General.

**The Securities Act Claims.** The Court also sustained Lead Plaintiffs' claims under the Securities Act arising from Defendants' class-wide misstatements made in Offering Documents filed in connection with the 2014 Debt Offering and the 2015 Debt Offering. Specifically, the Securities Act claims concern two categories of misrepresentations: (i) misstatements about Navient's loan portfolio (as summarized above); and (ii) misrepresentations concerning Navient's credit facilities. On the latter issue, Defendants reported Navient's borrowing capacity under its credit facilities, but misleadingly failed to disclose the likelihood that its access to favorable credit terms would be terminated by an impending FHFA rule that blocked non-eligible entities from FHLB membership. On December 28, 2015, after the rule was implemented, Navient disclosed that its credit facilities had been significantly reduced and were nearly fully drawn.

## Case Documents

- Notice of (I) Proposed Settlement and Plan of Allocation; (II) Settlement Hearing; and (III) Motion for Attorneys' Fees and Litigation Expenses
- March 1, 2023 - Order Approving Distribution Plan
- February 28, 2023 - Motion for Approval of Distribution Plan and Proposed Order
- February 28, 2023 - Memorandum ISO for Approval of Distribution Plan
- February 28, 2023 - Declaration of L. Segura ISO of Motion for Approval of Distribution Plan
- Table C to Plan of Allocation – Estimated Artificial Inflation in Navient Call Options
- Table D to Plan of Allocation – Estimated Artificial Deflation in Navient Put Options
- Opt-Out List
- March 17, 2022 - Judgment Approving Class Action Settlement.
- March 17, 2022 - Order Approving Plan Of Allocation Of Net Settlement Fund.
- March 17, 2022 - Order Awarding Attorneys' Fees And Litigation Expenses.
- March 10, 2022 - Supplemental Declaration of Luiggy Segura regarding Mailing of the Notice and Claim Form
- March 10, 2022 - Reply Brief in Further Support of (A) Lead Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation; and (B) Lead Counsel's Motion for an Award of Attorneys' Fees with Exhibits
- February 10, 2022 - Lead Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation
- February 10, 2022 - Memorandum of Law in Support of Lead Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation
- February 10, 2022 - Lead Counsel's Motion for an Award of Attorneys' Fees and Litigation Expenses
- February 10, 2022 - Memorandum of Law in Support of Lead Counsel's Motion for an Award of Attorneys' Fees and Litigation Expenses
- February 10, 2022 - Declaration of Jeremy P. Robinson in Support of: (A) Lead Plaintiffs' Motion for Final Approval of Settlement and Plan of Allocation; and (B) Motion for Attorneys' Fees and Litigation Expenses
- November 22, 2021 - Order Preliminarily Approving Settlement and Providing for Notice
- November 16, 2021 - Stipulation and Agreement of Settlement
- December 27, 2019: Plaintiffs' Reply Memorandum in Further Support of Motion for Class Certification, Appointment of Class Representatives, and Appointment of Class Counsel
- September 13, 2019: Plaintiffs' Memorandum in Support of Motion for Class Certification, Appointment of Class Representatives, and Appointment of Class Counsel

- January 29, 2019 - Motion to Dismiss
- November 17, 2017 - Second Amended Class Action Complaint