

# *In Re Silvergate Capital Corporation Securities Litigation*

**COURT:** United States District Court for the Southern District of California  
**CASE NUMBER:** 3:22-cv-01936  
**CLASS PERIOD:** 11/07/2019 - 03/21/2023  
**CASE LEADERS:** Hannah Ross, John Rizio-Hamilton, Jonathan D. Uslaner  
**CASE TEAM:** Lauren M. Cruz, Shane Avidan

This is a securities class action filed on behalf of (a) all persons and entities who purchased or otherwise acquired the publicly traded stock of Silvergate Capital Corporation (“Silvergate”) between November 7, 2019 through March 21, 2023, inclusive (the “Class Period”), and were damaged thereby; and (b) all persons or entities who purchased Silvergate stock in or traceable to Silvergate’s securities offerings conducted on or about January 20, 2021, March 18, 2021, July 28, 2021, and December 6, 2021 (collectively, the “2021 Offerings”), and were damaged thereby. The action alleges violations of the Exchange Act of 1934 and violations of the Securities Act of 1933 against Silvergate, its CEO, Alan Lane, and certain other executives, directors, and underwriters involved in the 2021 Offerings. The Honorable James Edward Simmons Jr. is presiding over the case.

On January 19, 2023, Bernstein Litowitz Berger & Grossmann LLP (“BLB&G”) filed a class action lawsuit in the U.S. District Court for the Southern District of California alleging violations of the federal securities laws by Silvergate Capital Corporation (“Silvergate” or the “Company”), certain of the Company’s senior executives, members of the Company’s Board of Directors, and the underwriters of Silvergate’s secondary public offerings of Class A common stock (the “SPOs”), conducted on or around January 20, 2021, and December 6, 2021.

## **Background of Exchange Act Claim**

The complaint alleges that throughout the Class Period, and in connection with the SPOs, Silvergate made false and misleading statements to investors concerning the Company’s robust compliance framework, as well as its anti-money laundering and customer identification programs. Silvergate also assured investors that it maintained sufficient liquidity to cover inflows and outflows on its platform. In truth, however, the Company’s lax compliance practices enabled its customers to engage in large scale criminal activities, including an egregious fraud perpetrated by FTX and Alameda Research and massive money laundering operations.

The truth began to emerge on November 7, 2022, when Silvergate announced the sudden and unexplained demotion of its Chief Risk Officer, Tyler Pearson—the son-in-law of CEO Alan J. Lane. Social media seized on this disclosure and noted Silvergate’s exposure to FTX and Alameda and questioned whether Pearson’s demotion indicated a lack of adequate oversight regarding Silvergate’s regulatory compliance.

Over the ensuing months, news continued to emerge concerning the Company’s lax compliance practices, which allowed its customers to engage in large scale criminal activities, including a massive fraud at FTX and money laundering operations. Then, on January 5, 2023, the Company disclosed that the collapse of FTX led to a run on Silvergate Bank, causing its deposits to decline by \$8.1 billion, or over 68%, over the three months ending in December 2022. All told, these disclosures caused a precipitous decline in the price of Silvergate shares.

On March 1, 2023, the Court appointed International Union of Operating Engineers, Local No. 793, Members Pension Benefit Trust of Ontario, UMC Benefit Board, Inc. and Wespeth Institutional Investments LLC, both as administrative trustees of the Wespeth Funds Trust, Indiana Public Retirement System, Boston Retirement System, and Public School Teachers' Pension & Retirement Fund of Chicago as Lead Plaintiffs and approved their selection of BLB&G as co-Lead Counsel for the Class.

Lead Plaintiffs filed the amended, operative complaint on May 11, 2023. Defendants filed their motions to dismiss the complaint on July 10, 2023, and the parties completed briefing on October 23, 2023. Judge Simmons held a hearing on Defendants' motions on November 29, 2023. No order has issued.

## Case Documents

- June 12, 2023 - [Redacted] Amended Consolidated Class Action Complaint
- June 12, 2023 - Exhibit A - [Redacted] Amended Consolidated Class Action Complaint
- January 19, 2023 - Initial Complaint
- January 19, 2023 - PSLRA Notice