

Oakland County Employees' Retirement System and Oakland County Voluntary Employees' Beneficiary Association v. Sotera Health Company

COURT: United States District Court for the Northern District of Ohio
CASE NUMBER: 23-cv-143
CLASS PERIOD: 11/20/2020 - 09/19/2022
CASE LEADERS: Hannah Ross, Avi Josefson, Scott R. Foglietta
CASE TEAM: Timothy G. Fleming

On January 24, 2023, Bernstein Litowitz Berger & Grossmann filed a class action lawsuit alleging violations of the federal securities laws in the United States District Court for the Northern District of Ohio against Sotera Health Company ("Sotera" or the "Company"), certain of the Company's current and former senior executives, members of the Company's Board of Directors, Sotera's private equity shareholders, and the underwriters of the November 20, 2020, initial public offering ("IPO") and March 18, 2021, secondary public offering ("SPO") of Sotera stock. That complaint was brought on behalf of investors in Sotera common stock between November 20, 2020 and September 19, 2022, inclusive (the "Class Period") as well as investors that purchased Sotera common stock in or traceable to the IPO and SPO.

Sotera's Alleged Fraud

Sotera provides sterilization solutions, lab testing, and advisory services for the healthcare and pharmaceutical industries. Through its Sterigenics brand, Sotera provides sterilization services for the medical device and pharmaceutical markets. The Company uses Ethylene Oxide ("EtO") processing as one of three methods to sterilize products. EtO processing is a gas sterilization process in which pallets of packaged goods are loaded into a chamber that is then injected with EtO gas to penetrate the packaging. That process emits toxic fumes which must be filtered before being released into the air. Sotera, through its Sterigenics business, conducts or has conducted EtO processing at facilities throughout the United States, including Illinois, California, Georgia, and New Mexico, among other places.

In 2016, the United States Environmental Protection Association revealed that ethylene oxide was many times more toxic than previously thought and was known to be carcinogenic in humans. Beginning in September 2018, cancer-stricken plaintiffs filed a surge of lawsuits in Illinois against Sotera, alleging that emissions from the Company's sterilization facility had caused their cancer. On September 30, 2019, after significant pressure from the public and action by Illinois regulators, Sotera announced the closure of its Illinois facility. Beginning in August 2020, cancer-stricken plaintiffs living near a Sterigenics facility in Georgia filed lawsuits similar to those filed in Illinois. Despite closing its Illinois facility and assuring investors and the public of the Company's purportedly effective safeguards to limit EtO emissions, Sotera continued to emit dangerous levels of EtO gas from other facilities during the Class Period.

Sotera made false and misleading representations concerning its emissions control systems, exposure to liability from lawsuits alleging that the Company failed to limit harmful EtO emissions, and the veracity of the allegations against it. Sotera repeatedly assured investors that the claims against it lacked merit, and vehemently denied

allegations that the Company's EtO emissions from its sterilization facilities caused cancer and other severe health issues in people living in the communities near those facilities.

The truth became clear on September 19, 2022, when a jury in a lawsuit arising from Sotera's EtO found Sotera liable for the plaintiff's cancer. The jury cited Sotera's and Sterigenics' "willful and wanton" misconduct in not preventing toxic EtO emissions, and failing to warn about the severe health hazard posed by the Company's Illinois facility. As a result of these disclosures, Sotera's stock price declined by \$4.90 per share, or 33.3%.

Later that day, after the market closed, news reports revealed that the jury verdict was supported by "[e]mails and corporate documents" that showed "the companies knew long ago" about the toxic effects of EtO. Despite that knowledge, Sotera "delayed installing pollution-control equipment and attempted to undermine federal regulations that would require costly improvements at sterilization facilities." The next day, on September 20, 2022, analysts at Goldman Sachs downgraded Sotera's stock, noting a significantly greater risk to Sotera in future EtO litigation due to facts that emerged in the Kamuda case and "possible bands of outcome being so open ended that it creates a material overhang on the stock for the foreseeable future." As a result of these disclosures, Sotera's stock price declined by an additional \$1.63 per share, or 16.6%. Then, on September 21, 2022, analysts at JP Morgan downgraded Sotera's stock after finding that "investors are likely to price in this unprecedented ruling as a higher probability of a larger settlement or subsequent payouts of the 700+ remaining individual lawsuits, which [Sotera] could potentially not afford." As a result of these disclosures, Sotera's stock price declined by an additional \$0.88 per share, or 10.7%.

On April 17, 2023, the Court appointed Oakland County Employees' Retirement System, Oakland County Voluntary Employees' Beneficiary Association, and Wayne County Employees' Retirement System as Lead Plaintiffs and approving Lead Plaintiffs' selection of Bernstein Litowitz Berger & Grossmann LLP as Co-Lead Counsel. Lead Plaintiffs filed a consolidated complaint on June 1, 2023. On August 2, 2023, Defendants filed a motion to dismiss the complaint. Lead Plaintiffs filed an opposition to the motion on September 20, 2023. Defendants filed their replies on October 11, 2023. Oral argument was held on January 24, 2024. The motion to dismiss is currently pending.

Case Documents

- June 1, 2023 - Consolidated Class Action Complaint
- January 24, 2023 - Initial Complaint
- January 24, 2023 - PSLRA Notice