

In re Washington Mutual, Inc., Securities Litigation

COURT: United States District Court for the Western District of Washington

CASE NUMBER: 08-md-1919

CASE LEADERS: Katherine M. Sinderson, Hannah Ross

This was a securities class action filed on behalf of investors in Washington Mutual, Inc. ("Washington Mutual" or the "Company") against the Company, certain of its directors and executive officers, its auditor Deloitte & Touche LLP ("Deloitte"), and several major financial institutions (the "Underwriters") that underwrote the Company's securities offerings during the Class Period. BLB&G recovered a total of \$215.3 million for the benefit of a class of investors who purchased or acquired Washington Mutual securities from October 19, 2005 to July 23, 2008.

In 2011, Plaintiffs achieved three settlements with defendants in this securities class action litigation totaling \$208.5 million: (i) a \$105 million settlement with certain former officers and directors of Washington Mutual, and Washington Mutual; (ii) an \$85 million settlement with certain underwriters of Washington Mutual's securities offerings; and (iii) an \$18.5 million with Deloitte. The Court approved those settlements in November 2011.

In 2015, an additional settlement was reached with the trustee for the liquidation of Lehman Brothers Inc. ("Lehman") under the Securities Investors Protection Act of 1970 ("SIPA") that resolved a Class Claim filed by Plaintiffs on behalf of themselves and the Class in Lehman's SIPA liquidation proceeding in the United States Bankruptcy Court. On February 5, 2016, the Court approved this additional settlement. The additional settlement resulted in the allowance of a general, unsecured creditor claim against Lehman's estate in the SIPA liquidation proceeding in the amount of \$16,500,000, which ultimately resulted in the recovery of an additional \$6.8 million for purchasers of certain Washington Mutual securities.

Distributions of the proceeds of the Settlements were made to Class Members in October 2013, December 2016 and November 2020.

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

Background

Until it was forced to declare bankruptcy on September 26, 2008 after its banking subsidiary was seized by federal regulators, Washington Mutual was one of the nation's largest originators and servicers of residential mortgages. The Company had long represented itself to be a traditional low-risk depository institution and mortgage lender. In reality, in recent times and particularly in 2006 and 2007, it is alleged that Washington Mutual increasingly focused on high-risk and experimental mortgage products, while secretly abandoning proper standards of managing, conducting and accounting for its business. For example, as alleged in a recent complaint filed by the Attorney General of the State of New York concerning First American Corporation's eAppraiseIT subsidiary, Washington Mutual elicited fraudulent appraisals from eAppraiseIT in order to increase its loan volume and further grow its mortgage lending business. As alleged, this wrongful practice, among others, including the improper accounting for the Company's mortgage loans and deficient internal controls, caused the Company to defraud the investing public by issuing false and misleading financial statements and misrepresenting the nature of the Company's lending business.

In 2006 and 2007, with the direct participation of the Underwriters and Deloitte, the Company was able to raise nearly \$5 billion through four securities offerings. Each participant in Washington Mutual's securities offerings, including the Underwriters and Deloitte, were obligated by law to ensure that the statements made to investors in the offering materials were not false. However, in offering these securities, neither the Company, its officers, its Board of Directors, Deloitte, nor the Underwriters disclosed the hidden weaknesses in the Company's lending practices and accounting policies. Rather, as alleged in the Amended Consolidated Class Action Complaint, each of those securities offerings incorporated materially untrue information about the Company.

Ultimately, the Company's misconduct began to come to light in late 2007, when in a series of disclosures Washington Mutual announced a shocking 72% decline in the Company's earnings and the need to set aside more than \$2 billion additional funds to cover expected loan losses. Upon the disclosure of this news and other revelations about Washington Mutual's improper lending practices, the Company's stock price and the value of the securities made pursuant to the Company's offerings plummeted, and Washington Mutual's investors suffered billions of dollars of losses.

Case Documents

- February 5, 2016 – Order Awarding Attorneys' Fees and Expenses
- February 5, 2016 – Judgment Approving Settlement of Class Claim Filed in the SIPA Liquidation of Lehman Brothers Inc.
- January 29, 2016 – Reply Brief in Further Support of Approval of Lehman Settlement
- December 31, 2015 – Declaration of Hannah Ross in Support of Class Representative's Motion for Final Approval of Lehman Settlement and Lead Counsel's Motion for an Award of Attorneys' Fees and Litigation Expenses
- December 31, 2015 – Lead Counsel's Motion for an Award of Attorneys' Fees and Litigation Expenses
- December 31, 2015 – Class Representative's Motion for Final Approval of Lehman Settlement
- November 23, 2015 – Notice of Proposed Settlement of Class Claim Filed in the SIPA Liquidation of Lehman Brothers Inc.
- June 19, 2015 – Order Preliminarily Approving Proposed Settlement of Class Claim Filed in the SIPA Liquidation of Lehman Brothers Inc.
- September 9, 2013 – Order Approving Distribution Plan
- November 4, 2011 – Judgment Approving Class Action Settlement with the Underwriter Defendants
- November 4, 2011 – Judgment Approving Class Action Settlement with Deloitte & Touche LLP
- November 4, 2011 – Judgment Approving Class Action Settlement with Individual Officer and Director Defendants and with Washington Mutual, Inc.
- September 25, 2011 – Lead Counsel's Motion for an Award of Attorneys' Fees and Litigation Expenses

- September 25, 2011 – Declaration of Hannah Ross in Support of Lead Plaintiff’s Motions for Final Approval of Class Action Settlements and Approval Of Plan Of Allocation and Lead Counsel’s Motion for an Award of Attorneys’ Fees and Litigation Expenses
- September 25, 2011 – Lead Plaintiff’s Motion for Approval of Plan of Allocation
- September 25, 2011 – Lead Plaintiff’s Motion for Final Approval of Class Action Settlements
- August 10, 2011 - Notice of (I) Pendency of Class Action and Proposed Settlements, (II) Settlement Fairness Hearing, and (III) Motion for an Award of Attorneys’ Fees and Reimbursement of Litigation Expenses
- July 21, 2011 – Order Preliminarily Approving Proposed Settlements and Providing for Notice
- June 30, 2011 - Lead Plaintiff’s Motion for Preliminary Approval of Class Action Settlements
- October 10, 2010 - Order on Class Action Certification
- October 27, 2009 - Order on Defendants’ Motions to Dismiss
- June 15, 2009 - Amended Consolidated Class Action Complaint
- August 5, 2008 - Consolidated Class Action Complaint