In re Citigroup, Inc. Bond Action Litigation

COURT:	United States District Court, Southern District of New York
CASE NUMBER:	08-cv-9522
JUDGE:	Hon. Sidney H. Stein
CLASS PERIOD:	05/11/2006 - 11/28/2008
CASE CONTACTS:	John C. Browne, David Wales, John Rizio-Hamilton, Jeremy P. Robinson

This case is a securities class action filed on behalf of a class of persons and entities who purchased or otherwise acquired, from May 11, 2006 through and including November 28, 2008, certain bonds and preferred stock (the "Bond Class Securities") issued pursuant to or traceable to approximately 48 public offerings that Citigroup, Inc. ("Citigroup") conducted between May 2006 and August 2008 (the "Offerings Period").

On December 1, 2008, the Honorable Sidney H. Stein appointed a number of BLB&G clients - Minneapolis Firefighters' Relief Association, Louisiana Municipal Police Employees' Retirement System, and Louisiana Sheriffs' Pension and Relief Fund - as Bond Plaintiffs, and BLB&G as Bond Counsel for the Class.

Court Grants Final Approval of $730 Million Cash Settlement for Citigroup Bondholders

On March 18, 2013, after four years of protracted litigation and massive and intensive discovery effort that involved more than 70 depositions, Plaintiffs announced that Citigroup had agreed to pay $730 million in cash to settle all claims asserted against it, subject to the approval of the court. Click here to view press release.

The settlement is the second largest recovery in a securities class action brought on behalf of purchasers of debt securities, as well as the second largest settlement arising out of the subprime meltdown and financial crisis. It is also the third largest recovery in a case that did not involve a financial restatement, and among the fifteen largest securities class action recoveries in history.

The Court in charge of this case held a hearing on July 23, 2013 before the Honorable Sidney H. Stein to determine, among other things, whether the proposed Settlement is fair, reasonable, and adequate and should be approved; whether the proposed Plan of Allocation is fair and reasonable and should be approved; and whether Bond Counsel's motion for an award of attorneys' fees and reimbursement of Litigation Expenses should be approved. On August 20, 2013, the Court issued an opinion approving the Settlement and Plan of Allocation.

The Claim Filing Deadline was August 21, 2013. On July 18, 2014, Bond Plaintiffs filed a motion with the Court to conduct an initial distribution of the settlement funds to Authorized Claimants and for the Court's approval of payment of a Litigation Expense. The Court approved that motion on August 1, 2014 and the initial distribution to Authorized Claimants occured on September 12, 2014.

Background

On January 15, 2009, Bond Plaintiffs filed their Consolidated Amended Class Action Complaint. Bond Plaintiffs allege that throughout the Offerings Period, Citigroup, Inc. ("Citigroup" or the "Company") raised billions of dollars from investors in a series of public offerings while misrepresenting its exposure to toxic assets linked to residential mortgage-backed securities. For example, until November 2007, Citigroup failed to disclose its exposure to billions of dollars in collateralized debt obligations ("CDOs") backed by residential mortgages that were defaulting at record rates. Citigroup also materially understated its loss reserves for its portfolio of high-risk residential mortgage loans, and falsely stated that mortgage-related assets held in off-balance sheet entities known as structured investment vehicles ("SIVs") were of high credit quality. Even after Citigroup began to admit some of its exposure to these toxic securities, it continued to misrepresent their value and their impact on its solvency. In fact, throughout 2008, Citigroup and its executives maintained that the Company was "well capitalized" and that its available capital was "sufficient to absorb unexpected market, credit, or operational losses." In reality, however, the exposures described above were so impaired that Citigroup was teetering on the brink of insolvency.

Investors began to realize the truth about Citigroup's financial condition in the fall of 2008, as the price of the Bond Class Securities began to plummet while analysts began to openly question Citigroup's survival in light of its extensive exposure to toxic mortgage-related assets. Faced with these developments, the U.S. Government was forced to take unprecedented action to save Citigroup from collapse and avoid the resulting destabilization of the global financial markets. Thus, on November 23, 2008, the U.S. Government announced that it was forced to guarantee $306 billion of Citigroup's impaired assets, including its CDOs, portions of its portfolio of residential loans, and its SIV assets, and infuse the Company with $20 billion in cash to stabilize its eroded capital base.

In the spring of 2009, Defendants moved to dismiss the Complaint. On July 12, 2010, the Court issued an order sustaining Bond Plaintiffs' claims in all material respects and emphatically rejecting the overwhelming majority of Defendants' arguments. Specifically, the Court held that Bond Plaintiffs had standing to assert claims in connection with all of the offerings identified in the Complaint. Moreover, the Court held that Bond Plaintiffs had adequately alleged that Citigroup made material misstatements and omissions about its exposure to the subprime-related assets noted above, their value, and their impact on its financial condition. Click here to see a copy of the Court's order on the motion to dismiss.

