

In re Connetics, Inc. Securities Litigation

COURT: United States District Court, Northern District of California
CASE NUMBER: 07-cv-02940
JUDGE: Hon. Susan Illston
CLASS PERIOD: 01/27/2004 - 07/09/2006

This case is a securities fraud class action filed on behalf of all individuals and entities who purchased or acquired the securities of Connetics, Inc. ("Connetics" or "the Company") during the period from January 27, 2004 through July 9, 2006 (the "Class Period").

On December 14, 2006, BLB&G's client, the Teachers' Retirement System of Oklahoma ("Oklahoma Teachers"), was appointed as Lead Plaintiff and BLB&G as Lead Counsel. On February 14, 2007, BLB&G and Oklahoma Teachers filed the Consolidated Class Action Complaint on behalf of the Class. On June 28, 2007, BLB&G filed an Amended Consolidated Class Action Complaint following the transfer of the case from the United States District Court for the Southern District of New York to the Northern District of California.

On August 13, 2007, Defendants filed motions to dismiss the Amended Complaint and a motion to strike. Lead Plaintiff filed oppositions to the motions on September 17, 2007. The Court issued an Order on January 29, 2008, granting the motions, and granted Lead Plaintiff leave to amend. Lead Plaintiff filed its Second Amended Complaint on March 14, 2008.

On May 2, 2008, Defendants filed motions to dismiss the Second Amended Complaint and motions to strike. Lead Plaintiff filed oppositions to the motions on June 20, 2008. By Order of the Court dated August 14, 2008, the motions were substantially denied. Following the ruling, the parties commenced with discovery.

On March 16, 2009, Oklahoma Teachers moved to certify a class of investors who purchased Connetics securities and for Oklahoma Teachers to be designated the class representative. By Order of the Court dated May 12, 2009, the motion was granted.

After extensive settlement discussions overseen by a mediator, the parties reached an agreement to settle the case. The Court granted preliminary approval of the settlement on July 20, 2009, and a final approval of the settlement on October 9, 2009.

Submission of a valid Proof of Claim form is required in order for a Class Member to be eligible to participate in the distribution of the funds recovered for the benefit of the Class. If you are a Class Member and you wish to be eligible to receive monies from the recoveries, please click the above Case Documents link to view the Notice of Pendency and Proposed Settlement and the Proof of Claim forms for more information.

Background

The Complaint alleges that Connetics and certain other defendants actively misled investors regarding the business results and prospects of the Company during the Class Period, including (1) concealing and misrepresenting the safety and approvability of the Company's marquee development-stage product, an acne medication called Velac Gel, which, unbeknownst to investors, had failed a critical pre-clinical safety test by causing cancerous tumors in 56% of laboratory mice that were exposed to the drug; and (2) the Company engaged in a fraudulent "channel-stuffing" scheme designed to artificially inflate the Company's reported financial results, in violation of Generally Accepted Accounting Principles.

