

Stichting Depository APG, et al. v. Synchrony Financial, et al.

COURT: United States District Court for the District of Connecticut
CASE NUMBER: 3:18-cv-01818
JUDGE: Hon. Victor A. Bolden
CLASS PERIOD: 10/21/2016 - 11/01/2018
CASE CONTACTS: Salvatore J. Graziano, Jeroen van Kwawegen, Adam H. Wierzbowski, Kate Aufses, Matthew Traylor

This is a securities class action filed on behalf of all persons and entities who purchased or otherwise acquired Synchrony Financial ("Synchrony" or the "Company") common stock between October 21, 2016 and November 1, 2018, inclusive (the Class Period), against Synchrony and certain of its senior executives (collectively, Defendants). The action alleges that during the Class Period, Synchrony falsely represented that its consistent and disciplined underwriting practices had led to a higher quality loan portfolio than those of its competitors. In truth, Synchrony relaxed its underwriting standards and increasingly offered private-label credit cards to riskier borrowers to sustain growth. The truth about Synchrony's credit standards began to be revealed on April 28, 2017, when the Company announced disappointing first quarter 2017 earnings driven by poor loan performance. This news caused Synchrony's shares to decline by \$5.25 per share, or nearly 16%. Following this disclosure, the Company represented that it had tightened credit standards, but falsely characterized those underwriting changes as modest. In fact, the Company had made significant modifications to its underwriting policies, but concealed that these modifications were damaging its relationships with its retail partners, including Walmart. On July 26, 2018, multiple news outlets reported that Walmart had chosen a competitor to replace Synchrony. Together, these two disclosures caused Synchrony's shares to decline nearly 14%. Then, on November 1, 2018, Walmart sued Synchrony accusing the Company of improper underwriting in connection with the Walmart/Synchrony credit card program. As a result of this disclosure, Synchrony shares declined by over 10%. On February 5, 2019, the court appointed Stichting Depository APG Developed Markets Equity Pool as Lead Plaintiff, and BLB&G as Lead Counsel, for the Class, and on April 5, 2019, Lead Plaintiff filed an Amended Class Action Complaint on behalf of a class of investors who purchased or otherwise acquired Synchrony common stock between October 21, 2016 and November 1, 2018, inclusive (the Class Period). The Defendants filed their motion to dismiss on June 26, 2019. BLB&G filed an opposition on August 21, 2019 and on October 11, 2019 the Defendants filed their reply. Judge Bolden has scheduled a hearing on Defendants' motion to dismiss the Complaint for March 18, 2020. On October 21, 2019, we filed before Judge Bolden a motion for partial modification of the PSLRA stay, seeking to obtain an unredacted copy of the complaint in Walmart's 2018 lawsuit against Synchrony. We are currently awaiting a decision on that motion.

Simultaneously, we filed a motion in the District Court for the Western District of Arkansas, seeking to unseal Walmart's complaint. The Western District of Arkansas granted that motion on November 15, 2019, and Defendants appealed to the Eighth Circuit Court of Appeals. Defendants simultaneously moved the Western District of Arkansas and the Eighth Circuit Court of Appeals for an emergency stay of the District Court's order granting our motion to unseal pending the appeal. On December 18, 2019, the Eighth Circuit Court of Appeals granted Defendants' motion for a stay but denied Defendants' motion for an expedited appeal, holding that the appeal was stayed pending a decision by the District of Connecticut on our motion for partial modification of the PSLRA stay.

Judge Bolden held oral argument, by phone, on Defendants' motion to dismiss our complaint on March 26, 2020. On March 31, 2020, he issued an order granting Defendants' motion to dismiss in its entirety and dismissing our claims with prejudice. This decision also rendered moot our motion for partial modification of

the PSLRA stay. Judge Bolden held that the complaint failed to allege the falsity of any of the alleged false statements. We are currently appealing this decision before the Second Circuit Court of Appeals.