In re Wachovia Corp. Securities Litigation

COURT:	United States District Court, Southern District of New York
CASE NUMBER:	09-cv-6351
JUDGE:	Honorable Richard J. Sullivan
CLASS PERIOD:	07/31/2006 - 02/27/2009
CASE CONTACTS:	John Rizio-Hamilton, Jeroen van Kwawegen

Securities class action filed on behalf of a class of persons and entities who purchased or otherwise acquired certain Wachovia bonds or preferred securities (collectively, the "Bond Class Securities") in or traceable to public offerings by Wachovia Corp. ("Wachovia") or its affiliates between July 31, 2006 and May 29, 2008 (the "Offering Period").

On August 20, 2009, the Honorable Richard J. Sullivan appointed BLB&G clients Orange County Employees' Retirement System and Louisiana Sheriffs' Pension and Relief Fund, along with Southeastern Pennsylvania Transportation Authority, as Co-Lead Plaintiffs, and appointed BLB&G as Co-Lead Counsel for the Class. On May 28, 2010, Lead Plaintiffs filed their Amended Consolidated Class Action Complaint.

Plaintiffs Obtain $627 Million Global Settlement of All Claims

On August 5, 2011, Plaintiffs announced that they have reached a settlement with all the defendants for a total recovery of $627 million. According to the terms of the settlement, which is subject to final court approval, Wachovia and its affiliated entities (including certain former officers and directors, as well as various underwriters) will pay $590 million, while KPMG LLP, Wachovia's auditor, agreed to pay $37 million to settle all claims. On August 9, 2011, the Court granted preliminary approval to the proposed settlement and scheduled a final fairness hearing for November 14, 2011 at 4:00 p.m. On January 3, 2012, the Court entered a Judgment approving the proposed settlement and an Order approving the proposed plan of allocation.

This settlement is one of the 15 largest securities class action recoveries in history, and the largest settlement ever in a class action asserting only claims under the Securities Act of 1933. The case also represents one of the handful of largest securities class action recoveries ever obtained where there were no parallel civil or criminal securities fraud actions brought by government authorities.

Background

Lead Plaintiffs allege that during the Offering Period, Wachovia sold more than $35 billion of Bond Class Securities to investors in a series of public offerings while misrepresenting the true nature and quality of Wachovia's "Pick-A-Pay" Option ARM mortgage loan portfolio, and Wachovia's exposure to tens of billions of dollars of losses on its mortgage-related assets.

The extent of the decay at Wachovia relating to its mortgage-related exposures did not begin to become apparent until September 2008, just months after the last Offering, when the U.S. Government was forced to take immediate action to prevent Wachovia's imminent collapse. On September 28, 2008, the Government brokered a deal in which Wachovia agreed to sell its banking operations to Citigroup for a mere $1 per share, with the Federal Deposit Insurance Corporation ("FDIC") agreeing to indemnify Citigroup for any loan losses exceeding $42 billion. Days later, on October 2, 2008 - in the wake of a new Internal Revenue Service rule that would allow financial institutions to recognize accelerated tax benefits on certain financial losses - Wells Fargo announced that it would acquire Wachovia for $7 per share, but that it expected to incur staggering losses of more than $30 billion on the Pick-A-Pay portfolio (and ultimately disclosed that

$59.8 billion - or more than half - of the Pick-A-Pay portfolio was credit-impaired). Shortly thereafter, Wachovia announced a devastating loss of $23.88 billion - one of the largest quarterly losses ever reported by a U.S. company.

On March 31, 2011, the court issued an Opinion and Order (the "Opinion") substantially denying Defendants' motions to dismiss. The court sustained Lead Plaintiffs' claims against all Defendants but limited the securities upon which Lead Plaintiffs may pursue claims to those which a named plaintiff purchased. However, the court dismissed with prejudice for failing to state a claim separate actions brought by different plaintiffs and law firms on behalf of Wachovia common stock purchasers and certain opt-out plaintiffs.

After the denial of the motions to dismiss, Lead Plaintiffs engaged in extensive mediation with the Wachovia Defendants and KPMG, which culminated in the settlement. Substantial confirmatory discovery then took place, including the review of millions of pages of documents and interviews with key Wachovia, Wells Fargo and KPMG personnel.