

BLB&G Obtains Final Court Approval for \$627 Million Settlement in Wachovia

December 30, 2011

On December 30, 2011, the United States Southern District of New York granted final approval to the \$627 million settlement reached between Co-Lead Plaintiffs, the Orange County Employees' Retirement System and Louisiana Sheriffs' Pension and Relief Fund, and all defendants in *In re Wachovia Preferred Securities and Bond/Notes Litigation*. Under the terms of the settlement, Wachovia and its affiliated entities (including certain former officers and directors, as well as various underwriters) have agreed to pay \$590 million, while KPMG LLP, Wachovia's auditor, will pay \$37 million to settle all claims.

This settlement was met with widespread media coverage regarding what is now the largest recovery obtained in a securities case arising from the subprime mortgage meltdown and subsequent global credit crisis. It is one of the 15 largest securities class action recoveries on record, 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 largest securities class action recoveries ever obtained where there were no parallel civil or criminal securities fraud actions brought by government authorities.

The case alleges that Wachovia provided offering materials that misrepresented and omitted material facts concerning the nature and quality of Wachovia's multi-billion dollar option-Arm (adjustable rate mortgage) "Pick-A-pay" mortgage loan portfolio, and that Wachovia violated Generally Accepted Accounting Principles ("GAAP") by publicly disclosing loan loss reserves that were materially inadequate at all relevant times. According to the Complaint, these undisclosed problems with the "Pick-A-Pay" mortgage loan portfolio threatened the viability of the financial institution, requiring it to be "bailed out" during the financial crisis before it was acquired by Wells Fargo & Company in 2008.