

Camelot Event Driven Fund v. Morgan Stanley & Co. LLC, et al.

COURT: New York Supreme Court, New York County
CASE NUMBER: 654959/2021
CASE LEADERS: John Rizio-Hamilton, Rebecca E. Boon
CASE TEAM: Shane Avidan, Alec Coquin, Juan Lossada

This is a securities class action filed on behalf of all persons or entities who purchased or otherwise acquired (1) Viacom common stock issued in Viacom’s secondary public offering, which closed on March 26, 2021, and/or (2) Viacom’s preferred stock issued in or traceable to Viacom’s initial public offering of that stock, which closed on March 26, 201 (collectively, the “Offerings”), and were damaged thereby. The action alleges violations of the Securities Act of 1933 against Viacom, certain Viacom executives, and Viacom’s 21 underwriters, in connection with the \$3 billion Offerings of Viacom stock and the concurrent implosion of family fund Archegos Capital Management. The 21 underwriter defendants that underwrote the Offerings include banks such as Goldman Sachs, Morgan Stanley, J.P. Morgan, and Wells Fargo. The Honorable Andrew Borrok is presiding over the case.

The lawsuit was filed on August 13, 2021 in the Supreme Court of the State of New York. On November 5, 2021, Plaintiffs filed an amended complaint. On November 22, 2021, the Court approved BLB&G, counsel for Plaintiff Municipal Police Employees’ Retirement System, to serve as co-lead counsel for the proposed class.

Defendants filed motions to dismiss the complaint on December 22, 2021. On February 7, 2023, the Court denied the underwriters’ motions to dismiss, and granted the Viacom Defendants’ motion. The case is now in discovery, and fact discovery is to be completed by January 12, 2024. Plaintiffs moved for class certification on April 18, 2023, Defendants responded on August 3, 2023, and Plaintiffs’ reply is due on October 6, 2023.

The case is also on appeal before the First Department of the Appellate Division of the New York Supreme Court. Defendants filed their opening briefs on July 7, 2023, and Plaintiffs will file their response on September 22, 2023, combined with Plaintiffs’ opening brief appealing the dismissal of the Viacom Defendants. Briefing will be completed on November 20, 2023.

Background

This action arises from misstatements and omissions concerning a material conflict of interest that enabled Viacom and its underwriters to make billions of dollars in the two Viacom Offerings, while causing the investors in those Offerings to suffer massive losses. The lawsuit alleges that several of Viacom’s underwriters had a severe conflict of interest that arose from total return swap transactions that they entered into with Archegos. Through those transactions, Archegos and numerous defendants amassed an exposure to billions of dollars’ worth of highly leveraged positions in a few companies, including Viacom. When Archegos suffered a liquidity crisis, the underwriters’ conflict of interest caused them to execute massive block sales of their own Viacom holdings at fire-sale prices—all of which was not disclosed to investors. As a result of Defendants’ undisclosed conflict of interest, the prices of the Viacom securities—which defendants had just sold to investors—cratered to roughly half the offering prices and caused massive losses for investors.

Case Documents

- December 21, 2021 - Amended Class Action Complaint