

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

Laydon v. Mizuho Bank, Ltd., et al.

No. 12-cv-3419 (GBD)

Sonterra Capital Master Fund Ltd., et al. v. UBS AG, et al.

No. 15-cv-5844 (GBD)

**DECLARATION OF BRIAN J. BARTOW IN SUPPORT OF FINAL
APPROVAL OF CLASS ACTION SETTLEMENTS WITH R.P. MARTIN HOLDINGS
LIMITED, MARTIN BROKERS (UK) LTD., CITIBANK, N.A., CITIGROUP INC.,
CITIBANK JAPAN LTD., CITIGROUP GLOBAL MARKETS JAPAN INC., HSBC
HOLDINGS PLC AND HSBC BANK PLC AND MOTION FOR AWARD OF
ATTORNEYS' FEES, REIMBURSEMENT OF EXPENSES AND INCENTIVE
AWARDS FOR CLASS REPRESENTATIVES**

I, Brian J. Bartow, declare pursuant to 28 U.S.C. § 1746, as follows:

1. I am General Counsel and Chief Compliance Officer of the California State Teachers' Retirement System ("CalSTRS"). I joined CalSTRS in 2008 as Assistant General Counsel and served as Acting General Counsel before being appointed to my current role in 2010.

2. I have personal knowledge of the facts set forth in this Declaration, which I make in support of Plaintiffs' motion for final approval of the class action settlements with R.P. Martin Holdings Limited, Martin Brokers (UK) Ltd. (collectively "R.P. Martin"), Citibank, N.A., Citigroup Inc., Citibank Japan Ltd., Citigroup Global Markets Japan Inc. (collectively "Citibank"), HSBC Holdings plc, and HSBC Bank plc. (collectively "HSBC") and the Plaintiffs' motion for approval of an award of attorneys' fees and reimbursement of expenses, now before the Court in *Laydon v. Mizuho Bank, Ltd., et al.*, No. 12-cv-3419 (GBD) ("*Laydon*") and *Sonterra Capital Master Fund Ltd., et al. v. UBS AG, et al.*, No. 15-cv-5844 (GBD) ("*Sonterra*").

3. As CalSTRS General Counsel, I am the chief legal advisor to the Teachers' Retirement Board, which sets CalSTRS's policies, oversees CalSTRS investments, and makes rules for the system, in addition to ensuring that members' and beneficiaries' benefits are paid in accordance with law. One of my principal duties in this capacity is to evaluate, recommend, and supervise all complex CalSTRS litigation, including securities and antitrust litigation involving CalSTRS's investment portfolio.

4. **Background:** CalSTRS was established by legislation in 1913 to provide retirement benefits to California's public school educators from prekindergarten through community college. CalSTRS has grown significantly since its inception and, as of July 31, 2016, was the largest educator-only pension fund in the world and the second largest pension fund in the United States, with almost 1 million members and an investment portfolio worth approximately \$193.4 billion.

5. **Retention of Counsel and Negotiated Fee Agreement:** As a fiduciary to its members in the management of their retirement assets, CalSTRS has a strong interest in ensuring that financial markets, including the market for financial instruments priced, benchmarked and/or settled based on Yen-LIBOR and Euroyen TIBOR (“Euroyen-based derivatives”), are free from anticompetitive practices and are not being manipulated. When I learned of the *Laydon* action and alleged wrongdoing in the Euroyen-based derivatives market, I recognized that CalSTRS would have a strong interest in both pursuing damages and in helping to ensure that the Euroyen-based derivatives market is free from anticompetitive and manipulative behavior.

6. In light of these concerns, CalSTRS decided to retain Lowey Dannenberg Cohen & Hart, P.C. (“Class Counsel”) and Berman DeValerio (“Berman”) (collectively “Counsel”) in September 2014 to prosecute claims related to the tens of thousands of Euroyen-based derivatives, including those that CalSTRS transacted directly with several Defendants, including, UBS, Citibank, Deutsche Bank, RBS, HSBC, JPMorgan, Société Générale, and Barclays.

7. Consistent with its regular practice in complex securities and antitrust cases, CalSTRS negotiated a contingent fee structure at arms-length with Counsel prior to their retention.¹ This fee structure employs a graduated fee scale that provides for a 25% fee on the first \$100 million recovered and lower fee percentages on subsequent amounts. It also caps the maximum amount of fees requested by Class Counsel at 3.5 times the value of aggregate lodestar reasonably incurred by all plaintiffs’ counsel in the case. While these terms are similar to fee agreements CalSTRS has negotiated in other engagements with outside counsel, the fee agreement here was carefully calibrated to capture the unique challenges and substantial risks associated with this specific case. I and representatives of Counsel extensively discussed the posture of the litigation, its risk profile,

¹ Should the Court request, CalSTRS is prepared to submit its fee agreement with Counsel for *in camera* review.

CalSTRS approach to negotiating legal fees, the historical levels of fees to which CalSTRS has agreed to, and fees for comparable legal services prior to arriving at the negotiated fee structure.

8. **CalSTRS's Oversight of the Litigation:** Since September 2014 when CalSTRS joined the litigation, CalSTRS has actively overseen the work of Counsel and has participated in all aspects of litigation, beginning with Plaintiff's reply brief in support of leave of amend Laydon's Second Amended Complaint ("SAC") – the first time CalSTRS sought to join the *Laydon* action. *See Laydon* ECF Nos. 387, 388-1 (including allegations regarding CalSTRS' Euroyen-based derivatives transactions).

9. Since then, I have reviewed all significant pleadings in *Laydon* and *Sonterra*, where CalSTRS is now a lead plaintiff, and have had numerous telephonic discussions and email communications with Counsel regarding the allegations made and arguments raised in opposition to Defendants' several motions to dismiss.

10. I have received updates regarding the status of the litigation from Counsel on a regular basis and conferred with Counsel, both in person and telephonically, prior to settlement discussions and important court hearings.

11. I played a direct role in Plaintiffs' settlement negotiations with HSBC, participating in extensive discussions with Counsel regarding the strengths and weaknesses of Plaintiffs' claims, potential defenses and litigation strategy relevant to a potential settlement with HSBC. I traveled from Sacramento, California to attend Plaintiffs' mediation with HSBC in New York on May 2, 2016, which was supervised by mediator Gary McGowan. At the outset of the mediation, on behalf of CalSTRS and the class I presented a statement to my counterpart at HSBC, the mediator, and all counsel regarding CalSTRS' view of the Defendants' alleged conduct, the litigation and the importance CalSTRS places on the *Laydon* and *Sonterra* actions. I remained throughout the day-long

mediation with HSBC and participated with Counsel in the settlement negotiation strategy, and ultimately authorized acceptance of HSBC's settlement offer.

12. CalSTRS' legal and investment staff were also involved in this process and, at my direction, worked closely with Class Counsel to identify its Euroyen-based derivatives transactions, analyzing account statements and other transactions records covered by the Class Period in *Laydon* and *Sonterra*. In addition, CalSTRS Deputy Chief Investment Officer offered sworn testimony in the form of a declaration to provide factual support for the claims being advanced on behalf of the Class.

13. **CalSTRS Supports the Proposed Settlements and Fee Request:** In preparation for the HSBC mediation and in subsequent meetings, I have had numerous discussions with Counsel regarding the work of its experts and the preliminary damages model constructed in this case. Based on my experience overseeing complex securities and antitrust class action litigation for CalSTRS, I understand that constructing a rigorous, data-driven damages model is a challenging process that requires extensive expert work and analysis. I also recognize the risks posed by litigating complex class action cases, like this one, where Plaintiffs must ultimately prove damages on a class-wide basis, through class certification and trial.

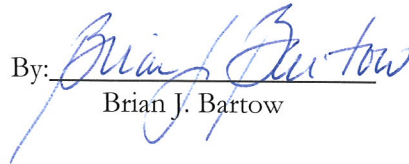
14. Given this experience, I consider the partial settlements obtained here to be an important and valuable step for CalSTRS and the Class. I expect the monetary compensation received in connection with Citibank's and HSBC's settlements will provide an immediate measure of compensation for Class member's claims and I recognize that the additional non-monetary consideration, most importantly the cooperation provided by all R.P. Martin, Citibank and HSBC, has significantly aided, and will continue to aid, in the prosecution of the actions.

15. In light of these factors, CalSTRS supports Plaintiffs' motion for final approval of these settlements.

16. I have also reviewed Class Counsel's motion for an award of attorneys' fees, reimbursement of expenses, and incentive awards for Class representative. The attorneys' fees requested come directly from the fee schedule that CalSTRS negotiated with Counsel before becoming involved in the litigation. Thus, CalSTRS believes that such an award of attorneys' fees is fair and reasonable to the Class.

I declare under penalty of perjury that the foregoing is true and accurate:

Executed on September 26 2016,
Chicago, Illinois

By: 
Brian J. Bartow