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Countrywide Financial to Face Probe

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Countrywide Financial Fails to Block Shareholder Probe on Options

WILMINGTON, Del. (AP) -- A Delaware judge Thursday refused to squelch a shareholder lawsuit seeking records of probes into possible stock options backdating by Countrywide Financial Corp.

Vice Chancellor John Noble of the Court of Chancery refused to dismiss a so-called "books and records" action filed by the Louisiana Municipal Police Employees Retirement System, which says it wants to look into an alleged suspicious pattern of options grant timing by the Calabasas, Calif.-based home lender.

Many companies have been caught up in lawsuits and regulatory action for changing the dates on stock options grants to allow executives to benefit from market price swings.

Countrywide has not admitted to any irregularities in connection with the timing of its options grant. In court Thursday, Countrywide attorney Brian E. Pastuszewski pointed to evidence he said undercut the Louisiana pension fund's case for getting the documents.

In order to get a court order requiring Countrywide to hand over documents, the shareholder must prove it has a proper purpose, including credible grounds for suspecting wrongdoing has occurred.

"Something looks amiss," shareholder attorney Michael Barry argued, pointing to a series of options grants by Countrywide coinciding with low market prices for the stock.

Noble cleared the way to an April 18 trial for the books and records action, in spite of what he called "substantial" factual arguments that support Countrywide's insistence it's innocent of stock options wrongdoing.