

Bond Case Briefs

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Krupka v. Stifel Nicolaus & Co., Inc.

United States District Court, E.D. Missouri, Eastern Division - January 30, 2024 - Slip Copy - 2024 WL 340739

California Plaintiffs brought a putative class action, alleging that Stifel negligently underwrote municipal bonds issued by the Illinois Finance Authority (IFA) to finance low-income housing projects in Chicago.

Specifically, the Offering Statement asserted that the operator of the projects, the Better Housing Foundation (BHF), would issue a certificate to bondholders representing that no litigation or other proceedings were pending or threatened against it. In fact, BHF had actually received 27 notices of ordinance violations regarding the management and conditions of several of the projects that were not disclosed in the Statement. BHF subsequently defaulted and Plaintiffs sued.

Stifel responded, arguing that Plaintiffs' claims were barred by Missouri's borrowing statute and California's two-year statute of limitations for professional negligence and negligent misrepresentation claims.

The District Court began its analysis by noting that a federal court exercising diversity jurisdiction applies the law of the forum when ruling on statutes of limitations.

Missouri had adopted a borrowing statute providing that "[w]henver a cause of action has been fully barred by the laws of the state, territory or country in which it originated, said bar shall be a complete defense to any action thereon, brought in any of the courts of this state." Mo. Rev. Stat. § 516.190. Thus, if a cause of action is time-barred by the statute of limitations of the state in which it originated, it is barred in Missouri as well.

Stifel also argued that Plaintiffs' claims originated in California on April 17, 2019, when Plaintiffs received notice of BHF's defaults and violations of the loan agreement. Because they did not file their complaint until November 2022, Stifel argued that their claims are barred by California's two-year statute of limitations for professional negligence and negligent misrepresentation claims.

Plaintiffs agreed that their claims accrued on April 17, 2019. But they argued that their claims originated either in Missouri or Illinois, the states in which the acts giving rise to their claims purportedly took place, and that they timely filed their complaint under the five-year statutes of limitations of those states.

The District Court held that:

- Missouri's borrowing statute holds that plaintiffs are financially damaged where they are located;
- Plaintiffs were financially damaged in California.
- Because there existed no genuine dispute that Plaintiffs' claims originated in California, their claims are subject to California's statute of limitations. If California law bars Plaintiffs' claims, Missouri's borrowing statute does so as well.

- In California, professional negligence and negligent misrepresentation claims are governed by the two-year statute of limitations set forth in section 339 of the California Code of Civil Procedure.
- Plaintiffs' claims are barred by California's statute of limitations. Missouri's borrowing statute therefore provides a complete defense to Plaintiffs' claims.