



wholly-owned banking subsidiary, Corus Bank, N.A. (the “Bank”), which focuses on two main business activities - commercial real estate lending and deposit gathering. The Bank is a nationwide lender, specializing in condominium construction, conversion, and inventory loans. The Bank also provides financing for hotel, office, and apartment projects. With respect to deposit gathering, the Bank has eleven banking branches in the Chicago area, offering a range of deposit products to customers.

3. On January 30, 2009, Corus shocked the market when it reported a widened 2008 fiscal fourth quarter net loss of \$261 million, or \$4.85 per share, compared to a net loss of \$128 million in the 2008 fiscal third quarter and net income of \$2 million in the 2007 fiscal fourth quarter, and revealed that the Company’s nonperforming assets, including nonaccrual loans and repossessed real estate, had increased to \$2 billion at the end of 2008, *more than double the level from the previous quarter*. Corus further disclosed that it had received a “preliminary response” that its November 14, 2008, application to receive a capital infusion through the Treasury’s Troubled Asset Relief Program (“TARP”) was likely to be rejected. Corus was only able to provide investors with partial financial results for the fourth quarter because it was awaiting several new appraisals, which would potentially result in material negative adjustments to its 2008 fourth quarter results. Moreover, the same day, the *South Florida Business Journal* reported that *an affiliate of Corus* had paid *above-market prices* to purchase condominium units in a project *financed by Corus*.

4. On this news, shares of Corus declined \$0.52 per share, or 46.85%, to close on February 2, 2009 at \$0.59 per share, on unusually heavy volume.

5. The Complaint alleges that, throughout the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the

Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose: (1) that Corus and/or an entity affiliated with the Company had been purchasing units in condominium developments that Corus had financed; (2) that the Company had done so to manipulate sales figures for Corus financed developments; (3) that, as such, Corus was artificially inflating the appraisal values for Corus financed condominium units and developments; (4) that the Company had inflated appraisal values to delay recognizing losses on Corus financed condominium developments; (5) that, as a result of the foregoing, Corus was failing to recognize losses and/or improperly recognizing losses on its condominium loans in accordance with Generally Accepted Accounting Principles ("GAAP"); (6) that Corus had been negotiating with the Federal Reserve Bank of Chicago and the Office of the Comptroller of Currency regarding its deteriorating pool of condominium loans; and (7) that the Company lacked adequate internal and financial controls.

6. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

#### **JURISDICTION AND VENUE**

7. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act (15 U.S.C. §78aa).

9. Venue is proper in this Judicial District pursuant to 28 U.S.C. §1391(b) and Section

27 of the Exchange Act (15 U.S.C. §78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the preparation and dissemination of materially false and/or misleading information, occurred in substantial part in this District. Additionally, the Company's principal executive offices are located within this Judicial District.

10. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

#### **PARTIES**

11. Plaintiff Stephen Brady, as set forth in the accompanying certification, incorporated by reference herein, purchased Corus common stock during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

12. Defendant Corus is a Minnesota corporation and maintains its principal executive offices at 3959 N. Lincoln Ave., Chicago, Illinois 60613.

13. Defendant Robert J. Glickman ("Glickman") was, at all relevant times, President, Chief Executive Officer ("CEO") and Director of Corus.

14. Defendant Tim H. Taylor ("Taylor") was, at all relevant times, Executive Vice President and Chief Financial Officer ("CFO") of Corus until his resignation from the Company on October 3, 2008, effective as of October 6, 2008.

15. Defendant Michael E. Dulberg ("Dulberg") was, at all relevant times, Senior Vice

President and Chief Accounting Officer of Corus until October 6, 2008, and was, at all relevant times thereafter, Executive Vice President and CFO of Corus until taking a leave of absence from the Company effective March 16, 2009.

16. Defendants Glickman, Taylor, and Dulberg are collectively referred to hereinafter as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Corus' reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. Each defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

#### **CLASS ACTION ALLEGATIONS**

17. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased Corus' securities between January 25, 2008 and January 30, 2009, inclusive (the "Class Period") and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives,

heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

18. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Corus' securities were actively traded on the National Association of Securities Dealers Automated Quotations Market ("NASDAQ"). While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Millions of Corus shares were traded publicly during the Class Period on the NASDAQ and as of October 28, 2008, the Company had more than 53 million shares of common stock outstanding. Record owners and other members of the Class may be identified from records maintained by Corus or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

19. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

20. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

21. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the

Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of Corus; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

22. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

23. The market for Corus' securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, Corus' securities traded at artificially inflated prices during the Class Period. On February 1, 2008 the price of the Company's common stock closed at a Class Period high of \$12.93 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of Corus' securities and market information relating to Corus, and have been damaged thereby.

24. During the Class Period, the artificial inflation of Corus' stock was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about Corus' business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of Corus and its business, operations, and

prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company stock. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

25. At all relevant times, the market for Corus' securities was an efficient market for the following reasons, among others:

(a) Corus stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, Corus filed periodic public reports with the SEC and the NASDAQ;

(c) Corus regularly communicated with public investors *via* established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Corus was followed by securities analysts employed by major brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

26. As a result of the foregoing, the market for Corus' securities promptly digested current information regarding Corus from all publicly available sources and reflected such information in Corus' stock price. Under these circumstances, all purchasers of Corus' securities

during the Class Period suffered similar injury through their purchase of Corus' securities at artificially inflated prices and a presumption of reliance applies.

## **SUBSTANTIVE ALLEGATIONS**

### **Background**

27. Corus provides consumer and corporate banking products and services through its wholly-owned banking subsidiary, Corus Bank, N.A. (the "Bank"), which focuses on two main business activities - commercial real estate lending and deposit gathering. The Bank is a nationwide lender, specializing in condominium construction, conversion, and inventory loans. The Bank also provides financing for hotel, office, and apartment projects. With respect to deposit gathering, the Bank has eleven banking branches in the Chicago area, offering a range of deposit products to customers.

### **Materially False and Misleading Statements Issued During the Class Period**

28. The Class Period begins on January 25, 2008. On this day, Corus issued a press release entitled, "Corus Bankshares Reports Earnings for 2007." Therein, the Company, in relevant part, stated:

Chicago, Illinois – Corus Bankshares, Inc. (NASDAQ: CORS). Corus' 2007 fourth quarter earnings were \$1.9 million, or \$0.03 per diluted share, down from \$47.2 million, or \$0.82 per diluted share, in the fourth quarter of 2006. For the year ended December 31, 2007, earnings were \$106.2 million, or \$1.85 per diluted share compared to \$189.4 million, or \$3.28 per diluted share in 2006, a decline of 44%.

"Continued weakness in the housing and mortgage markets, combined with a general slowdown in the economy, has resulted in a significant decline in Corus' 2007 earnings. With a fourth quarter profit of only \$1.9 million, this is clearly the worst quarter we have seen in many, many years. While I am disappointed to see such low earnings, I remain confident in our business model and I fully expect Corus to be able to absorb any losses that may occur. We continue to have a strong capital

position, strong liquidity and an excellent management team,” said Robert J. Glickman, President and Chief Executive Officer.

“For the year ended December 31, 2007, Corus earned over \$106 million, down 44% from our record earnings in 2006 of \$189 million,” Glickman continued. “Contributing to the earnings decline was a provision for loan losses of \$66 million, which, after charge-offs of over \$40 million related to condominium-secured commercial real estate loans, added \$26 million to the Allowance for Loan Losses. The provision was in response to both issues with specific loans as well as declines in the quality of our portfolio overall. Credit concerns also caused us to discontinue the accrual of interest on commercial real estate loans totaling \$282 million at December 31, 2007, up dramatically from one year ago. As a result of various nonaccrual loans throughout the year, 2007 interest income was \$16.5 million lower than it otherwise would have been had the loans been accruing normally.

In spite of the difficult market conditions, Corus successfully originated over \$2 billion in new loans during 2007. While this is down considerably from last year’s originations, it is nevertheless a significant amount of business. Furthermore, we anticipate a significant amount of originations in the first quarter of 2008, perhaps as much as \$1 billion. Much of that new business is expected to be in our area of particular expertise, the condominium market. However, due to the upheaval in various financial markets, we are seeing recent opportunity in the office market and we expect to see a considerable portion of our near-term originations in that sector as well. With the potential for a near-term recession, though, we are mindful to approach new business with a cautious, even pessimistic, view of the markets.

In recent quarters, many financial institutions have announced significant losses in their investment portfolios. These losses have largely been due to the dramatic decreases in the value of mortgage-backed investments, primarily related to subprime and Alt-A mortgages. I would like to be clear that Corus does not invest in any mortgage-backed securities.

In summary, at this point in the housing cycle, we are experiencing loan quality issues which are contributing to significant declines in earnings. The impact of the current credit crisis in the U.S. and abroad is having far-reaching consequences and it is difficult to say at this point what the ultimate impact will be on Corus. For our part, we are working diligently with our borrowers to collectively address any loan issues, realizing that in some cases foreclosure may ultimately be our best course of action. Nevertheless, I am confident we can ‘weather this storm’.

29. On February 27, 2008, Corus filed its Annual Report with the SEC on Form 10-K for the 2007 fiscal year. The Company's 10-K was signed by Defendant Taylor and reaffirmed the

Company's financial results previously announced on January 25, 2008.

30. The Company's February 27, 2008 10-K also contained Sarbanes-Oxley required certifications, signed by Defendants Glickman and Taylor, who certified:

1. I have reviewed this Annual Report on Form 10-K of Corus Bankshares, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control

over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

31. The statements contained in ¶¶28-30 were materially false and/or misleading when made because defendants failed to disclose or indicate the following: (1) that Corus and/or an entity affiliated with the Company had been purchasing units in condominium developments that Corus had financed; (2) that the Company had done so to manipulate sales figures for Corus financed developments; (3) that, as such, Corus was artificially inflating the appraisal values for Corus financed condominium units and developments; (4) that the Company had inflated appraisal values to delay recognizing losses on Corus financed condominium developments; (5) that, as a result of the foregoing, Corus was failing to recognize losses and/or improperly recognizing losses on its condominium loans in accordance GAAP; (6) that Corus had been negotiating with the Federal Reserve Bank of Chicago and the Office of the Comptroller of Currency regarding its deteriorating pool of condominium loans; and (7) that the Company lacked adequate internal and financial controls.

**The Truth Begins to Emerge**

32. On April 29, 2008, Corus issued a press release entitled, “Corus Bankshares Reports Elimination of Dividend and First Quarter Earnings.” Therein, the Company, in relevant part, stated:

Chicago, Illinois — Corus Bankshares, Inc. (NASDAQ: CORS). Corus’ 2008 first quarter earnings were \$4.5 million, or \$0.08 per diluted share, down from \$26.4 million, or \$0.46 per diluted share, in the first quarter of 2007.

“As you know, 2007 was a very difficult year for many banks and financial institutions in our country, as it was for Corus. Unfortunately, 2008 appears to be shaping up to be at least as difficult. Our earnings for the first three months of 2008 were only \$4.5 million, which followed a similarly low level of earnings during the fourth quarter of 2007. Severe disruption in the mortgage, housing and credit markets that developed during 2007, and continued into 2008, has led to significant increases in nonaccrual loans, charge-offs and loan loss provisions for Corus. We anticipate these difficulties will persist for some time,” said Robert J. Glickman, President and Chief Executive Officer. Mr. Glickman continued, “In addition, during 2007 the competition for deposits increased dramatically. This competition, which has continued through the first quarter of this year, has given rise to some of the highest deposit costs (relative to U.S. Treasuries) in the Company’s history. While the increased deposit costs are to some degree another manifestation of the overall liquidity ‘crunch’ in the credit markets, it is harder to gauge how long it will take before these costs return to ‘normal’ levels.

While I am disappointed to see such low earnings, I remain confident in our business model and I fully expect Corus to be able to absorb any losses that may occur. We continue to have a strong capital position, strong liquidity and an excellent management team.

During the first quarter of 2008, Corus recorded a provision for credit losses of \$37 million, which, after charge-offs of \$19 million related to condominium-secured commercial real estate loans, added \$18 million to its loan loss reserves. The provision was in response to both issues with specific loans as well as declines in the quality of our portfolio overall. Credit concerns resulted in nonaccrual commercial real estate loans increasing dramatically to \$420 million at March 31, 2008, up from \$282 million at December 31, 2007, and \$196 million one year ago. Due to the nonaccrual loans, interest income during the first quarter of 2008 was \$8 million lower than if the loans had been accruing normally.”

## **ELIMINATION OF DIVIDEND**

The Board of Directors, at its April 29th meeting, decided to eliminate the quarterly cash dividend on the Company's common stock. Glickman stated that, "The decision to eliminate the quarterly cash dividend, which took into account various factors, was a prudent move to maintain our holding company's reserves to weather this downturn. This action was an important step to maintain our capital and cash reserves at strong levels. The decision to eliminate the dividend was not taken lightly. We had been proud, justifiably, that our cash dividend had been increased for 30 consecutive years, until now — a record that very few public corporations could claim.

Maintaining a solid capital base has been one of our guiding principles for many years. We have established an internal capital goal for Corus Bank that we believe is sound and takes into account our overall risk position and significantly exceeds regulatory requirements (as well as significantly exceeding the capital levels maintained by our peer banks). Our internal goal is the sum of: (1) the amount required to meet the regulatory definition of 'well capitalized' (the highest rating possible), plus (2) a cushion equal to approximately 35% of that regulatory threshold. The amount required for Corus Bank to meet the regulatory definition of well capitalized is approximately \$700 million. The Bank's capital (simply Bank equity plus loan loss reserves) at March 31, 2008, totaled \$1.0 billion, well above the regulatory thresholds.

In addition to the cushion maintained at the Bank, our holding company had bank deposits at April 29, 2008, of \$208 million, all of which was unpledged and available for any corporate use. This figure reflects Corus having sold its remaining common stocks subsequent to quarter end; the proceeds from those stocks sales, which had a then market value of \$67 million, were deposited at the Bank. This action, which resulted in the Company realizing approximately \$15 million of security gains (which will be reflected in our second quarter 2008 results), reflects a move to even greater conservatism on the part of the Company in the face of a very difficult market.

So, we have two levels of cushion to protect ourselves from unforeseen losses. Our Bank has a strong capital cushion and the holding company has built up strong and meaningful cash reserves, which could be used to bolster the Bank if needs arose.

In addition to maintaining very strong levels of capital, one of Corus' other core principles has been to maintain very large levels of liquidity at Corus Bank. As of March 31, 2008, the Bank held \$4.3 billion in its investment portfolio, with virtually the entire portfolio invested in very safe, short-term investments. Over the past year, many companies have announced significant losses in their investment portfolios, particularly those tied to subprime mortgages. To be clear, Corus does not invest in

any mortgage-backed securities (whether MBS or CMOs), collateralized-debt obligations, auction-rate securities (or any of the other more esoteric instruments recently giving rise to outsize losses).”

### **ORIGINATIONS**

“In spite of the difficult market conditions,” Glickman continued, “Corus successfully originated \$821 million in new commercial real estate loans during the first three months of 2008. This was not only substantially higher than the \$321 million of originations during the first quarter of 2007, but in fact above the highest level of quarterly originations during 2007. With the potential for a near-term recession and with a goal of not adding any new problem loans to our portfolio, we are mindful to approach new business with a cautious, even pessimistic, view of the markets. We are pleased to report that over half of the 2008 first quarter originations were in the office sector. We are seeing new opportunities in the office, apartment, and hotel markets as a result of the upheaval in financial markets. We expect to see a considerable portion of our near-term originations in these three non-condo sectors as well. We are pleased to create diversification in our loan portfolio by property type.”

### **SUMMARY**

Glickman concluded by saying that, “Our main focus at this time is to manage our business safely during this tremendous downturn and to be poised to take advantage of any market opportunities which may arise. We are not contemplating any major changes in our business model. I fully expect Corus to be able to absorb any losses that may occur, even assuming the housing crisis deepens further and extends to 2010 before there is meaningful recovery. We continue to have a strong capital position, strong liquidity, and an excellent management team. I am confident that we can weather this storm.”

(Emphasis in original).

33. On this news, shares of Corus declined \$2.29 per share, or 23.81%, to close on April 30, 2009 at \$7.33 per share, on unusually heavy volume.

34. On May 8, 2008, Corus filed its Quarterly Report with the SEC on Form 10-Q for the 2008 fiscal first quarter. The Company's 10-Q was signed by Defendant Dulberg and reaffirmed the Company's financial results previously announced on April 29, 2008. The Company's 10-Q also

contained Sarbanes-Oxley required certifications, signed by Defendants Glickman and Taylor, substantially similar to the certifications contained in ¶30, *supra*.

35. On July 28, 2008, Corus issued a press release entitled, “Corus Bankshares Reports Second Quarter Results.” Therein, the Company, in relevant part, stated:

Chicago, Illinois — Corus Bankshares, Inc. (NASDAQ: CORS) reported a net loss for the 2008 second quarter of \$16.2 million, or \$0.30 per diluted share, down from net income of \$42.4 million, or \$0.74 per diluted share, in the second quarter of 2007. The year-to-date 2008 results were a net loss of \$11.7 million, or \$0.21 per diluted share compared to net income of \$68.8 million, or \$1.20 per diluted share in 2007.

“Unfortunately, 2008 continues to be a very difficult year for many financial institutions, including Corus. The primary source of the current market difficulties stems from one of the worst housing slumps this country has experienced. The effects from this downturn have rippled through many parts of the economy, adversely impacting credit markets (including mortgage availability for home buyers) and are clearly placing a drag on consumer confidence and the broader economy. The combination of these forces, coupled with Corus’ focus on condominium construction lending, have led to significant increases in nonaccrual loans, loan loss provisions, and, as a result, significant declines in our reported earnings — with the current quarter’s net loss being the first quarterly loss ever reported by Corus. Our stock price has also suffered tremendously as a result. Unfortunately, we anticipate these difficulties will persist for some time,” said Robert J. Glickman, President and Chief Executive Officer.

#### **Capital & Liquidity Planning**

Glickman continued, “While the current environment is quite unpleasant, it is not at all unexpected. We have always recognized that a severe downturn in the residential real estate markets was a possible, if not likely, occurrence. We have always expressly provided for the possibility of such a downturn, and the associated nonaccrual loans and provisions for credit losses, in our corporate planning. In fact, this possibility is precisely the reason Corus has maintained such unusually strong capital and liquidity levels for so many years now. While in years gone by some may have questioned the Company’s need for such a fortress-like balance sheet, it is now clear that our advance building of capital and liquidity were the right moves.

As of June 30, 2008, Corus Bank’s capital (essentially bank equity plus loan loss reserves) totaled over \$1.0 billion, substantially greater than the regulatory requirement of \$700 million for the Bank to be categorized as “well-capitalized” (the

highest rating possible). In addition, as of June 30, 2008 the holding company had cash of \$200 million, all of which was unpledged and available for any corporate use. So, we have two levels of capital cushion to protect the Bank from unforeseen losses. We have further fortified our Company's safety by maintaining very high levels of liquid investments at the Bank. As of June 30, 2008, the Bank had \$4.3 billion of high-grade short-term investments, virtually none of which were pledged as collateral for any borrowings of the Bank or in any way encumbered, and are therefore fully available for any liquidity needs."

### **Loan Loss Reserves & Nonaccrual Loans**

"The Company has bolstered its loan loss reserves substantially during 2008, adding over \$58 million during the second quarter alone and bringing our allowance for loan losses to \$145 million. Corus' reserve for loan losses (the allowance plus the associated liability for credit commitments) totaled \$153 million at June 30, 2008, essentially double the \$77 million level at December 31, 2007.

Credit quality issues, the driver behind the Company's moves to increase its loan loss reserves, resulted in substantial increases in nonperforming loans, with nonaccrual commercial real estate loans growing to \$830 million at June 30, 2008, up from \$420 million at March 31, 2008 and \$201 million at June 30, 2007. Interest income not recorded on nonaccrual loans, what is known as foregone interest income, during the second quarter of 2008 totaled \$15 million. It is important to note that this interest is still owed by the borrowers; that is, it has not been forgiven by Corus. Rather, as a measure of conservatism and in compliance with GAAP, Corus does not accrue interest income on loans where full collection of principal and interest is not reasonably expected. Only time will tell how much of that foregone interest income will truly be lost.

At this juncture, it seems appropriate for us to make a few comments regarding the relationship between nonaccrual loans, the allowance for loan losses and capital. Over the years, we have seen commentaries suggesting various methods of comparing these amounts, with the implication that these 'shortcuts' can somehow indicate, among other things, whether a bank has sufficient loan loss reserves. These commentaries seem to have two main themes: 1) that the allowance for loan losses should be, in effect, at or above 100% of nonaccrual loan balances, and/or 2) that nonaccrual loans at some certain elevated percentage of loans or a bank's capital is indicative of a problem. While we certainly understand the reason for these attempted simplifications, the one-size-fits-all inherent in these approaches can be more misleading than helpful, and we believe misplaced relative to Corus' loan portfolio. Some background on how we determine our reserve for loan losses and how we underwrite loans may be helpful in demonstrating why.

Each quarter we perform a comprehensive analysis to determine the appropriate level

for the allowance. This assessment includes a detailed loan-by-loan analysis of the collateral supporting our more concerning loans, a process that encompasses all of our nonaccrual loans. For those nonaccrual loans where the collateral value is estimated to be less than our loan exposure, we either record a charge-off or establish a specific reserve in an equal amount to that shortfall. As of June 30, 2008, we had \$59 million of specific reserves in the allowance against nonaccrual loans (in addition to \$36 million of charge-offs we have already recorded against these nonaccrual loans). Beyond these specific reserves, Corus also holds an additional \$85 million of general (including unallocated) reserves against the Company's accrual and performing loans.

With regard to lending strategy, most banks have a broad spectrum of lending businesses, with many banks having loans that cover the continuum: from unsecured loans, to loans that will likely have a high loss rate should the loan default (e.g., restaurant loans, business inventory loans, home equity loans, credit card loans, etc.), to well-secured loans. Corus is different. The vast majority of Corus' loans are to finance the construction of brand new, high-end buildings (whether condominium, office, etc.), that are predominantly located in major metropolitan markets. The overwhelming majority of these projects involve outside parties investing substantial sums of money, with equity and non-Corus mezzanine lenders financing around 25% of the project's cost (an investment percentage that has been significantly higher for 2008 originations to date).

As an example, for a project with a total cost of \$200 million, this would mean equity and mezzanine investors would invest \$50 million. Corus' first mortgage would therefore be \$150 million, and would typically only begin to fund after the loan sponsor's have invested their entire \$50 million (further, first mortgage loans must generally be paid off before mezzanine loans or equity investors receive any material proceeds). When loan sponsors undertake projects of these sorts, they are doing so based on a projection that they will have created a building that is worth something appreciably more than their cost, typically 20% to 30% over cost. It is important to understand that these valuation projections are not idle assessments of value; they are being made by the equity and mezzanine lenders — investors who are, in this example, putting \$50 million of their money at risk if they are wrong (and would generally be wiped out before Corus would even take a loss on its first mortgage).

Continuing with the above example, the estimated as-completed net value of the project (net of costs to sell, including brokerage commissions) could therefore, in this generalized loan situation, range from \$240 to \$260 million. Using the \$250 million midpoint implies that the project would have to fall in value by 40% from the originally estimated value, \$250 million to \$150 million (a \$100 million decline), for Corus' first mortgage to suffer a loss. The upshot of the economics of our loan transactions is that property values can fall significantly before Corus' first mortgage

loans are typically at risk of loss.

It is clear that residential property values in many parts of the U.S. have declined, and substantially so in certain markets. With that said, and as illustrated above, even a substantial fall in the value of the collateral does not necessarily mean Corus is going to take a loss on a first mortgage loan. This essentially gets to the reason that our reserve for loan losses is not 100% of the loan amount, even for our troubled loans. In order to believe that Corus' loan loss reserve should be 100% of any problem loan means one would also have to believe that the collateral value is \$0 — neither a likely nor logical conclusion. This same insight also sheds light on the shortcomings of a simplistic comparison of nonperforming loans to total loans and, even more so, to a bank's capital (essentially shareholders' equity plus allowance for loan losses).

So the point is that we carefully scrutinize the current collateral value backing each loan, and if the current collateral value is not equal to or greater than our loan exposure, then we would either charge-off the collateral deficiency amount or specifically reserve for this deficiency in our loan loss reserves. We strongly believe that our loan loss reserves are adequate and are, while it may go without saying, estimated in accordance with all appropriate rules and regulations of GAAP and regulatory guidance.”

### **Deposits**

“While the dramatic increase in deposit competition that began during the latter half of 2007 has declined somewhat, deposit costs (which we measure as a spread relative to U.S. Treasuries) are still at some of the highest levels in the Company's history. The increased deposit costs are, to some meaningful degree, another manifestation of the overall liquidity crunch in the credit markets. While the current crisis will eventually abate, bringing lower market spreads, it is impossible to predict how long that will take to occur. While on the topic of deposits, a few additional items are worth noting. As with all banks insured by the Federal Deposit Insurance Corporation (“FDIC”), Corus depositors are protected against the loss of their insured deposits by the FDIC. As another reflection of the Company's various efforts to mitigate risk, Corus has spent many years building a nationally distributed deposit base, with an express focus on attracting and retaining lower-balance depositors. Those efforts have yielded a nationally diversified depositor base of more than 175,000 accounts, with an average account balance of less than \$50,000.”

### **Loan Originations**

“In spite of the difficult market conditions,” Glickman continued, “Corus successfully originated \$1.2 billion of new loans during the first half of 2008. Given

the growth in problem loans in our existing portfolio, and with the potential for a near-term recession, we are mindful to approach new business with a cautious, even pessimistic, view of the markets. We are therefore being very demanding on new credits, and looking for extremely large equity investments. We feel very good about the credit quality and profitability of this new business. To provide some perspective, originations in 2007 had an average loan-to-cost ratio of 75%. However, loans originated in the first half of 2008 had an average loan-to-cost ratio of 66%, materially lower than last year. Loans on our pending report have an average loan-to-cost ratio of 52%.

We are also pleased to report that nearly half of the 2008 originations were in the office sector. We are seeing new opportunities in the office, apartment, and hotel markets as a result of the upheaval in financial markets. We expect to see a considerable portion of our near-term originations in these three non-condominium sectors as well. We are pleased to create diversification in our loan portfolio by property type.”

#### **SUMMARY**

Glickman concluded, “While the current economic downturn, and the difficulties it presents for the Company, is unpleasant, it needs to be viewed in the context of the years leading up to now, when we had very high profits. Our business is cyclical, and needs to be understood and evaluated in that way. As expressed in the past, Corus continues to believe that the measure of any company’s success must be made over an entire business cycle, and not by looking at just good or bad years in isolation from one another. Our main focus at this time is to manage our business safely during this tremendous downturn and to be poised to take advantage of any market opportunities which may arise. We are not contemplating any major changes in our business model.

I remain confident in our business model and fully expect Corus to be able to absorb any losses that may occur; even if the housing crisis deepens further and/or extends into 2009 or beyond before there is meaningful recovery. We continue to have a strong capital position, strong liquidity, and an excellent management team. I am confident that we can weather this storm.”

(Emphasis in original).

36. On August 6, 2008, Corus filed its Quarterly Report with the SEC on Form 10-Q for the 2008 fiscal second quarter. The Company's 10-Q was signed by Defendant Dulberg and

reaffirmed the Company's financial results previously announced on July 28, 2008. The Company's 10-Q also contained Sarbanes-Oxley required certifications, signed by Defendants Glickman and Taylor, substantially similar to the certifications contained in ¶30, *supra*.

37. On October 6, 2008, Corus announced that Defendant Talyor had resigned.

38. On October 29, 2008, Corus issued a press release entitled, "Corus Bankshares Reports Third Quarter Results." Therein, the Company, in relevant part, stated:

Chicago, Illinois – Corus Bankshares, Inc. (NASDAQ: CORS) reported a net loss for the 2008 third quarter of \$128.0 million, or \$2.38 per diluted share, down from net income of \$35.5 million, or \$0.61 per diluted share, in the third quarter of 2007. The year-to-date 2008 results were a net loss of \$139.7 million, or \$2.57 per diluted share compared to net income of \$104.3 million, or \$1.81 per diluted share in 2007.

"We are operating in an economic environment that is more challenging and volatile than any we have ever seen. The primary source of the current market difficulties stems from one of the worst housing slumps this country has experienced. The effects from this downturn have rippled through many parts of the economy, adversely impacting credit markets (including mortgage availability for home buyers, auto loans, and credit card loans) and are clearly placing a drag on consumer confidence and the broader economy. The combination of these forces, coupled with Corus' focus on condominium construction lending, have led to significant increases in loan loss provisions, and, as a result, significant operating losses. Our stock price has also suffered tremendously as a result. Unfortunately, we anticipate these difficulties will persist for some time," said Robert J. Glickman, President and Chief Executive Officer.

### **Capital & Liquidity Planning**

Mr. Glickman continued, "We had always recognized that a severe downturn in the residential real estate markets was a possible, if not likely, occurrence and we positioned ourselves accordingly. While we had planned for the possibility of such a downturn, and the associated nonaccrual loans and provisions for credit losses, in our corporate planning, the current housing calamity is worse than even the "severe downturn" for which we had planned. Fortunately, in preparation for such an event, we built unusually strong capital and liquidity levels during the good years.

As of September 30, 2008, Corus Bank's capital (essentially bank equity plus loan loss reserves) totaled approximately \$971 million, substantially greater than the regulatory requirement of \$644 million for the Bank to be categorized as

“well-capitalized” (the highest rating possible). In addition, as of September 30, 2008, the holding company had cash of \$113 million, \$51 million of which is earmarked for capital contribution to Corus Bank. We have further fortified our Company’s safety by maintaining very high levels of liquid investments at the Bank. As of September 30, 2008, the Bank had over \$3.8 billion of high-grade short-term investments, virtually none of which were pledged as collateral for any borrowings of the Bank or in any way encumbered, and are therefore fully available for any liquidity needs of the Bank.

The capital cushion and substantial liquid investments provide our deposit customers with an important level of safety and confidence in the Bank that is essential in these uncertain economic times.

In an attempt to address the issues many banks are facing, the U.S. Treasury Department has made funds available to certain banks under its Troubled Asset Relief Program Capital Purchase Program. While management has had preliminary conversations with the banking regulators concerning the CPP Program, at this point it is not certain whether or not Corus would apply for participation. We are continuing to review the matter.”

#### **Credit Loss Reserves & Nonaccrual Loans**

“The Company has bolstered its credit loss reserves substantially during 2008, increasing the credit reserves by \$131 million during the first nine months of 2008. Corus’ reserves for credit losses (the allowance for loan losses plus the associated liability for credit commitment losses) totaled \$208 million at September 30, 2008, nearly triple the \$77 million level at December 31, 2007.

Credit quality problems, the driver behind the Company’s moves to increase its loan loss reserves, resulted in substantial increases in nonperforming loans, with balances outstanding on nonaccrual commercial real estate loans growing to \$855 million at September 30, 2008, up from \$282 million at December 31, 2007 and \$199 million at September 30, 2007. Interest income not recorded on nonaccrual loans, what is known as “foregone” interest income, during the third quarter of 2008 totaled \$20.6 million. It is important to note that this interest is still owed by the borrowers; that is, it has not been forgiven by Corus. Only time will tell how much of that foregone interest income will truly be “lost.”

#### **Loan Originations**

“Corus did not originate any new loans in the third quarter of 2008. Given the uncertain condition of the commercial real estate market, and our desire to bolster our capital ratios, management has decided that this is not the right time to originate new loans. We hope that events will transpire over the coming quarters such that we

will again feel comfortable originating loans.”

### **Deposits**

“There have been two noteworthy developments recently. As with all banks insured by the Federal Deposit Insurance Corporation (“FDIC”), Corus depositors are protected against the loss of their insured deposits by the FDIC. The FDIC recently made changes to the rules that broadened the FDIC insurance. Most significantly on October 3, 2008, the FDIC temporarily increased basic FDIC insurance coverage from \$100,000 to \$250,000 per depositor until December 31, 2009. In addition, on September 26, 2008, the FDIC permanently simplified the coverage rules for Revocable Trust accounts making it easier for customers to fully insure their deposits. These FDIC insurance changes, in addition to the Bank’s own internal efforts to reduce the level of uninsured deposits, have resulted in 97% of all of our deposits being fully FDIC insured.

As another reflection of the Company’s various efforts to mitigate risk, Corus has spent many years building a nationally distributed deposit base, with an express focus on attracting and retaining lower-balance depositors. Those efforts have yielded a nationally diversified depositor base of more than 175,000 accounts. I am also pleased to report that new deposit account originations were very strong throughout the most recent quarter – Corus had new account openings totaling over \$700 million in the quarter,” said Mr. Glickman.

### **Summary**

Mr. Glickman concluded, “While the current economic downturn, and the difficulties it presents for the Company, are unprecedented, the difficulties need to be viewed in the context of the years leading up to now, when we had very high profits. Our business is cyclical, and needs to be understood and evaluated in that way. As expressed in the past, Corus continues to believe that the measure of any company’s success must be made over an entire business cycle, and not by looking at just “good” or “bad” years in isolation from one another. Our main focus at this time is to manage our business safely during this tremendous downturn and to be poised to take advantage of any market opportunities which may arise.”

(Emphasis in original).

39. On October 30, 2008, Corus filed its Quarterly Report with the SEC on Form 10-Q for the 2008 fiscal third quarter. The Company’s 10-Q was signed by Defendant Dulberg and reaffirmed the Company’s financial results previously announced on October 29, 2008. The

Company's 10-Q also contained Sarbanes-Oxley required certifications, signed by Defendants Glickman and Dulberg, substantially similar to the certifications contained in ¶30, *supra*.

40. On October 30, 2008, Corus announced that the Company's Executive Vice President of Commercial Lending, Michael Stein, had resigned.

41. On November 18, 2008, Corus issued a press release entitled, "Corus bankshares Elects To Defer Interest Payments On Subordinated Debentures." Therein, the Company, in relevant part, stated:

Chicago, Illinois — Corus Bankshares, Inc. (NASDAQ: CORS) (the "Company") today announced that the Board of Directors (the "Board") elected to defer interest payments on the Company's \$404.6 million of junior subordinated debentures relating to its trust preferred securities.

"In light of the current upheaval in the financial markets, and the lack of compelling indications that the markets will stabilize within the near future, the Company has elected to defer interest payments on the debentures relating to its trust preferred securities. This deferral election, an option provided for under the debentures, will allow the holding company to maintain a stronger cash and liquidity position. The decision to defer interest payments is one that both management and the Board took quite seriously, and was made after substantial and careful consideration of the challenges current market conditions pose for the Company," said Robert J. Glickman, President and CEO.

"The deferral election will begin with regard to interest payments that would otherwise have been made in the fourth quarter of this year. The terms of the debentures and trust indentures allow for the Company to defer interest payments for up to 20 consecutive quarters. As such, the deferral of interest does not constitute a default. During the period that the interest deferrals have been elected, the Company will continue to record the expense associated with the debentures. Upon the expiration of the deferral period, all accrued and unpaid interest is due and payable. During the deferral period, the Company is precluded from paying dividends to shareholders or repurchasing its stock. On April 29, 2008, the Company announced that the Board had suspended the payment of dividends on common stock," concluded Mr. Glickman.

On a related topic, on November 14, 2008, the Company submitted its application under the U.S. Treasury Department Troubled Asset Relief Program Capital Purchase Program. The Company has not yet received a response relating to its

application.

42. The statements contained in ¶¶32, 34-36, 38-39, and 41, were materially false and/or misleading when made because defendants failed to disclose or indicate the following: (1) that Corus and/or an entity affiliated with the Company had been purchasing units in condominium developments that Corus had financed; (2) that the Company had done so to manipulate sales figures for Corus financed developments; (3) that, as such, Corus was artificially inflating the appraisal values for Corus financed condominium units and developments; (4) that the Company had inflated appraisal values to delay recognizing losses on Corus financed condominium developments; (5) that, as a result of the foregoing, Corus was failing to recognize losses and/or improperly recognizing losses on its condominium loans in accordance GAAP; (6) that Corus had been negotiating with the Federal Reserve Bank of Chicago and the Office of the Comptroller of Currency regarding its deteriorating pool of condominium loans; and (7) that the Company lacked adequate internal and financial controls.

#### **Disclosures at the End of the Class Period**

43. On January 30, 2009, the *South Florida Business Journal* published an article entitled, "Affiliate of Corus buys units in condo project financed by bank." Therein, the article, in relevant part, reported:

Not only did Fortune International get a \$130 million loan from Corus Bank to build its Artech Residences at Aventura, but it can also thank its directors for a fourth of its unit closings and 42 percent of its sales to date.

Colonnade Artech Owner, which is managed by four of the Chicago bank's executives, bought four units in the condo for a combined \$5.5 million on Nov. 24, according to state and county court records. Miami-based Fortune has sold a total of 16 units for \$13.3 million in the 235-unit Artech since it started closings in September.

Fortune officials did not return several calls seeking comment, and neither did the executives at Miami-based Shefaor Development, a partner on the project. Corus Senior VP Brian Brodner, who signed a document releasing the four units from the Corus construction mortgage, declined comment.

Corus had \$1.38 billion in condo loans outstanding in South Florida as of Sept. 30.

Last year, Corus said it repossessed the Tao condominium in Sunrise by gaining control of its developer, rather than through a foreclosure. The entity that controls Tao is managed by Laguna Bay Marketing Corp., which shares the same Chicago address as Corus and has four of the bank's officials listed as directors.

Colonnade Artech Owners, which was incorporated on Nov. 10 has the same address, too, and lists Laguna Bay Marketing Corp. as its manager in state records.

A Corus executive did not respond to a query about whether Colonnade Artech is a subsidiary of the bank or its holding company, Corus Bankshares (NASDAQ: CORS).

"Why would a bank, which is not in the real estate business, want to own real estate? That doesn't make any sense," said Joaquin Urquiola, a partner with the Coral Gables-based accounting firm Goldstein Schechter Koch and a board member of Pacific National Bank in Miami. "I've heard stories where banks will do that to show that loans are performing, but that would require a more material number of units."

Urquiola said selling to Colonnade Artech might have helped the developer meet sales goals in one of its contracts, he said.

'Perplexed' by prices paid

Condo Vultures Realty CEO Peter Zalewski said he's "perplexed" by the high prices Colonnade Artech paid for those units. It spent \$481 a square foot for penthouse unit 512. A similar Artech unit listed for sale online had an asking price of \$388 a square foot.

The three most expensive units bought at Artech were sold to Colonnade Artech. Those were also the first three units sold on the building's penthouse level.

"There are some real challenges associated with that building," Zalewski said. "The pricing makes it almost dysfunctional for the neighborhood."

Zalewski said Artech's surroundings are more like a working-class area.

He doesn't understand why an apparent Corus affiliate would buy those units unless

it helped the developer meet a sales target it needed for a bulk sale or a refinancing.

Urquiola has another theory. Getting appraisals to match presale values has been a major challenge for many South Florida condo developers. If the appraisals come in too low, the buyer would qualify for less financing. Sales history is one of the most important factors in appraisals.

“Maybe, by showing units being sold at that price, there are current sales that can be shown as evidence to potential buyers that units are selling at that price,” Urquiola said.

Saying he’s never seen a bank do something like this, Jack McCabe, CEO of Deerfield Beach-based McCabe Research and Consulting, said that influencing appraisals could have been a motive.

“It doesn’t make sense why they would go in and pay what would be considered a premium retail price at this point for any other reason,” he said. “It would seem a logical reason that they are trying to yield appraisal support for as high a value as possible for future closings.”

44. On January 30, 2009, Corus issued a press release entitled, “Corus Bankshares Reports Preliminary Fourth Quarter and Full Year Results.” Therein, the Company, in relevant part, stated:

Chicago, Illinois — Corus Bankshares, Inc. (NASDAQ: CORS) (“Corus” or the “Company”) reported a preliminary net loss for the 2008 fourth quarter of \$260.7 million, or \$4.85 per diluted share, down from net income of \$1.9 million, or \$0.03 per diluted share, in the fourth quarter of 2007. For the year ended December 31, 2008, the preliminary net loss totaled \$400.4 million, or \$7.38 per diluted share compared to net income of \$106.2 million, or \$1.85 per diluted share in 2007.

The preliminary results do not include potential entries that could arise from subsequent adjustments relating to our commercial real estate loan portfolio. While we have completed internal assessments on the bulk of our portfolio, we have ordered, but not yet received, several appraisals. The appraisals are used as a basis for determining the value of the underlying collateral of our loans and significant variations between our internal assessments and the appraisals could have a material impact on our financial results. Additionally, to the extent that prior to filing our Annual Report on Form 10-K, a borrower’s condition deteriorates such that the associated loan becomes impaired, under Generally Accepted Accounting Principles, Corus may be required to recognize the impairment as of December 31, 2008.

Any subsequent adjustments could impact 1) the provision for credit losses 2) the amount of interest income reported (if we determine that additional loans should be placed on nonaccrual), 3) loans charged off, and 4) the resulting balance in loans outstanding and the Allowance for Credit Losses.

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### **Overview**

Corus is suffering from the extraordinary effects of what may ultimately be the worst economic downturn since the Great Depression. The effects of the current environment are being felt across many industries with financial services and residential real estate being particularly hard hit. The effects of the downturn have been particularly acute during the last 90-180 days of 2008. Corus, with a portfolio consisting primarily of condominium construction loans, many in the hard hit areas of Arizona, Nevada, south Florida and southern California, has seen a rapid and precipitous decline in the value of the collateral securing our loan portfolio.

### **Capital**

In spite of the current year losses, with total capital of \$758 million, Corus Bank's capital ratios (as shown in the Call Report mentioned above) were above the numerical calculations of "well-capitalized" as of December 31, 2008. Nevertheless, bank regulators have broad authority to either reduce a bank's capital classification below what the numerical ratios would otherwise indicate or simply set higher capital thresholds. Based on recent discussions with the Bank's regulators, management believes it is likely that the Bank will be held to higher capital standards in the near future and, as such, may no longer be considered well-capitalized and may be required to identify additional sources of capital.

Corus had always recognized that a severe downturn in the residential real estate markets was a possible, if not likely, occurrence and we attempted to position ourselves accordingly. While we had planned for the possibility of such a downturn, and the associated nonaccrual loans and provisions for credit losses, in our corporate planning, the current housing calamity is worse than even the "severe downturn" for which we had planned.

### **Nonaccrual Loans & Credit Loss Reserves**

Nonaccrual loans have grown to \$1.5 billion, more than one-third of total loan balances outstanding at December 31, 2008. Combined with other real estate owned ("OREO") of over \$400 million at year end, most of which was foreclosed on during the last quarter of 2008, Corus' nonperforming assets at December 31, 2008 totaled \$2.0 billion. This extraordinary level of nonperforming assets put such negative

pressure on Corus' net interest income that it fell below zero for the quarter ended December 31, 2008.

The decline in value associated with the collateral supporting Corus' commercial real estate loans resulted in a significant provision for credit losses and high levels of charge-offs. For the three and twelve months ended December 31, 2008, Corus recorded a provision for credit losses of \$310 million and \$588 million, respectively. Charge-offs during same periods totaled \$224 million and \$371 million, respectively. The Allowance for Credit Losses (reserves available for future charge-offs) increased from \$77 million at December 31, 2007 to nearly \$294 million at the end of 2008 (includes both the allowance for loan losses and the liability for credit commitment losses).

### **TARP Funds**

In an attempt to address the issues many banks are facing, the U.S. Treasury Department has made funds available to certain banks under its Troubled Asset Relief Program Capital Purchase Program (the "Program"). As previously disclosed, the Company submitted its application for funds under the Program on November 14, 2008. The Company has received a preliminary response from the Treasury Department indicating that they intend to reject our application, but the final action has not been taken and Corus continues to pursue the TARP application and other capital raising options.

(Emphasis in original).

45. On this news, shares of Corus declined \$0.52 per share, or 46.85%, to close on February 2, 2009 at \$0.59 per share, on unusually heavy volume.

### **Post Class Period Disclosures**

46. On February 2, 2009, the *Street.com* published an article entitled, "Corus Capital Situation Increasingly Dire." Therein, the article, in relevant part, reported:

Corus Bankshares on Friday reported a widened fourth-quarter loss and said it was unlikely to receive federal aid, putting the Chicago company in a perilous capital position amid mounting loan losses.

Corus, whose troubles TheStreet.com first reported on in August 2007, reported a preliminary fourth-quarter net loss of \$261 million, or \$4.85 per share, compared to a net loss of \$128 million in the third quarter and net income of \$2 million in the fourth quarter of 2007.

Corus Bank, NA (\$Mil)							
	Dec.	Sep.	June	March	Dec.	Sep.	June
	2008	2008	2008	2008	2007	2007	2007
Nonperforming Loans	\$1,539	\$685	\$617	\$428	\$231	\$200	\$202
Reposessed Real Estate	\$409	\$123	\$28	\$58	\$37	\$40	\$40
Total Nonperforming Assets	\$2,048	\$808	\$645	\$486	\$268	\$240	\$242
Total Assets	\$5,181	\$5,127	\$5,931	\$6,177	\$6,781	\$9,019	\$9,122
% Nonperforming Assets	39.53%	15.74%	10.86%	7.86%	3.95%	2.66%	2.67%

Nonperforming Assets - Includes nonaccrual loans and repossessed real estate.  
 Source: Dec. 2008 FF FD Call Report, Chicago, Illinois

Shares were down 42.3% to 64 cents in recent trading.

The Chicago holding company, also said it had received a "preliminary response" that its Nov. 14 application to receive a capital infusion through the Treasury's Troubled Asset Relief Program (TARP) was likely to be rejected.

Corus was only able to provide partial financial results for the fourth quarter, but did file a complete call report for main subsidiary Corus Bank NA, which represented nearly all of the holding company's assets.

Corus said it was awaiting several new appraisals, which could result in material changes to its fourth-quarter results, and expected to announce complete results and file its annual 10-K report on March 16.

The *South Florida Business Journal* on Friday reported that an affiliate of Corus had paid above-market prices to purchase condominium units in a project financed by the bank.

In the preliminary earnings release, Corus said that nonperforming assets, including nonaccrual loans and repossessed real estate had increased to \$2 billion as of Dec. 31. This is almost double the level of from the previous quarter.

While the company was carrying a high level of nonperforming loans all through 2008, net charge-offs for Corus Bank NA (actual loan losses) for the first three quarters totaled only \$147 million. Charge-offs accelerated during the fourth quarter, to \$211 million, for a total of \$358 million for 2008, or 8.14% of average loans.

Corus Bank NA was still well-capitalized under the normal regulatory guidelines as of Dec. 31, with leverage and risk-based capital ratios of 7.87% and 12.29%. But the holding company also warned that because it was likely to have its capital standards raised by regulators, the bank "may no longer be considered well-capitalized and

may be required to identify additional sources of capital."

Indeed, it appears the company can easily run out of capital over the next quarter or two. Corus Bank NA's total equity capital was \$678 million as of Dec. 31. The fourth-quarter net loss for the bank (not the holding company) was \$262 million and net interest income dwindled to just \$4.5 million.

With nonperforming assets nearly doubling just in the fourth quarter, a probable rejection of its TARP application, further increases in quarterly net charge-offs likely and no way to achieve positive earnings on reduced interest income, Corus needs to immediately raise significant new capital on its own, or face failure.

47. On February 18, 2009, Corus issued a press release entitled, "Corus Bankshares Announces Written Agreement With The Federal Reserve Bank Of Chicago And A Consent Order With The Office Of The Comptroller Of The Currency." Therein, the Company, in relevant part, stated:

Chicago, Illinois — Corus Bankshares, Inc. (NASDAQ: CORS) ("Corus" or the "Company") today announced that, in coordination with, and at the request of, both the Federal Reserve Bank of Chicago (the "FRB") and the Office of the Comptroller of the Currency (the "OCC"), the Company and its subsidiary bank, Corus Bank, N.A. (the "Bank"), respectively, have entered into a Written Agreement (the "Agreement") with the FRB and a Consent Order (the "Order") with the OCC.

The Agreement and the Order (collectively, the "Regulatory Agreements") contain a list of strict requirements ranging from a capital directive, which requires Corus and the Bank to achieve and maintain minimum regulatory capital levels (in the Bank's case, in excess of the statutory minimums to be classified as well-capitalized) to developing a liquidity risk management and contingency funding plan, in connection with which the Bank will be subject to limitations on the maximum interest rates the Bank can pay on deposit accounts. The Regulatory Agreements also include several requirements related to loan administration as well as procedures for managing the Bank's growing portfolio of foreclosed real estate assets. Corus is also restricted from paying any dividends or making any capital distributions, including distributions related to its trust preferred debt without advance regulatory approval. The Bank has agreed to form a board compliance committee, which will be charged with monitoring and coordinating its adherence to the provisions of the Regulatory Agreements. Corus and the Bank will be required to provide regular progress reports to both the board of directors and the regulators.

"The Regulatory Agreements are the result of ongoing discussions between the OCC,

the FRB and Corus' senior management over the last few months to address the negative impact that current market conditions are having on Corus and how best to resolve them. We believe the remedial measures agreed upon with the regulators are necessary to address asset quality deterioration and overall risk management," said Robert J. Glickman, President and Chief Executive Officer.

"I want to emphasize to our customers that all of our deposit accounts are insured by the Federal Deposit Insurance Corporation to the maximum amount permitted by law. Furthermore, the board of directors is actively exploring Corus' strategic alternatives, including a merger or capital infusion."

While the Company intends to take such actions as may be necessary to enable Corus and the Bank to comply with the requirements of the Regulatory Agreements, there can be no assurance that Corus or the Bank will be able to comply fully with the provisions of the Regulatory Agreements, or that compliance with the Regulatory Agreements, particularly the limitations on interest rates offered by the Bank, will not have material and adverse effects on the operations and financial condition of the Company and the Bank. Any material failure to comply with the provisions of the Regulatory Agreements could result in further enforcement actions by both the FRB and the OCC.

48. On March 17, 2009 Corus filed with the SEC a Notification of Late Filing on Form 12b-25, for an extension of time to file its Annual Report on Form 10-K for the 2008 fiscal year. Therein, the Company, in relevant part, stated:

The principal reason for Corus Bankshares, Inc.'s (the "Company") inability to file at this time is that the Company is still in the process of finalizing its financial statements, including the notes thereto.

**The Company preliminarily expects to report a net loss for the 2008 fourth quarter of \$317 million, or \$5.90 per diluted share, down from net income of \$1.9 million, or \$0.03 per diluted share, in the fourth quarter of 2007. For the year ended December 31, 2008, the preliminary net loss totaled \$456 million, or \$8.41 per diluted share compared to net income of \$106.2 million, or \$1.85 per diluted share in 2007.**

Additionally, the Company anticipates that, as a result of the net losses sustained by the Company during the year ended December 31, 2008, which is primarily due to the severe economic downturn and the corresponding deterioration in the Company's loan portfolio, the report of the independent registered public accounting firm on the Company's consolidated financial statements for the year ended December 31, 2008 is expected to include an explanatory paragraph indicating that current conditions

raise substantial doubt with respect to the Company's ability to continue as a going concern.

The preliminary results do not include potential entries that could arise from subsequent adjustments relating to the Company's commercial real estate loan portfolio. To the extent that prior to filing the Company's Annual Report on Form 10-K, events occur or become known about a borrower's condition that provide additional evidence with respect to conditions that existed at December 31, 2008, the Company may be required to recognize the impairment as of December 31, 2008.

Any subsequent adjustments could impact 1) the provision for credit losses 2) the amount of interest income reported (if the Company determines that additional loans should be placed on nonaccrual), 3) loans charged off, and 4) the resulting balance in loans outstanding and the Allowance for Credit Losses.

The Company's Chief Financial Officer, Michael Dulberg, has, at his request, taken a personal leave of absence effective March 16, 2009. Mr. Dulberg's decision is not in connection with any known disagreement with the Company or its independent registered public accounting firm on any matter relating to the Company's operations, policies or practices.

(Emphasis added).

**FIRST CLAIM**  
**Violation of Section 10(b) of**  
**The Exchange Act and Rule 10b-5**  
**Promulgated Thereunder Against All Defendants**

49. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

50. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Corus' securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

51. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Corus' securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

52. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about Corus' financial well-being and prospects, as specified herein.

53. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Corus' value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about Corus and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

54. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or

directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

55. The defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Corus' financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

56. As a result of the dissemination of the materially false and/or misleading information

and/or failure to disclose material facts, as set forth above, the market price of Corus' securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Corus' securities during the Class Period at artificially high prices and were damaged thereby.

57. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Corus was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Corus securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

58. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

59. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

**SECOND CLAIM**  
**Violation of Section 20(a) of**  
**The Exchange Act Against the Individual Defendants**

60. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

61. The Individual Defendants acted as controlling persons of Corus within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

62. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

63. As set forth above, Corus and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of their

positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

Dated: April 7, 2009

**POMERANTZ HAUDEK  
GROSSMAN & GROSS LLP**

By: /s/ Patrick V. Dahlstrom

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