

Enron Bond Litigation

In response to the corporate scandal at Enron, the Investment Committee authorized the Legal Office in the spring of 2002 to pursue a state action claim against Enron's directors, underwriters, investment banks, and other potentially culpable parties related to CalPERS' losses resulting from purchases of Enron's 7% Exchangeable Notes. Enron itself was not named as a defendant to avoid jurisdiction by the bankruptcy court. CalPERS invested a total of approximately \$6.6 million in the 7% Exchangeable Notes with a total loss to be determined at trial. In addition, in November 2002, the Investment Committee authorized the Legal Office to pursue additional claim relating to CalPERS' \$45.5 million loss in the Internorth Bonds, a predecessor company of Enron. An amended complaint was filed in Superior Court in San Francisco by outside counsel addressing losses from both notes on February 3, 2003, and service on all defendants began on that date.

The case has been removed to federal court. On August 5, 2003, defendants were granted a conditional transfer order to the Southern District of Texas to Judge Harmon, the presiding judge of all Enron-related federal litigation (excluding the bankruptcy proceeding in the Southern District of New York). Subsequently, Judge Harmon issued a consolidation order consolidating our case with all the others. In late 2006, CalPERS voluntarily dismissed the case opting to participate in the class recovery rather than proceed with its own litigation. CalPERS was represented by Cotchett, Pitre, & McCarthy.