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Contact: Trey Davis, (510) 987-0056
trey.davis@ucop.edu

UC secures \$2.4 billion settlement with CIBC in Enron fraud case

The University of California has reached a third large settlement in the Enron Corp. securities fraud class action, with the announcement today (Aug. 2) of a US\$2.4 billion agreement with Canadian Imperial Bank of Commerce (CIBC). The university is lead plaintiff representing a class of Enron investors who lost tens of billions of dollars. UC alleged that CIBC participated in an elaborate scheme to defraud investors and thereby violated Section 10(b) of the Securities Exchange Act of 1934 and other securities laws.

"With this CIBC settlement, UC has now recovered more than \$7 billion for investors – more than any other securities case in history," said James E. Holst, the university's general counsel. "We are especially pleased with the amount of this latest settlement, which exceeds both the Citigroup and JPMorganChase settlements."

With this \$2.4 billion latest settlement, UC has now obtained more than \$7 billion for Enron investors, including \$2.2 billion from JPMorganChase, \$2 billion from Citigroup, \$222.5 million from Lehman Brothers, \$69 million from Bank of America, \$168 million from Enron's outside directors, and \$32 million from Andersen Worldwide. UC will also secure a distribution of \$37 million for investors through the bankruptcy proceeding for the LJM2 partnership involved in the Enron scheme.

"This settlement demonstrates that the University's strategy of aggressively pursuing the defendants is working," said William S. Lerach, of Lerach Coughlin Stoia Geller Rudman & Robbins LLP, lead counsel for the university in the litigation. "We continue to pursue other defendants, including other banks that have been charged with knowingly participating in the scheme to defraud Enron investors. Beyond today's agreement, the lawsuit continues to proceed very satisfactorily and further large recoveries are anticipated."

"The University is grateful for the tireless and mighty effort by mediator Eric Green in helping us reach this resolution," Holst said of the Boston University law professor who has been involved in several settlement negotiations in the Enron case.

Retired federal judge Hon. J. Lawrence Irving, who is serving as an advisor to the UC Regents in the Enron litigation, said, "I unqualifiedly endorse this additional settlement and hope it helps lead to further substantial recoveries for Enron investors."

This settlement has been approved by the CIBC board of directors and is subject to approval by the UC Regents and the court.

Remaining defendants in the investors' lawsuit include the financial institutions of Merrill Lynch, Credit Suisse First Boston, Barclays Bank, Deutsche Bank, Toronto-Dominion Bank, Royal Bank of Canada and the Royal Bank of Scotland, all alleged to be key players in a series of fraudulent transactions that ultimately cost Enron investors an estimated \$40-45 billion in market losses.

These banks allegedly set up false investments in clandestinely controlled Enron partnerships, used offshore companies to disguise loans and facilitated phony sales of phantom Enron assets. As a result, Enron executives were able to deceive investors by reporting increased cash flow from operations and by moving billions of dollars of debt off Enron's balance sheet, thereby artificially inflating securities prices.

Additional remaining defendants include Goldman Sachs, because of its role as an underwriter of Enron securities, as well as former officers of Enron, its accountants, Arthur Andersen, and certain law firms.

In February 2002, UC was named lead plaintiff in the Enron shareholders' class action suit previously filed against 29 top executives of Enron Corp. and its accounting firm, Arthur Andersen LLP. The university filed a consolidated complaint on April 8, 2002, adding nine banks and two law firms as defendants in the case. In April 2003, U.S. District Court Judge Melinda Harmon completed her rulings on the various defendants' motions to dismiss and lifted the stay on discovery. Following those rulings, UC filed an amended complaint on May 14, 2003.

Other institutional investors acting as representative plaintiffs on behalf of Enron investors include Washington State Investment Board, the Amalgamated Bank and its Long View Funds, Illinois State Board of Investment, San Francisco City and County Employees' Retirement System, Employer-Teamsters Local Nos. 175 & 505 Pension Trust Fund, Hawaii Laborers Pension Plan, Greenville Plumbers Pension Plan, Archdiocese of Milwaukee and Staro Asset Management.

Depositions in the case began in June 2004, with the trial slated to begin on Oct. 16, 2006.

Recovered funds, to be split among investors who bought Enron shares or publicly traded debt securities issued by Enron and Enron-related entities between Sept. 9, 1997 and its Dec. 2001 bankruptcy filing, are earning interest. The court must approve an allocation plan for the distribution. At this point, the total amount of money that will be recovered and the total pool of investor shares to receive it are unknown.

For more background on the Enron lawsuit:

www.universityofcalifornia.edu/news/enron

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CLASS RECOVERIES TO DATE

Canadian Imperial Bank of Commerce	Aug. 2005	\$2.4 billion
JPMorganChase	June 2005	\$2.2 billion
Citigroup	June 2005	\$2 billion
Outside Directors	Jan. 2005	\$168 million
Lehman Brothers	Oct. 2004	\$222.5 million
Bank of America	July 2004	\$69 million
Andersen Worldwide SC	2002	\$32 million
LJM2 bankruptcy recovery	2004-05	\$32 million
TOTAL (as of Aug. 2, 2005)		\$7.1235 billion

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