

February 4, 2008

TO: Members of the Board of the Cincinnati Retirement System

FROM: J. Rita McNeil, City Solicitor

Copies to: Joe Gray, Finance Director; John Boudinot, CRS Pension Manager

RE: **Supplemental Enron settlements**

PRIVILEGED ATTORNEY-CLIENT DOCUMENT

Outside counsel for the Enron settlement, Sidney Liebesman of Grant & Eisenhofer, recently advised the Solicitor's Office that his firm is recommending settlements against two (2) groups of Enron defendants in the ongoing litigation matter related to Enron securities fraud. As you know, the Cincinnati Retirement System ("CRS") previously joined with the other Ohio public pension funds to maximize its ability to negotiate settlements against a large number of Enron and WorldCom defendants in appropriate cases.

With regard the current Enron proceedings, there are two (2) actions for which Grant & Eisenhofer has requested settlement approval from each of the Ohio funds. The proposed settlements are as follows: (1) a \$700,000 settlement for all of the Ohio funds to be paid on behalf of Enron's Outside Directors; and (2) a \$3.9 million settlement with the remaining eight (8) defendant investment banks, resulting from the payment of \$650,000 each by six (6) of the eight (8) defendant banks (CSFB, Merrill Lynch, RBS, Royal Bank of Canada, Deutsche Bank, and Barclays). Additionally, Grant & Eisenhofer will attempt to negotiate an appropriate settlement (\$650,000 or less) from the seventh bank, Toronto Dominion, which played a lesser role in the questionable activities by the investment banks regarding Enron securities. Finally, Grant & Eisenhofer is recommending dismissal of any pending claims by the Ohio funds against the eighth bank, Goldman Sachs, due to the lack of evidence of actionable fraud by that entity in the Enron case.

If the settlements are approved by the Ohio funds and successfully negotiated by Grant & Eisenhofer, settlement proceeds submitted by the defendants in this case will be allocated to each of the Ohio funds based on the percentage of losses suffered by the funds with regard to the Enron securities fraud. As with the prior Enron settlements, CRS is therefore slated to receive 5.1% of the total recovery paid to the Ohio funds based on its respective share of Enron losses. This would result in CRS receiving approximately \$249,900 of the funds received by the Ohio funds.

Upon review of the above information, the Solicitor's Office recommends that the CRS Board approve the described settlements against the two (2) groups of Enron defendants. Mr. Liebesman advised the Solicitor's Office that the other Ohio funds have approved the proposed settlements in this case. Please note that any discussion or vote on this matter by the CRS Board should be done in executive session, due to the pending nature of the Enron litigation.

After these proposed Enron settlements are finalized, only a few individual defendants (former Enron executives) will be left in the securities case. The remaining litigation objective will be to attempt to collect as much as possible from those remaining Enron defendants, although they are now significantly depleted in their personal funds. The Solicitor's Office and its outside counsel, Grant & Eisenhofer, will continue to update the CRS Board on this matter as appropriate.

If you have any questions regarding this matter, please do not hesitate to call me or Chief Counsel Roshani Hardin at 352-3334.