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UC Settles with Arthur Andersen's International Firms in Enron Lawsuit

On behalf of Enron investors, the University of California has tentatively reached, subject to the approval of certain of the principals and the court, a \$40 million settlement with Arthur Andersen's international umbrella organization in the Enron securities and pension class action suits.

Andersen Worldwide, SC and its non-U.S. member firms will be released from liability and dismissed from the suit; the U.S. firm (Arthur Andersen LLP) and its members will not be released and will remain in the suit.

"This substantial settlement is a favorable result for the class in light of the limited role of the non-U.S. Andersen entities, and represents one of the more substantial securities recoveries from an accounting firm," said James E. Holst, the University's general counsel. "We regard this settlement as only a first step in obtaining recovery for the class, and will continue to pursue damages from the remaining defendants, most of whom had far deeper involvement in the Enron debacle than the overseas Andersen firms."

In its amended complaint filed on April 8th, UC named Andersen Worldwide, SC and several overseas Andersen firms as defendants in the securities lawsuit. Arthur Andersen was organized into separate partnerships that were independent legal entities in each country; Andersen Worldwide, SC, a Swiss partnership, serves as a coordinating entity for the international network of Andersen firms. Unlike the non-U.S. firms, Andersen LLP, which is not being released from the suit, was Enron's auditor and signed its financial statements. Anderson Worldwide denies any liability or wrongdoing with regard to Enron.

The settlement is subject to court approval. The settlement funds will eventually be divided among class members on the basis of an allocation formula that estimates their pro-rata share of total class damages. The division of the Andersen payment between the securities and pension classes will also be determined later.

The settlement, worked out over the past several weeks, includes \$15 million that will be available to finance costs - but not attorney's fees - of the ongoing litigation, subject to court approval.

"This first settlement recovers millions of dollars for the class and demonstrates that even relatively minor actors may face substantial liability to Enron's investors," said William S. Lerach, a partner in the Enron lead counsel firm of Milberg Weiss Bershad Hynes & Lerach.

This spring, UC and the Enron plaintiffs attempted to negotiate a settlement with Arthur Andersen's U.S. firm. When discussions with Arthur Andersen, LLP ended, the University entered into negotiations with the non-U.S. firms regarding the possibility

of a separate settlement. Enron and its creditors committee are not part of this settlement with the non-U.S. firms and will have no right to share in the proceeds.

The University of California was named lead plaintiff in the securities class action suit in February 2002. The total losses experienced by all Enron shareholders are estimated at more than \$25 billion.

Background materials on the University of California and the Enron shareholders lawsuit are available at www.ucop.edu/news/enron and the Milberg Weiss site at www.enronfraud.com.