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## **UPDATE ON THE WESTRIDGE/WG TRADING FRAUD CASE**

### **Receiver Confirms Substantial Assets Available to Re-Pay Investors**

The Federal Court overseeing the fraud charges and other legal actions being brought against Steven Walsh, Paul Greenwood and various entities they controlled (including Westridge Capital Management and WG Trading Company, which managed funds for SCERS), has received a first report from the Receiver appointed by the Court to assess the assets and liabilities in the Walsh and Greenwood operations. The Receiver's report confirms that there are substantial assets available to re-pay investors – approximately \$893 million. The Receiver also reported, however, that it does not appear that the assets will be sufficient to fully re-pay the approximately \$1.5 billion owed to all investors.

SCERS was one of a number of large, institutional investors who had invested in entities operated by Walsh and Greenwood. In February, when federal regulatory authorities first alerted investors to problems with the Walsh and Greenwood operations, SCERS was able to recover the \$5 million it had invested in Westridge Capital Management. At that time, it appeared that there were substantial assets in the WG Trading Company fund in which SCERS had invested another \$52 million. However, when criminal fraud charges were filed against Walsh and Greenwood, the Court seized control of their various operations and SCERS could not gain access to or obtain further information regarding SCERS' investment in WG Trading Company.

The Receiver's report confirms that the vast majority of the assets it has identified are in the WG Trading Company fund – approximately \$812 million. If those assets were used to first re-pay the investors in that fund, SCERS would recover approximately 90-95% of its \$52 million investment. The Receiver further noted, however, that Walsh and Greenwood appear to have engaged in extensive commingling of assets across the various funds they managed. On that basis, if all the assets (including those in the WG Trading Company fund) were combined and distributed pro rata to all the investors, SCERS' recovery would drop to approximately 55-60% of its \$52 million investment.

In the weeks to come, the Receiver will develop recommendations for the Court regarding a proposed method for distributing the available assets to investors. This will be an important determination and SCERS will be working with the Receiver, the federal regulating authorities, other investors and the Court to develop a distribution plan that is fair and equitable, but which also gives proper weight to the decisions made by investors regarding which Walsh and Greenwood entity they would invest in.

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