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Press
Release

For immediate release

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SDCERA issues statement regarding WG Trading

SAN DIEGO COUNTY – On February 25, 2009, the United States Attorney's Office and the Federal Bureau of Investigation announced the arrest of Paul Greenwood and Stephen Walsh on a three-count complaint for conspiracy, securities fraud and wire fraud which followed their suspension by the National Futures Association (NFA) on February 12, 2009. Greenwood and Walsh were the principals of WG Trading, a fund in which the San Diego County Employees Retirement Association (SDCERA) is an investor.

Although SDCERA terminated the WG Trading relationship and requested a full redemption on December 31, 2008, the assets have not yet been returned to SDCERA. The decision to terminate WG Trading was a result of issues and concerns that arose during a recent due diligence review.

On October 7, 2008, Albourne Partners, an SDCERA consultant, conducted a due diligence investigation at the offices of WG Trading in Greenwich, Connecticut. During the due diligence visit, the Albourne analyst found Greenwood to be uncooperative and evasive. In addition to a general lack of operational transparency, Greenwood refused to provide access to key references such as third party brokers. SDCERA also followed up with WG Trading by requesting additional information, but was not provided with a sufficient response.

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Given its concerns with the lack of disclosure, SDCERA terminated WG Trading effective December 31, 2008.

On January 8, 2009, WG Trading contacted SDCERA and requested their termination be reconsidered and offered to provide additional information, which SDCERA deemed insufficient. On January 15, 2009, the SDCERA Board of Trustees rejected WG Trading's request to be reinstated, and approved staff's decision to terminate WG Trading and demand a return of all monies invested.

SDCERA's decision to terminate WG Trading on December 31, 2008, was based on the refusal of the company to promptly and completely answer all questions presented to them. However, at that time fraud was not suspected.

On February 25, 2009, the Securities and Exchange Commission (SEC) requested that Robb Evans & Associates LLC be appointed Receiver for WG Trading and that request was granted by the U.S. District Court, Southern District New York on the same day. SDCERA will be providing full cooperation with all the governmental authorities involved with this matter.

Please see the attached fact sheet for more information.

SDCERA is an independent association established by the County Employees Retirement law of 1937, which governs 20 California county retirement systems. SDCERA provides retirement benefits for approximately 35,000 eligible employees, former employees who are vested, and retirees of the County of San Diego.

FACT SHEET

The events relating to SDCERA and WG Trading are as follows:

- On August 31, 2000, SDCERA made its initial investment of \$40 million with Westridge Capital/WG Trading to manage an Enhanced S&P 500 product offered by Westridge that used WG Trading's index arbitrage strategy.
- On April 1, 2004, as a result of modifying its investment implementation approach for the large cap domestic equity exposure, SDCERA terminated its relationship with Westridge Capital and instead invested directly with WG Trading. At that time an additional \$150 million was invested in the index arbitrage strategy.
- SDCERA redeemed \$75 million on October 31, 2007.
- The money was invested in short-term instruments which corresponded with the S&P 500.
- Paul Greenwood and Stephen Walsh are the principals of WG Trading.
- The strategy returned 4.72% since inception.
- The amount invested with WG Trading varied over the years, but was \$78 million as of December 31, 2008.
- SDCERA hired Albourne Partners in April 2007 to be a consultant on a number of SDCERA's fund investments.
- Albourne Partners provided both investment advice and operational due diligence monitoring for SDCERA.
- On October 7, 2008, Albourne Partners went to the Greenwich, Connecticut offices of WG Trading to do an operational due diligence visit.
- During the on-site visit, Albourne requested Greenwood provide the contact information for their joint back office providers and primary lenders on the SDCERA account.

- Greenwood refused to provide that information.
- Albourne's Manager Selection Committee met on November 11, 2008, to discuss the WG Trading due diligence review.
- Albourne's Advisory Committee met on December 22, 2008, to discuss their position regarding WG Trading.
- On December 23, 2008, Albourne recommended to SDCERA Investment Staff to terminate WG Trading as a result of failure by Greenwood and WG Trading to provide requested information during this due diligence visit.
- On December 31, 2008, Investment Staff at SDCERA notified WG Trading that they were terminated and requested a full redemption.
- The reason for the termination and redemption request was the refusal by WG Trading to fully cooperate with Albourne during the due diligence visit; fraud was not suspected at that point in time.
- Per the subscription agreement, upon our full redemption request WG Trading would return funds on June 30, 2009.
- On January 8, 2009, Westridge Capital Management contacted SDCERA and asked the Board to reconsider and reinstate WG Trading as a money manager.
- On January 15, 2009, the SDCERA Board of Trustees met and discussed the request for reinstatement and rejected the request.
- On that same date, the Board of Trustees voted unanimously to affirm Staff's decision to terminate WG Trading and demand return of all invested monies.
- SDCERA was told by WG Trading that the \$78 million was invested in S&P 500 contracts that would be maturing in March 2009.
- On February 12, 2009, SDCERA was notified by the National Futures Association (NFA) that they had completed a six-day audit at WG Trading and related companies.
- The NFA stated that Greenwood and Walsh had refused to provide information on \$550 million in promissory notes from themselves to the various WG Trading

entities. A portion of those promissory notes totaling \$194 million was a receivable in the WG Trading entity in which SDCERA was invested.

- As a result of this refusal, the NFA barred Greenwood and Walsh from having access to, or trading on, any of the accounts at WG Trading and affiliated companies.
- SDCERA contacted Cooley Godward Kronish LLP, the law firm retained by WG Trading and affiliated companies, as well as attorneys for other investors in the fund, to attempt to gain further understanding of the status of the firm.
- On February 25, 2009, SDCERA learned that Greenwood and Walsh had been arrested by the FBI, and charged in a three-count complaint with conspiracy, securities fraud and wire fraud.
- The Securities and Exchange Commission and the Commodity Futures Trading Commission both filed civil complaints in this matter on February 25, 2009.
- The Securities Exchange Commission requested that Robb Evans & Associates LLC act as Receiver for the various WG entities and the U.S. District Court, Southern District of New York approved this appointment on February 25, 2009.
- SDCERA has provided, and will continue to provide, full cooperation with all law enforcement and regulatory authorities as they investigate and prosecute this matter.

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This amended press release corrects the dates of initial investment with Westridge Capital/WG trading.