

## In re Electronic Data Systems Corporation Securities Litigation

COURT: United States District Court for the Eastern District of Texas

CASE NUMBER: 03-cv-110

**CLASS PERIOD:** 02/07/2001 - 09/18/2002

Securities fraud class action filed on behalf of persons or entities who purchased securities of information technology provider Electronic Data Systems Corporation ("EDS") between February 7, 2001 through September 18, 2002, alleging that EDS, and certain of its officers and directors, made false and misleading statements in connection with its financial reporting, causing EDS's stock to trade at artificially inflated prices. BLB&G, as Co-Lead Counsel, represents Lead Plaintiff the Department of the Treasury of the State of New Jersey and its Division of Investment on behalf of Common Pension Fund A in this action.

## COURT APPROVES \$137.5 MILLION SETTLEMENT OF EDS SECURITIES LITIGATION

On March 7, 2006, the Court granted final approval of a settlement with EDS, which provided for defendants to pay \$137.5 million in cash for the benefit of the Class. Notice of Settlement and Proof of Claim Forms are available below. A settlement fairness hearing was held on March 7, 2006, and Judge Davis granted final approval of the settlement. Certain objectors filed appeals to the district court's approval of the settlement, plan of allocation and attorneys' fees. The appeals have been dismissed.

On April 9, 2008, the Court issued an Order granting Lead Plaintiff's motion for approval of distribution of settlement proceeds. The claims administration process has concluded and the net settlement fund has been fully disbursed. This matter is considered closed.

## **Background**

On September 18, 2002, EDS announced that it expected earnings for its third quarter 2002 to fall short of the Company's prior issued guidance by approximately 80 percent. Analysts questioned whether the earnings shortfall resulted from improper revenue recognition practices on certain contracts in violation of Generally Accepted Accounting Principles ("GAAP,") including EDS' contract with the Navy. Following these disclosures, the price of EDS common stock fell from \$36.46, prior to the Company's initial announcement, to \$11.68 on September 24, 2002, erasing approximately \$11.8 billion in shareholders' equity.

On July 7, 2003, Lead Plaintiff New Jersey filed its Amended Consolidated Complaint (the "Complaint") against EDS, Dick Brown, EDS' Former Chief Executive Officer, and James Daley, EDS' former Chief Financial Officer for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. In its Practice and Procedure Order No. 5 dated January 13, 2004, the Court denied Defendants' Motion to Dismiss the Complaint. The Court determined that plaintiffs pled sufficient facts to show that serious problems, such as cost overruns and testing delays, plagued EDS' work on a particular contract - the Navy Marine Corps Intranet Contract ("NMCI Contract.") The Court found that plaintiffs' allegations show that despite knowing these problems existed, defendants continued to issue press releases and earnings statements which included overstatements of revenue recognized from the NMCI Contract. The Court also concluded that plaintiffs sufficiently pled that the defendants' misrepresentations caused the value of EDS' stock to be artificially inflated during the Class Period.



On November 1, 2004, New Jersey moved the Court to certify the action as a class action on behalf of persons or entities who purchased EDS securities between February 7, 2001 through September 18, 2002, and who were damaged thereby. Excluded from the proposed class are defendants, members of the families of either Brown or Daley, any parent, subsidiary, affiliate, partner, officer, executive, director of any defendant, any entity in which any such excluded person has a controlling interest, and the legal representatives, heirs, successors and assigns of any such excluded person or entity.

By Order dated February 11, 2005, the Court certified the Class.

## **Case Documents**

- January 13, 2004 Practice and Procedure Order No. 5
- July 7, 2003 Amended Consolidated Class Action Complaint
- Notice of Class Action
- Notice of Proposed Settlement