

FirstEnergy Derivative Litigation

COURT: United States District Court
CASE NUMBER: 03-cv-1684

On September 18, 2003, BLB&G client Teachers' Retirement System of Louisiana ("Louisiana Teachers") filed a derivative action on behalf of FirstEnergy Corporation ("FirstEnergy") and its shareholders in the United States District Court for the Northern District of Ohio. The action involves allegations that FirstEnergy's board of directors breached their fiduciary duty to shareholders by ignoring repeated signs of inadequate and decaying equipment, failing to maintain emergency control systems and neglecting to establish an adequate financial reporting system.

The Complaint alleges, among other things, that as a result of the gross mismanagement and reckless behavior by the Board of Directors, FirstEnergy's customers have faced numerous power failures and blackouts, most notably the massive blackout that affected more than 50 million people in the Northeast section of the United States on August 14, 2003.

On January 7, 2004, the Court appointed Louisiana Teachers as Co-Lead Plaintiff and BLB&G as Co-Lead Counsel.

FIRST ENERGY AGREES TO SWEEPING CORPORATE GOVERNANCE REFORMS

On July 27, 2004, the Louisiana Teachers and FirstEnergy announced a settlement of the action which provides for the adoption by the Board of Directors of an extensive corporate governance plan that will result in widespread reforms to FirstEnergy's corporate governance practices.

In addition to the adoption of the corporate governance plan, the insurance carriers for FirstEnergy's directors and officers have agreed to pay the company \$25 million as part of the settlement, which is subject to approval by the United States District Court for the Northern District of Ohio.