

Jerry Silk Featured in The New York Times' Coverage of Significant Subprime Ruling in Countrywide Litigation

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As part of *The New York Times*' ongoing coverage of the subprime mortgage meltdown, BLB&G partner Jerry Silk is quoted extensively in "Judge Says Countrywide Officers Must Face Suit by Shareholders."

Mr. Silk represents the Arkansas Teacher Retirement System, Fire & Police Pension Association of Colorado, Louisiana Municipal Police Employees Retirement System, Central Laborers Pension Fund, and the Mississippi Public Employees Retirement System in the shareholder derivative action against Countrywide Financial Corporation.

The suit names 14 current and former directors and officials as defendants in the case. The complaint alleges that Countrywide's CEO, Angelo Mozilo, and other individuals were guilty of misconduct, lack of good faith and lack of oversight of Countrywide's lending practices, financial reporting, and internal controls. In addition, the action alleges the improper sale of over \$848 million of Countrywide stock at inflated prices while in possession of material inside information.

In a significant ruling issued by the Federal District Court in Los Angeles rejecting the Defendants' Motions to Dismiss the action, the Honorable Mariana R. Pfaelzer wrote, "it defies reason, given the entirety of the allegations...that these committee members could be blind to widespread deviations from the underwriting policies and standards being committed by employees at all levels. At the same time, it does not appear that the committees took corrective action."

In addressing the market landscape generally, Mr. Silk explains, "Corporate fiduciaries cannot expect to evade liability by blaming a general market downturn when there is specific and systematic misconduct taking place right beneath their noses."