

CASE STUDY

Where There's Smoke, There's Fraud: California Wildfires and a \$450 Million Recovery for PG&E Shareholders

Authors: Thomas A. Dubbs, Michael P. Canty

OVERVIEW

In the aftermath of devastating wildfires in Northern California in 2017 and 2018, the Public Employees Retirement Association of New Mexico (PERA) took a stand against the Pacific Gas & Electric Corporation (PG&E), several of its current and former executives, and over 20 financial institutions that participated in certain PG&E note offerings. PERA led a hard-fought class action for nearly seven years on behalf of its members and other retirement and pension funds.

The case, filed in the U.S. District Court for the Northern District of California (Judge Edward J. Davila presiding), concerned allegations that PG&E misled investors by downplaying or concealing the potential dangers posed by its aging infrastructure and its failure to meet regional wildfire-safety standards. Those risks contributed to the 2017 North Bay Fires and the 2018 Camp Fire in Northern California and subsequent shareholder losses.

PERA's dedication to protecting the financial interests of its members, and a class of institutional investors nationwide, played a pivotal role in bringing the alleged securities fraud to light. Their courage and tenacity fueled a challenging legal battle involving one of the most influential energy companies in the country.

Labaton Keller Sucharow was honored to serve as lead counsel, leveraging over half-a-century of experience to navigate the intricate legal landscape surrounding PG&E's failures. By confronting both the fallout from the wildfires and the challenges posed by PG&E's subsequent bankruptcy, the Firm guided a determined — and successful — effort to secure justice and compensation for the class.

This case exemplifies the Firm's deep experience and strategic approach to litigation. It also highlights the crucial role of institutional investors in holding corporations accountable for malfeasance.

CHALLENGES

PG&E kept shareholders in the dark about the substantial risks the company faced. Those risks allegedly resulted in the wildfires and PG&E's bankruptcy in 2019 due to overwhelming financial liability for the wildfires.

The bankruptcy proceedings automatically stayed the securities claims against PG&E. But a district court also extended the indefinite stay to the individual defendants, increasing the case's complexity and introducing the challenge for the Firm of navigating through both the securities litigation, PG&E's restructuring, and the threat of a delay that could erode the sizable settlement shareholders deserved even before settlement negotiations began.

The Path to \$450 Million for PG&E Shareholders

INSTITUTIONAL LEADERSHIP AND TRUST

PERA SELECTS LABATON KELLER SUCHAROW AS LEAD COUNSEL



UNCOVERING REGULATORY FAILURES

FIRM UNCOVERS DETAILS OF PG&E'S MISCONDUCT



FILING OF SECURITIES CLASS ACTION

FIRM DEVELOPS SIGNIFICANT LEGAL FRAMEWORK TO HOLD PG&E ACCOUNTABLE



NAVIGATING PG&E'S BANKRUPTCY

FIRM ENSURES CLAIMS PROCEED DESPITE PG&E REORGANIZATION. SUCCESSFUL APPEAL OF INDEFINITE STAY



STRATEGIC SETTLEMENT NEGOTIATIONS

FIRM'S POST-BANKRUPTCY NEGOTIATIONS LEAD TO \$450 MILLION SETTLEMENT



SOLUTIONS

To secure the maximum settlement for plaintiffs, Labaton Keller Sucharow employed several key legal strategies to overcome those challenges:

- **Thorough Investigation:** The Firm conducted an exhaustive investigation into PG&E's wildfire-safety practices and its corporate disclosures, uncovering critical omissions that misled shareholders. This included reviewing internal communications and public filings to build a case that PG&E had concealed material risks.
- **Navigating Bankruptcy Proceedings:** PG&E's 2019 bankruptcy posed a significant legal hurdle, as it paused the class action against PG&E and individual defendants while the company's restructuring was underway. Labaton Keller Sucharow successfully appealed the stay to the Ninth Circuit, arguing the district court failed to weigh adequately the potential harm to the plaintiffs, such as loss of evidence and fading memories. The Firm also successfully argued for the securities litigation against PG&E to proceed after the bankruptcy resolution, ensuring shareholders' claims could move forward alongside PG&E's restructuring.
- **Post-Bankruptcy Negotiation:** After the bankruptcy resolution, Labaton Keller Sucharow led strategic settlement negotiations with PG&E. The Firm's approach balanced the complexities of wildfire-related liabilities with the need to recover losses for investors, leading to a favorable settlement.

RESULTS

Labaton Keller Sucharow's guidance, with PERA's leadership, led to an important victory by recovering a standout \$450 million post-bankruptcy securities fraud class action settlement on behalf of PERA and other retirement and pension funds — one of the largest in Ninth Circuit history.

The settlement not only compensates the class, but also sends a powerful message about corporate accountability and the importance of institutional investors holding corporations accountable for fraudulent behavior, particularly in high-risk industries like energy and utilities. It also reflects the Firm's relentless pursuit of justice for shareholders impacted by corporate misconduct.

Through dedication and strategic litigation, the Firm successfully uprooted long-standing corporate fraud at PG&E, overcame two motions to dismiss, secured the crucial reversal of an indefinite stay (allowing the case to proceed against individual defendants), and recovered a significant settlement for the class.

KEY TAKEAWAYS

- **Historic Settlement:** The \$450 million settlement stands as one of the largest securities fraud settlements in the Ninth Circuit, demonstrating the importance of holding corporations accountable for misleading shareholders.
- **Navigating Defendant Bankruptcy:** The case illustrates the challenges of pursuing securities claims when a defendant is in bankruptcy and the crucial role legal strategy plays in achieving post-bankruptcy settlements.
- **Investor Protection:** The case reinforces the need for transparency in corporate disclosures, particularly in industries with high operational risks. It also underscores how misleading statements about wildfire safety and compliance can significantly harm shareholder confidence and financial wellbeing.

DEDICATED PARTNERS

“Labaton’s exceptional work won this case. It’s rare to find a law firm at the top of its field that’s as dedicated to its clients and easy to work with as they are — and wins.” Anthony V. Montoya, General Counsel, Public Employees Retirement Association of New Mexico

CONTACT US TODAY

Labaton Keller Sucharow has been an advocate and trusted partner on behalf of institutional investors for more than 60 years. As a result of the significant victories the Firm has obtained for clients, Labaton Keller Sucharow has earned a reputation as a leading law firm for pension funds, asset managers, and other large institutional investors across the world.

Our attorneys are available to address any questions you may have regarding litigation or arbitration. Please contact the Labaton attorney with whom you usually work or a member of the Firm's Securities Litigation Practice Group.



Thomas A. Dubbs
Partner

140 Broadway, New York, NY 10005
tdubbs@labaton.com



Michael P. Canty
Partner and General Counsel

140 Broadway, New York, NY 10005
mcanty@labaton.com



New York

140 Broadway

Floor 34

New York, NY 10005

Tel: +1 212.907.0700

Delaware

222 Delaware Avenue, Suite 1510

Wilmington, DE 19801

Tel: +1 302.573.2540

London

1 King William Street

London, EC4N 7AF United Kingdom

Tel: +44 20 3582 0981

Washington, D.C.

1050 Connecticut Avenue NW, Suite 500

Washington, D.C. 20036

Tel: +1 202.772.1881