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BIG SUITS

Illinois v. OppenheimerFunds

On December 22 OppenheimerFunds, Inc., agreed to pay \$77 million to the state of Illinois to put to rest allegations that it mismanaged a fund in the state's 529 college savings plan. The settlement is the largest yet stemming from its handling of state-sponsored college savings plans.

OppenheimerFunds, a unit of Massachusetts Mutual Life Insurance Company, admitted no wrongdoing as part of the settlement. But since some funds it managed for state 529 plans posted dramatic losses in 2008, it has been facing a wave of parallel state investigations and litigation. (The 529 plans provide tax breaks for savings earmarked for future higher education expenses.)

At press time Texas, Maine, and Nebraska were all pursuing investigations; in the month prior to the Illinois settlement, OppenheimerFunds settled with the state of Oregon for \$20 million and with New Mexico for \$67 million.

Dechert's **Matthew Larrabee** is leading OppenheimerFunds's defense in Oregon and New Mexico; his colleague **Catherine Botticelli** is leading settlement negotiations elsewhere.

The Illinois attorney general and the state treasurer's office both launched investigations last January into the firm after a fixed-income fund suffered losses of 38 percent, or roughly \$150 million, according to the *Chicago Sun-Times*. The attorney general's office alleged in a statement that the fund proceeds were invested in risky derivatives instead of the investment-grade securities promised in the fund's prospectus. OppenheimerFunds declined to comment on the allegations, but said the settlement was made to avoid costly and lengthy litigation.



MATTHEW LARRABEE
Dechert



CATHERINE BOTTICELLI
Dechert

Illinois investors stand to recover more than 50 cents on the dollar under the settlement.



FOR PLAINTIFF THE STATE OF ILLINOIS

In-House: At the attorney general's office: attorney general Lisa Madigan, chief of the public interest division Paul Gaynor, deputy chief of the public interest division David Buysse, special litigation bureau chief Carl Bergetz, and assistant attorneys general William Fletcher and Mark Kaminski.



FOR DEFENDANT OPPENHEIMERFUNDS, INC.

(NEW YORK)

Dechert: Catherine Botticelli, Matthew Larrabee, counsel Denis Lawson, and associates Mark DiPerna, Craig Falls, and Joshua Richard. (Larrabee is in San Francisco and Newport Beach, California; DiPerna is in San Francisco; Richards is in Philadelphia; and the rest are in Washington, D.C.) Dechert, longtime counsel to the company, is handling its 529 disputes nationwide.

—Matt Straquadine