

**BEN WESTLUND**

STATE TREASURER  
350 WINTER ST. NE  
SALEM, OREGON 97301  
Phone 503-378-4329  
[www.ost.state.or.us](http://www.ost.state.or.us)



**JOHN KROGER**

ATTORNEY GENERAL  
1162 COURT ST. NE  
SALEM, OREGON 97301  
Phone 503-378-6002  
[www.doj.state.or.us](http://www.doj.state.or.us)

***FOR IMMEDIATE RELEASE : Nov. 19, 2009***

**CONTACTS:**

James Sinks, Office of the State Treasurer  
503-508-0737 or [James.sinks@state.or.us](mailto:James.sinks@state.or.us)  
Tony Green, Department of Justice  
503-378-6002 or [Tony.green@doj.state.or.us](mailto:Tony.green@doj.state.or.us)

## **OppenheimerFunds agrees to pay Oregon families \$20 million to settle lawsuit alleging college savings plan mismanagement**

*Oregon College Saving Plan accounts will be reimbursed in early 2010 based on losses in bond fund*

SALEM – Oregon families will recover losses that were alleged to be attributable to OppenheimerFunds’ mismanagement of the Oregon 529 College Savings Network, following a landmark legal settlement approved Thursday by the Oregon 529 College Savings Board.

The settlement, announced by Oregon Treasurer Ben Westlund and Attorney General John Kroger, resolves a lawsuit that was filed in April against OppenheimerFunds Inc. and two affiliates. The case was filed on behalf of the Oregon College Savings Trust for the benefit of participants who suffered losses in the OppenheimerFunds Core Bond Fund.

The lawsuit alleged mismanagement, securities fraud, breach of contract, and breach of fiduciary duty. It had been pending in Marion County, Ore.

The settlement will divide \$20 million among roughly 45,000 accountholders, based on how heavily individual accounts were invested in the Core Bond Fund.

“We are vigilantly watching out for Oregon families who are investing for a better future,” said Treasurer Westlund. “It was important for the Board to get this matter resolved in a timely way so that money could get back into the accounts of families that need it now, not several years from now.”

Investors who were in “conservative” portfolios in the Oregon 529 College Savings Network had the heaviest exposure to the Core Bond Fund. Those investors were most likely to have children in college or on the cusp of college.

"When big financial institutions behave irresponsibly, they must be held accountable," said Attorney General Kroger. Kroger added: "I am happy that our aggressive investigation resulted in a prompt resolution of this case."

OppenheimerFunds is the current program manager of the Oregon College Savings Plan, which is offered directly to the public and is the state's most popular college savings option. The plan allows families to invest for college and job training while also receiving tax benefits.

The contract with OppenheimerFunds runs through the end of the year, and the company did not submit a bid to continue in that role.

The Oregon lawsuit alleged that OppenheimerFunds falsely represented that certain investments were appropriate for conservative and ultra-conservative portfolios. Instead, the company allegedly shuttled the assets of college savers into hedge-fund like investments that took extreme risks in a search for speculative large returns.

The Core Bond Fund lost 35.5 percent in value in 2008. Meanwhile, similar funds in the same investment class lost, on average, about 5 percent for the year.

Oregon was the only state to file litigation in connection with the Core Bond Fund management.

The Department of Justice recommended the settlement because it avoids the uncertainty of trial and the risk that a jury might award less. In addition, both Treasurer Westlund and Attorney General Kroger recognized the importance of a prompt resolution of the case to Oregonians nearing or in college, because these types of cases often take years to navigate the trial and appeal process.

A study done by a national economics firm found that the average securities class action case settles for about 3 percent of investor losses. The settlement endorsed by the Oregon 529 College Savings Board allows participants to recover approximately 57 percent of the losses sustained in the Core Bond Fund.

The material terms of the settlement were approved in a public meeting Thursday of the five-member Oregon 529 College Savings Board, which is chaired by Treasurer Westlund. A final settlement agreement has not yet been signed and thus the precise date of distribution and the distribution amounts cannot be determined at this time.

In March, the Board replaced the OppenheimerFunds Core Bond Fund in the Oregon portfolios with a different bond fund.

Under the other terms of the settlement, the recovered dollars for each accountholder are expected to be posted to individual accounts in the first quarter of 2010. Participants will be notified by mail about the settlement and recovery amount, based on their individual portfolios.

The lawsuit did not address general losses in 2008 that were a result of poor market performance. It focused solely on the OppenheimerFunds Core Bond Fund, which made up between 10 and 40 percent of age-based savings options in the Oregon plan.

Investors with aggressive, stock-based portfolios had little or no exposure to the bond fund -- and will receive little if any reimbursement.

News of the settlement was welcome to Roy Beaty of Tigard, who was saving for his youngest daughter in an "in college" portfolio in 2008 when the fund declined in value.

His daughter now attends Oregon State University. He also invested for the college education of his older children in the Oregon College Savings Plan.

"I appreciate the state's willingness to take action and the communication with account owners about what was happening," Beaty said. "It reinforced our confidence in the plan and in our state government."

The Oregon College Savings Network allows families to set aside money for college and offers significant tax benefits. Oregonians can receive a tax deduction for as much as \$4,170 saved in 2009. In addition, all of the investment gains can be withdrawn with no federal or state taxes, if used for qualified education expenses. Those include tuition, textbooks, housing and job training.

###