



All that's hot in the mutual fund industry

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Fair Funds Distributions Seen Improving in '08

Article published on Nov 26, 2007

By Peter Ortiz

The turtle's pace of distributing money back to investors hurt by the market-timing scandal is expected to speed up in the next two years, industry professionals say.

Only \$450 million of the \$3.4 billion Fair Funds collected from shops, or 13%, has been authorized for [distribution](#)¹ since the Fair Funds were established, says Niels Holch, president of the Coalition of Mutual Fund Investors.

Fair Fund Distributions

As of November 2007

Company	Date of SEC Authorization	Authorized Distribution Amount
Banc One	7/10/2007	\$56 million
Columbia	6/18/2007	\$37.8 million
Columbia	8/7/2007	\$19.2 million
MFS	11/5/2007	\$31.5 million
Pilgrim Baxter	4/12/2007	\$125 million
Pilgrim Baxter	5/30/2007	\$73.3 million
Pilgrim Baxter	8/24/2007	\$69.5 million
Veras	3/21/2007	\$38 million
Veras	6/1/2007	\$756.65
Total		\$450 million

Source: Coalition of Mutual Fund Investors

But Holch and other industry sources expect distribution to pick up greatly in 2008 and 2009 mainly due to the SEC's ability to better master tax and disbursement complexities. Holch's numbers do not account for interest that has accumulated in the Fair Funds, which were established in 2002.

"It's starting to pick up steam, so I don't think we're going to be another four years here, but it has taken a while to get to this point," Holch says "The faster this money gets distributed, the faster [firms] can really put these scandals behind them."

Janus Capital Management is typical of many of the approximately 30 shops ordered to reimburse investors that are still waiting for the SEC to approve their distribution plans. Janus's settlement order date was August 2004 for \$100 million. The SEC sought public comment on the proposed distribution plan from May 31, 2007, to July 2, 2007.

Citing the need to address comments, the SEC extended the deadline several more times before selecting Nov. 20 for approval or disapproval. It then extended the comment period again last week to Dec. 19.

Janus spokesman James Aber says his firm has nothing to do with the holdup and that it is "definitely a priority for us as a firm to make these payments to our shareholders."

The SEC did not return calls seeking comment.

Of all the funds, only five have had distribution amounts authorized by the SEC, including most recently \$31.5 million for MFS, according to Holch. The Fair Funds holdings currently total more than \$8 billion, he says.

Holch expects 22 additional firms to make payouts to shareholders in 2008 or 2009.

Top Five Fund Firms Expected to Be Authorized for Distribution in 2008 or 2009

As of November 2007

Company	Amount Collected
Banc of America	\$375 million
Invesco/AIM	\$375 million
Alliance Capital	\$250 million
Bear Stearns	\$250 million
MFS	\$195 million

[For a complete list, click here.](#)

Source: Coalition of Mutual Fund Investors

The SEC has had to deal with issues such as how much goes to investors, when investors came into the fund and left the fund, and how much they invested, says Paul Huey-Burns, a partner in Dec her t's white-collar and securities litigation group.

He agrees that funds can do nothing to speed up the disbursement, but expects disbursement to pick up substantially next year as the SEC has developed protocols on how to fairly distribute the funds.

"I think the disbursements really represent the last act in the whole market-timing, late-trading drama, and I think the industry will be very, very happy to put that episode behind them," Huey-Burns says.

Gary Gardner, a lawyer in the investment management division of Pepper Hamilton, concurs that disbursements will become more frequent and says the SEC will benefit from modeling its prior experience with other shops so as not to "recreate the wheel" moving forward. Having the issue hover with no resolution creates problems for firms trying to erase bad history, he says.

"As long as those payments are still pending, for the lack of a better description, their scandal-tainted past is still in people's faces," Gardner says. "So I would say they want to close that chapter and move on."

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1. <http://www.investorscoalition.com/DistributionPlanSummary.pdf>



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Fair Fund Chart

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Firms Expected to Be Authorized for Disbursement in 2008 or 2009

As of November 2007

Company	Amount Collected
Banc of America	\$375 million
Invesco/AIM	\$375 million
Alliance Capital	\$250 million
Bear Stearns	\$250 million
MFS	\$195 million
Millennium	\$180 million
Putnam	\$154 million
Strong	\$141 million
CIBC World Mkts	\$125 million
Janus	\$100 million
Columbia	\$83 million
Federated	\$72 million
Franklin	\$50 million
PA/Pimco	\$50 million
Waddell & Reed	\$50 million
Fred Alger	\$40 million
Evergreen	\$33 million
RS	\$25 million
Zurich	\$17 million
CIHC/Conseco	\$15 million
Fremont	\$4.3 million
International Equity Advisors	\$3.2 million
Total	\$2.6 billion

Source: Coalition of Mutual Fund Investors

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