# BlackRock faces lawsuits over “disproportionately large” fees

## Powerball-winning Florida adviser with stake in fund accuses firm of breaching fiduciary obligations

### By Trevor Hunnicutt , InvestmentNews [subscription required]

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BlackRock Inc. is facing a potential class-action lawsuit by investors — and a lottery-winning Florida adviser — who assert the firm has breached its fiduciary obligations by charging exorbitant fees.

In the fourth legal complaint this year asserting similar claims, Florida investment adviser Timothy C. Davidson claims the world's largest money manager keeps too much of the value generated by one of its funds even as it gets larger and cheaper to maintain.

“Defendants have breached their fiduciary duty … by charging and receiving investment advisory fees from the fund that are so disproportionately large that they bear no reasonable relationship to the services rendered,” the complaint read. “The fund's investment advisory fee arrangement has enabled [BlackRock Advisors] to retain for itself the vast majority of the benefits of economies of scale resulting from increases in the fund's assets under management during recent years, without appropriately sharing those benefits with the fund and its shareholders. In this regard, it is generally accepted in the mutual fund industry that it is not harder to manage a fund simply because it is bigger.”

The complaint also accuses the fund's board of directors of “not acting conscientiously” in approving fees and “markups,” a breach of the obligations required by the Investment Company Act of 1940, which governs funds.

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"The issue we're focused on is the difference between what BlackRock charges the funds and the fees BlackRock negotiates with other firms at arms' length," said Andrew Robertson, senior counsel at Zwerling, Schachter & Zwerling, the New York firm representing individuals who brought the other lawsuits against BlackRock.

Katherine Ewert, a spokeswoman for BlackRock, read a statement in which the firm described the suits as being without merit and said it planned to defend against the action. She declined to make anyone available to discuss the lawsuits' specific claims.

Other fund companies have been challenged on advisory fees deemed excessive in recent years. Those companies include Principal Management Corp., Ameriprise Financial, Oakmark Funds, American Funds, Hartford Investment Financial Services, Axa Equitable Life Insurance Co. and ING Investments, according to records collected by The Coalition of Mutual Fund Investors, a shareholder advocacy group.

**PLETHORA OF CASES**

“A couple of these cases have gone beyond the 'motion-to-dismiss' phase, which has encouraged the Plaintiffs' Bar and so we're seeing a plethora of cases right now … I'm struggling to post them all,” said Niels Holch, the coalition's executive director. “The question is should investors be paying twice the fee for the same services, and is that a breach of fiduciary duty for the board to agree to a fee structure that's double what it should be in a competitive marketplace.”