UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9329 / June 6, 2012

SECURITIES EXCHANGE ACT OF 1934
Release No. 67142 / June 6, 2012

INVESTMENT ADVISERS ACT OF 1940
Release No. 3417 / June 6, 2012

INVESTMENT COMPANY ACT OF 1940
Release No. 30099 / June 6, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-14909

In the Matter of **OPPENHEIMERFUNDS, INC.** **and** **OPPENHEIMERFUNDS DISTRIBUTOR, INC.,** **Respondents.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTION 15(b)(4) OF THE SECURITIES EXCHANGE ACT OF 1934, SECTIONS 203(e) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTIONS 9(b) AND 9(f) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted against OppenheimerFunds, Inc. ("OFI") pursuant to Section 8A of the Securities Act of 1933 ("Securities Act"), Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act"), and Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Investment Company Act") and against OppenheimerFunds Distributor, Inc. ("OFDI") pursuant to Section 8A of the Securities Act and Section 15(b)(4) of the Securities Exchange Act of 1934 ("Exchange Act").

II.

In anticipation of the institution of these proceedings, OFI and OFDI (together, "Respondents") have each submitted an Offer of Settlement (the "Offers"), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Section 15(b)(4) of the Securities Exchange Act of 1934, Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, and Sections 9(b) and 9(f) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds[1] that:

Summary

1. These proceedings arise out of the offer and sale of shares of Oppenheimer Champion Income Fund and Oppenheimer Core Bond Fund (the "Funds"), two fixed income retail mutual funds managed by OppenheimerFunds, Inc. ("OFI"). In 2008, both Funds experienced losses far greater than those suffered by their peer funds, with Champion Income Fund's share price declining nearly 80% (compared to an average decline of approximately 26% among its peers) and Core Bond Fund's share price declining approximately 36% (compared to an average decline of approximately 4% among its peers). The Funds' underperformance was driven primarily by their exposure to AAA-rated commercial mortgage-backed securities ("CMBS").[2] They obtained that exposure mainly through derivative instruments known as total return swaps ("TRS contracts"), which created substantial leverage in both Funds.

2. In late 2008, the CMBS market crashed, triggering large liabilities on the Funds' TRS contracts and forcing the Funds, particularly Champion Income Fund, to sell large portions of their portfolio securities to meet those liabilities. In response, OFI senior management directed the Funds' portfolio managers to cut the Funds' CMBS exposure, which they did. This action reduced the risk of further CMBS-induced losses, but it also constrained the Funds' ability to recover lost value in the event of a CMBS market recovery. In responding to questions from financial advisers (whose clients were the ultimate shareholders) and shareholders themselves, however, Respondents communicated that the Funds had only suffered paper losses, which, absent actual defaults, could be reversed when credit markets returned to normal.

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[1] The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

[2] As used in this Order, "CMBS" refers to the AAA-rated segment of the sector to which the Funds' total return swap contracts were tied.

3. In addition, throughout 2008, Respondents sold shares of the Champion Income Fund under a prospectus that highlighted the fund's cash investments in junk bonds without adequately disclosing the fund's practice of assuming substantial leverage through its use of derivatives. By offering and selling Champion Income shares under a misleading prospectus and making misleading statements in the midst of the Funds' steep declines in late 2008, Respondents violated the federal securities laws, as set forth below.

Respondents

4. **OppenheimerFunds, Inc. ("OFI")**, a Colorado corporation, has been registered as an investment adviser with the Commission at all relevant times. It has operations in New York City and Centennial, Colorado. As of February 2012, OFI provided investment advisory services to approximately 100 investment companies, with approximately $177 billion in assets under management.

5. **OppenheimerFunds Distributor, Inc. ("OFDI")**, a New York corporation and wholly owned subsidiary of OFI, has been registered as a broker dealer with the Commission at all relevant times. OFDI markets and distributes shares of registered mutual funds managed by OFI.

Other Relevant Entities

6. **Oppenheimer Champion Income Fund ("Champion")** is an open-end management investment company (*i.e.*, a mutual fund) registered with the Commission. At all relevant times, Respondents marketed Champion as a fund that invested primarily in high-yield, lower grade fixed income securities also known as "junk bonds."

7. **Oppenheimer Core Bond Fund ("Core Bond")** is a series of Oppenheimer Integrity Funds, an open-end management investment company registered with the Commission. At all relevant times, Respondents marketed Core Bond as an intermediate-term, investment grade bond fund.

Background

The Funds' Use of TRS Contracts

8. In 2007 and 2008, OFI employed a team of fixed income professionals, known as the "Core Plus Team," to manage a number of taxable fixed income accounts, including the Funds. During the second half of 2007, the Core Plus Team came to believe that CMBS were undervalued in light of the recent and sudden widening of CMBS "spreads."[3] To take advantage of what they believed was an attractive opportunity, the team began adding CMBS exposure to the Funds in late 2007.

[3] As used in this Order, "spread" refers to the difference between the yield on a bond and some baseline rate, such as the yield on Treasury bonds of like duration. A bond's spread reflects the market's perception of its credit risk—*i.e.*, the wider the spread, the greater the perceived risk of default.

9. Rather than investing directly in CMBS, however, the Core Plus Team increased the Funds' CMBS exposure mainly by entering into TRS contracts with various counterparties. Each of these contracts specified, among other things, a contract duration, a "notional amount," and a particular CMBS spread index, the movements of which dictated the parties' payment obligations. Put simply, the Funds took a "long" position in CMBS (anticipating that CMBS spreads would tighten), while the counterparties on the contracts took a "short" position (anticipating that spreads would widen).[4] At the beginning of each month through the duration of the contract, the party against whom spreads had moved during the previous month (the Funds, if spreads widened) would be required to make a cash payment to the other party based on the size of the spread change (as measured by the referenced index) and the "notional amount" of the contract.

10. Unlike purchases of actual CMBS, these TRS contracts required no initial commitment of cash; the Funds had to "pay" for their CMBS exposure only to the extent that CMBS spreads moved against their positions. This allowed the Funds to take on large amounts of CMBS exposure without having to liquidate other positions, but it also caused them to take on leverage by adding market exposure on top of the assets on their balance sheets. By March 31, 2008, Champion had net assets of approximately $2 billion, but, through its TRS contracts, it had additional exposure to approximately $1 billion of CMBS that it did not actually own. For its part, Core Bond had approximately $2.2 billion in net assets, plus additional exposure to approximately $800 million of CMBS through TRS contracts.

<u>Fourth Quarter Spread Widening Drives Down Performance</u>

11. Between mid-September and early November 2008, CMBS spreads widened to unprecedented levels, triggering substantial month-end payment obligations for the Funds on their TRS contracts. Meanwhile, market values for the Funds' portfolio securities also fell, further driving down the Funds' per share net asset values ("NAV"). Between September 14 and November 10, 2008, Champion's NAV fell approximately 50%, while Core Bond's fell more than 20%. Making matters worse, both Funds had to raise cash for anticipated TRS contract payments by selling depressed bonds into an increasingly illiquid market.

12. As the value of the Funds' assets fell, the notional amounts of their TRS contracts remained constant, meaning that their *relative* exposure to CMBS (as compared to other fixed income sectors) actually increased. This was especially true in Champion. By mid-October 2008, Champion's net assets had fallen to approximately $1 billion, about half the fund's size in March. But the fund *still* had approximately $1 billion worth of additional CMBS exposure through TRS contracts, meaning that CMBS represented a far larger position for the fund, relative to other sectors, than it had six months earlier, even though the notional size of the position had not changed.

<u>The Core Plus Team Cuts CMBS Exposure as CMBS Spreads Widen To New Levels</u>

[4] The counterparties also agreed to pay a monthly "carry amount," akin to a bond coupon payment, which could be offset by any amount owed by the Funds due to the widening of CMBS spreads.

13. In late 2008, the combination of increased CMBS volatility and heightened CMBS exposure caused both Funds' risk levels (as measured by OFI) to exceed certain limits set forth in OFI's internal risk management guidelines. Because the Core Plus Team was reluctant to "lock in losses" on their TRS contracts and believed that the CMBS market would rebound, OFI initially allowed the Funds to maintain their elevated risk levels. On or about November 12, however, OFI senior management directed the Core Plus Team to bring the Funds back into compliance with the firm's internal risk management guidelines. Within the next two days, the team developed a CMBS risk-reduction plan that set new, lower CMBS exposure targets for both Funds. Champion's new target required the fund to reduce its then-current CMBS exposure by more than half.

14. The Core Plus Team began executing its CMBS risk-reduction plan immediately, entering into hedging positions that offset a portion of the Funds' exposure on November 14. Just as the team began attempting to trim risk, however, the CMBS market's collapse accelerated over the course of the following week, creating staggering liabilities for Champion and, to a lesser extent, Core Bond on their TRS contracts and driving their NAVs still lower. In the eight days between November 12 and November 20, 2008, Champion's NAV fell approximately 60%, while Core Bond's NAV fell approximately 27%.

15. To raise cash for anticipated TRS contract payments, the Funds had no choice but to sell more of their portfolio securities. This task became increasingly difficult for Champion due to the size of its projected TRS contract payments and poor liquidity in the high-yield bond market. By November 19, Champion's anticipated TRS contract payments for November (based on then-current CMBS spread levels) totaled approximately one-third of the fund's net assets and almost twice the fund's then-available cash. The situation worsened over the next two days, prompting concerns within OFI about the fund's near-term solvency. On November 21, OFI invested $150 million in Champion to provide the fund with additional liquidity, and over the next two weeks, the Funds continued to reduce their CMBS exposure to avoid further losses and reduce risk. By December 5, just three weeks after the Core Plus Team was instructed to reduce risk, the team had reduced Champion's net notional CMBS exposure by approximately 80% and Core Bond's net notional CMBS exposure by more than 40%.

<u>Respondents Make Misleading Statements Amidst the Dramatic NAV Declines of November 2008</u>

16. Champion and Core Bond were marketed and sold by OFDI sales personnel called "wholesalers" to independent financial advisers, who, in turn, made recommendations to, and purchased shares on behalf of, or at the direction of, their own clients. As CMBS spread-widening adversely affected the Funds in late 2008, many advisers and shareholders raised questions about the Funds' performance and the outlook ahead. Respondents addressed these questions through a variety of means. In some instances, they provided information to wholesalers, who, in turn, relied on that information in their own communications with financial advisers. In other instances, Respondents provided information directly to financial advisers, both orally and in writing. In one instance, they provided OFDI call center representatives with a set of talking points, which the representatives used to respond to questions from shareholders. As set forth in paragraphs 17 through 20 below, these communications advanced materially

misleading messages, including that the Funds had only suffered paper losses, not "permanent impairments"; that the Funds' holdings and strategies remained intact; and that, absent actual defaults, shareholders could continue to "collect [their] coupon" on the Funds' bonds as they waited for the market prices of those bonds to recover.

17. A November 14 email intended to help wholesalers answer questions from financial advisers misleadingly stressed, for example, that "[w]e still believe [CMBS] represent tremendous value," that their "total return potential" had only been "magnified" by recent spread widening, that "these securities are NOT permanently impaired," and that "you are collecting your coupon as you wait for the credit markets to come back." A November 19 Q&A document prepared for financial advisers repeated essentially the same message, as did a set of talking points utilized by OFDI telephone representatives beginning on or about November 20. The talking points also indicated that the Funds were finding that recent market volatility had created "opportunities" for the Funds to earn higher yields on lower-risk bonds. In fact, at the time of these communications, the Funds were committed to reducing their CMBS exposure and were being forced to *sell* bonds to raise cash for anticipated TRS contract payments, thereby realizing investment losses and forfeiting future income streams on those bonds.

18. During a November 19 conference call with financial advisers, OFI similarly emphasized that the Funds had suffered no "permanent impairments" other than a small amount of exposure related to Lehman Brothers. Responding to questions about Champion's ability to handle redemptions, the representative went on to say that the fund had "pretty significant cash . . . to meet redemptions," and that "we've got nine-and-a-half percent of the fund in cash, so we're not fire selling anything." In fact, the fund had a sizeable cash position only *because* it had been selling depressed bonds to fund anticipated TRS contract payments, and the fund's cash position was inadequate to cover those projected payments, much less any redemptions the fund might face.

19. A set of talking points circulated on November 25 for wholesalers to use in communications with financial advisers also implied that the Funds remained as committed as ever to their CMBS positions and, therefore, that the Funds could still recover their CMBS-induced losses if the CMBS market recovered:

> **Can the Funds make back the performance it has [sic] lost over the past 6 months?**
>
> The funds are constantly changing to reflect the best opportunities in the market currently. Obviously, recent performance has been tightly linked to CMBS such that *the real question is 'can CMBS come back'*? We believe we have made a rational investment case for CMBS *but only time will allow our investment thesis to be tested*.

(Emphasis added). In fact, the Funds were committed to reducing their CMBS exposure and had been doing so for nearly two weeks. And given how much Champion in particular was reducing that exposure, the fund had no realistic prospects for recovering all of its CMBS-induced losses, even if CMBS recovered completely.

20. In conference calls with wholesalers on November 26 and financial advisers on December 9, OFI disclosed that the Funds were reducing CMBS exposure, but stated that they were simply returning to the exposure targets that had been in place all year. In fact, the Funds' new targets were materially lower than their old targets. In addition, OFI downplayed the significance of the decision to cut the Funds' CMBS exposure, suggesting that, if CMBS spreads were to tighten going forward, the Funds could still make back all of their CMBS losses even with reduced exposure. In fact, the Funds' new targets made it highly unlikely that they would recover those losses in the foreseeable future. This was particularly true in Champion, which was poised to move forward with less than half the CMBS exposure it had during the period when it incurred its largest CMBS losses.

Champion's Misleading Prospectus

21. CMBS was, by far, the worst-performing sector to which Champion had investment exposure in 2008: the index to which most of the Funds' TRS positions were tied experienced a total return of approximately -37% for the year. Meanwhile, high-yield bonds, which represented the bulk of Champion's portfolio securities, returned an average of approximately -26%. Champion shareholders, however, saw the value of their fund shares fall nearly 80%, far more than any sector in which the fund invested. This occurred because Champion was substantially leveraged as a result of its use of derivatives, particularly TRS contracts.

22. For most of 2008, Respondents offered shares of Champion under a prospectus dated January 28, 2008 (the "Champion Prospectus"). OFI created the Champion Prospectus, caused it to be filed with the Commission, and caused OFDI to offer fund shares pursuant to it. As described below, the Champion Prospectus was materially misleading insofar as it purported to describe the fund's "main" investments without adequately disclosing the fund's practice of assuming substantial leverage on top of those investments.

23. In its discussion of the Fund's "Investment Objective and Principal Investment Strategies," the Champion Prospectus stated:

> WHAT DOES THE FUND MAINLY INVEST IN? The Fund invests in a variety of high-yield, fixed-income securities and related instruments. These investments primarily include:
>
> - Lower-grade corporate bonds.
> - Foreign corporate and government bonds.
> - Swaps, including single name and index-linked credit default swaps.
>
> Under normal market conditions, *the Fund invests at least 60% of its total assets in high-yield, lower grade, fixed-income securities,* commonly called "junk" bonds . . . .

> *The remainder of the Fund's assets may be invested in other debt securities, common stocks (and other equity securities), or cash or cash equivalents* when the Manager believes these investments are consistent with the Fund's objectives.
>
> The Fund may invest in securities of foreign issuers. The Fund currently focuses on debt securities of foreign issuers in developed markets. *The Fund also uses certain derivative investments to try to enhance income or to try to manage investment risk.*
>
> ****
>
> WHO IS THE FUND DESIGNED FOR? *The Fund is designed primarily for investors seeking high current income from a fund that invests primarily in lower-grade domestic and foreign fixed-income securities*. Those investors should be willing to assume the greater risks of short-term share price fluctuations and the special credit risks that are typical for *a fund that invests mainly in lower-grade domestic and foreign fixed-income securities* . . . .
>
> (Emphasis added).

24. This disclosure indicated that Champion's investment returns would mainly be a function of the fund's investments in high-yield bonds (and, to a lesser extent, investments in other debt securities, equity securities, and cash and cash equivalents). In fact, while Champion did invest more than 80% of its net assets in corporate bonds throughout 2008, it also took on significant leverage through TRS contracts that gave it substantial exposure to the CMBS market without requiring any investment of fund assets. By the end of March 2008, Champion, as a result of its TRS contracts, had exposure to $1 billion worth of CMBS, approximately half the value of the fund's net assets. By mid-October 2008, the fund's CMBS exposure was roughly equal to the value of its net assets.

25. The Champion Prospectus did not adequately disclose to investors that they could be exposed to such substantial leverage. The prospectus disclosed that the fund "invested" in "swaps" and other derivatives "to try to enhance income or to try to manage investment risk" and that derivatives "can increase the volatility of the Fund's share prices." But it did not adequately disclose that Champion could use derivatives to such an extent that the fund's total investment exposure could far exceed the value of its portfolio securities and its investment returns could depend primarily upon the performance of bonds that it did not own. Nor did the prospectus adequately convey to investors the heightened risk of loss associated with the fund's use of leverage. The omission of such disclosure rendered the Champion Prospectus's statements about the fund's "main" investments materially misleading.

OFI's Fees

26. As a result of the misleading Champion Prospectus and Respondents' misleading statements in the midst of the Funds' steep NAV declines in late 2008, the Funds were able to retain existing shareholders and attract new ones. OFI received a benefit from those investments in the form of management fees paid by the Funds. Between February 1 and December 31, 2008, OFI received management fees totaling $9,278,416 from Champion. For the second half

of November and December 2008, OFI received management fees totaling $601,290 from Core Bond.

Violations

27. Champion Prospectus. By making misleading statements in the Champion Prospectus and causing it to be filed with the Commission, OFI willfully[5] violated Section 34(b) of the Investment Company Act, which makes it unlawful for any person to make any materially false or misleading statement of fact in a fund document filed with the Commission. By obtaining money in the offer or sale of Champion shares by means of the misleading prospectus, both OFI and OFDI willfully violated Section 17(a)(2) of the Securities Act, which makes it unlawful for any person, directly or indirectly, in the offer or sale of a security, to obtain money or property by means of any materially false statement or materially misleading omission.

28. Misleading Statements in Midst of NAV Declines. By disseminating misleading statements about the Funds in the midst of their precipitous NAV declines in late 2008, both OFI and OFDI willfully violated Section 17(a)(2) of the Securities Act as well as Section 17(a)(3) of the Securities Act, which makes it unlawful for any person, in the offer or sale of a security, to engage in any transaction, practice, or course of business that operates or would operate as a fraud or deceit. As a result of that same conduct, OFI also willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8(a)(1) and (2) thereunder. Section 206(4) makes it unlawful for any investment adviser to engage in any act, practice, or course of conduct that is fraudulent, deceptive, or manipulative, as prescribed by Commission rules. Rule 206(4)-8(a)(1) and (2) prohibit an investment adviser to a pooled investment vehicle from (1) making any materially false or misleading statement to any investor or prospective investor in the pooled investment vehicle or (2) otherwise engaging in any act, practice, or course of business that is fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.

Respondents' Cooperation and Remedial Efforts

29. In determining to accept the Offers, the Commission considered cooperation afforded the Commission staff and remedial acts promptly undertaken by Respondents, including the replacement of senior management and portfolio management personnel, enhancements to OFI's risk management structure, enhancements to OFI's Legal Department capabilities, and the implementation of new controls and procedures relating to fund disclosures and marketing communications.

Undertakings

[5] A willful violation of the securities laws means merely "'that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC,* 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC,* 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "'also be aware that he is violating one of the Rules or Acts.'" *Id.* (quoting *Gearhart & Otis, Inc. v. SEC,* 348 F.2d 798, 803 (D.C. Cir. 1965)).

30. Ongoing Cooperation. Respondents undertake to cooperate fully with the Commission in any and all investigations, litigations or other proceedings relating to or arising from the matters described in this Order or involving, directly or indirectly, the Funds. In connection with such cooperation, Respondents:

a. Shall produce, without service of a notice or subpoena, any and all documents and other information reasonably requested by the Commission's staff, or by an administrator to be appointed pursuant to the Order, with a custodian declaration as to their authenticity, if requested;

b. Shall use their best efforts to cause their officers, directors, employees, and former employees to be interviewed by the Commission's staff at such times and places as the staff reasonably may direct.

c. Shall use their best efforts to cause their officers, employees, and directors to appear and testify truthfully and completely without service of a notice or subpoena in such investigations, depositions, hearings or trials as may be requested by the Commission's staff;

d. Agree that requests for interviews and notices or subpoenas for testimony by Respondents' officers, employees, or directors may be delivered by regular mail, fax, or electronic mail to Catherine Botticelli, Esq., Dechert LLP, 1775 I Street, Washington, DC 20006.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act, Section 15(b)(4) of the Exchange Act, Sections 203(e) and 203(k) of the Advisers Act, and Sections 9(b) and 9(f) of the Investment Company Act, it is hereby ORDERED that**:**

A. Respondent OFI cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) and (3) of the Securities Act, Section 206(4) of the Advisers Act and Rule 206(4)-8(a)(1) and (2) thereunder, and Section 34(b) of the Investment Company Act.

B. Respondent OFDI cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and (3) of the Securities Act.

C. Respondents OFI and OFDI are censured.

D. Respondent OFI shall, within 10 days of the entry of this Order, pay disgorgement of $9,879,706, prejudgment interest of $1,487,190, and a civil money penalty of $24,000,000 to the Securities and Exchange Commission. If timely payment of disgorgement is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment of penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Securities and Exchange Commission, Office of Financial Management, 100 F St., NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies OFI as a Respondent in these proceedings, the file number of these proceedings, copies of which cover letter and money order or check shall be sent to Julie K. Lutz, Associate Director, Mary S. Brady, Assistant Director, and Coates Lear, Staff Attorney, Denver Regional Office, Division of Enforcement, Securities and Exchange Commission, 1801 California St., Suite 1500, Denver, CO 80202.

E. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the disgorgement, interest, and penalty referenced in paragraph D above. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, OFI agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of OFI's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, OFI agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against OFI by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

F. The disgorgement, interest, civil penalties, and any other funds which may be paid to the Fair Fund through or as the result of related actions, if any, shall be aggregated in the Fair Fund, which shall be maintained in the type of account directed by Commission staff. The Commission will appoint a Fund Administrator who will develop a distribution plan (the "Plan") and administer the Plan in accordance with the Commission Rules on Fair Fund and Disgorgement Plans. The Fair Fund shall be used to compensate injured customers for any losses resulting from the violations determined herein and to cover the costs of administration of the Fair Fund. Any amount remaining in the Fair Fund after all distributions have been made and costs have been paid shall be transmitted to the Commission for transfer to the U.S. Treasury. Under no circumstances shall any part of the Fair Fund be returned to OFI.

By the Commission.

Elizabeth M. Murphy
Secretary