

# COLUMBUS CEO

## JUDGE ORDERS NATIONWIDE TO PAY \$10.3M TO MICHIGAN FIRM

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By JD Malone

Courtesy of the Associated Press

Nationwide ended the week with more bad news in court.

The Superior Court of Delaware has ruled that the Columbus insurance and investment giant owes a Michigan financial firm \$10.3 million.

Earlier in the week, a Pennsylvania court ordered Nationwide to pay \$21 million to a couple and their attorney over a dispute involving car insurance and repair.

The Delaware ruling, by Judge Andrea L. Rocanelli, took Nationwide to task for its handling of a deal with one of its former financial partners. Nationwide's mutual-fund division breached several provisions of a 2007 deal that sold the firm's controlling interest in NorthPointe Capital to NorthPointe's managing partners, Rocanelli said.

Nationwide owned 65 percent of NorthPointe, which oversaw a number of mutual funds. The spinoff agreement held that NorthPointe would continue to direct seven mutual funds for Nationwide.

After the sale, Nationwide created competing funds with artificially low fee structures, raided the funds overseen by NorthPointe to capitalize its own, then terminated NorthPointe's funds without cause, according to the ruling.

The scuttling of the deal crippled NorthPointe's business, said senior investment officer Peter Cahill.

He added that Nationwide created NorthPointe and was by far the firm's largest customer.

Nationwide said it didn't do anything wrong

“Nationwide stands behind its business practices and leadership and believes it acted appropriately throughout, and in the best interest of the funds’ shareholders,” said spokesman Dace de la Foret.

Nationwide’s financial arm ran through four presidents in the three years surrounding the deal with NorthPointe, and assigned at least 16 accountants to NorthPointe, according to the ruling. Rocanelli said she believed the management shakeups contributed to the soured deal.

“The court finds that high turnover in key positions at Nationwide resulted in institutional incompetence,” Rocanelli said.

Nationwide, which had \$34.5 billion in revenue last year, did not go so far as to commit fraud, Rocanelli said, but “Nationwide’s termination (of the funds) was not a permitted termination and Nationwide’s claims to the contrary were a breach to the covenant of good faith and fair dealing.”

NorthPointe was awarded \$15.1 million, but still owed Nationwide \$4.8 million for money it borrowed from Nationwide for the deal.

Cahill said the ruling, almost five years after NorthPointe sued, made the long wait worthwhile.

“Vindicated is how I feel today,” Cahill said. “It was a long process.”

It isn’t over, though. Nationwide has not filed an appeal, but it has 30 days to determine its next step.

“We will be exploring our legal options,” de la Foret said.

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