
Illinois Recovery of Fraudulently Obtained Public Funds Act - ILLINOIS

LaGrange Park Public Library Dist. ex rel. Cronin v. J.P. Morgan Securities, Inc.

Appellate Court of Illinois, First District, Second Division - June 17, 2014 - Not Reported in N.E.3d - 2014 IL App (1st) 122723-U

Resident-taxpayer filed a taxpayer derivative action as a putative class action pursuant to section 104 of the Illinois Recovery of Fraudulently Obtained Public Funds Act against J.P. Morgan Securities, Inc. on behalf of the LaGrange Park Public Library District.

Plaintiff sought to recover alleged overcharges fraudulently charged by defendants in their "yield-burning" scheme in advance-defeasance refinancing of municipal debt held by the District. Plaintiff argued that defendants conducted this same yield-burning scheme against other municipalities and similarly excessively marked up the Treasuries sold.

The trial court denied plaintiff's motion for class certification, reasoning that the Code did not permit such an action and that common questions of fact and law would not predominate over questions affecting individual members. The court subsequently granted J.P. Morgan's motion for summary judgment. Plaintiff appealed.

The Appellate Court held that:

- Denial of class certification was proper because plaintiff's action was derivative and not individual.
- Summary judgment was proper where plaintiff failed to present evidence of material fact of whether defendants' sale price and markup were reasonable.

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