

## NEWS RELEASE

# Luther Strange

Alabama Attorney General



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### MULTISTATE WORKING GROUP AGREES TO \$58.75 MILLION SETTLEMENT WITH WACHOVIA OVER ANTICOMPETITIVE MUNICIPAL BOND DERIVATIVES SCHEME

(MONTGOMERY)--Alabama Attorney General Luther Strange announced a \$58.75 million settlement with Wachovia Bank N.A. and Wells Fargo Bank, N.A., as its successor ("Wachovia") as part of an ongoing nationwide investigation of alleged anticompetitive and fraudulent conduct in the municipal bond derivatives industry.

As part of the multistate settlement with 26 Attorneys General, Wachovia has agreed to pay \$54.5 million in restitution to affected state agencies, municipalities, school districts and not-for-profit entities nationwide that entered into municipal derivative contracts with Wachovia between 1998 and 2004. In addition, Wachovia agreed to pay a \$1.25 million civil penalty and \$3 million for fees and costs of the investigation to the settling states.

The multistate task force settlement is part of a coordinated global \$148 million settlement that Wachovia entered into today. Wachovia also reached agreement with the U.S. Department of Justice's Antitrust Division, the U.S. Securities and Exchange Commission, the Office of the Comptroller of the Currency, and the Internal Revenue Service. Wachovia is the fourth financial institution to settle with a multistate task force in the ongoing municipal bond derivatives investigation following Bank of America, UBS AG, and JP Morgan. To date, the state working group has obtained settlements worth almost \$310 million.

"I am pleased that this settlement will make compensation available to Alabama entities that were harmed," said Attorney General Strange. "I appreciate the leadership and diligent work of those involved and commend our Antitrust Chief James Steinwinder for leading Alabama's four-year investigation and negotiation of the settlement on behalf of the State of Alabama."

This settlement was reached with the cooperation of Wachovia, in our ongoing investigation of bid rigging and Antitrust abuses of the municipal bond derivatives market.

Municipal bond derivatives are contracts that tax-exempt issuers use to reinvest proceeds of bond sales until the funds are needed, or to hedge interest-rate risk. In April 2008, the states began investigating allegations that certain large financial institutions, including national banks and insurance companies, and certain brokers and swap advisors, engaged in various schemes to rig bids and commit other deceptive, unfair and fraudulent conduct in the municipal bond derivatives market.



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The investigation, which is still ongoing, revealed collusive and deceptive conduct involving individuals at Wachovia and other financial institutions, and certain brokers with whom they had working relationships. The wrongful conduct took the form of bid-rigging, submission of non-competitive courtesy bids and submission of fraudulent certifications of compliance to government agencies, among others, in contravention of U.S. Treasury regulations.

Regardless of the means used to carry out the various schemes, the objective was to enrich the financial institution and/or the broker at the expense of the issuer - - and ultimately taxpayers - - depriving the issuer of a competitive, transparent marketplace. As a result of such wrongful conduct, state, city, local, and not-for-profit entities entered into municipal derivatives contracts on less advantageous terms than they would have otherwise.