

NEWS RELEASE

Luther Strange

Alabama Attorney General



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Page 1 of 2

AG STRANGE ANNOUNCES \$34.25 MILLION MULTISTATE SETTLEMENT WITH GE FUNDING OVER MUNICIPAL BOND DERIVATIVES SCHEME

(MONTGOMERY)--Attorney General Luther Strange announced a \$34.25 million settlement with GE Funding Capital Market Services, Inc. ("GE Funding") as part of an ongoing nationwide investigation of alleged illegal conduct in the municipal bond derivatives industry.

As part of the multistate settlement, GE Funding has agreed to pay \$30 million in restitution to affected state agencies, municipalities, school districts and not-for-profit entities nationwide that entered into guaranteed investment contracts with GE Funding and two of its affiliates – Trinity Funding Company, LLC and Trinity Plus Funding Company, LLC - between 1999 and 2005. In addition, GE Funding agreed to pay a \$1.25 million civil penalty and \$3 million for fees and costs of the investigation to the settling states.

The states' investigation developed evidence that certain traders at GE Funding, in concert with certain brokers, engaged in conduct that allowed the broker to determine in advance that GE Funding would win a bid for a guaranteed investment contract by allowing GE Funding to receive a "last look" and arranging for other financial institutions to submit purposely non-winning courtesy bids. On many occasions, due to the "last look", GE Funding was able to lower its bid to the issuer and still win the transaction.

The multistate settlement is a distinct component of a coordinated global \$70 million settlement that GE Funding entered into today. As a part of this global settlement, GE Funding also reached agreement with the U.S. Securities and Exchange Commission, the U.S. Department of Justice's Antitrust Division and the Internal Revenue Service. GE Funding is the fifth financial institution to settle with the multistate working group in the ongoing municipal bond derivatives investigation following Bank of America, UBS AG, JP Morgan and Wachovia. To date, the state working group has obtained settlements worth almost \$350 million.

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“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 GE Funding’s cooperation 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.

The states’ broader investigation, which is still ongoing, has revealed wrongful and deceptive conduct coordinated among individuals at a number of financial institutions, and certain brokers with whom they had working relationships. The wrongful conduct took the form of improper communications among competitors, submission of non-competitive courtesy bids, allowing financial institutions improper access to confidential bidding information, payment of improper fees to brokers to steer business 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.