

NEWS RELEASE

Luther Strange

Alabama Attorney General



FOR IMMEDIATE RELEASE

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Page 1 of 2

AG STRANGE ANNOUNCES \$90.8 MILLION NATIONAL SETTLEMENT WITH SWISS BANK UBS AG REGARDING ANTI-COMPETITIVE SCHEME THAT DEFRAUDED MUNICIPALITIES AND NONPROFITS

(MONTGOMERY)—Attorney General Luther Strange today announced a \$90.8 million settlement with the multinational Swiss bank, UBS AG, as part of an ongoing nationwide investigation conducted by an anti-trust task force representing 24 states' Attorneys General. The settlement resulted from the task force's investigation of alleged anticompetitive and fraudulent conduct in the municipal bond derivatives industry.

Pursuant to the settlement agreement, UBS has agreed to pay \$63.3 million in restitution to state agencies, municipalities, school districts and not-for-profit entities nationwide that entered into municipal derivative contracts with UBS, or used UBS as its broker for such transactions between 2001 and 2004. In addition, UBS agreed to pay a \$2.5 million civil penalty and \$5 million in fees and costs of the investigation to the settling states. The states' settlement also provides that UBS will pay \$20 million in restitution directly to certain other government and not-for-profit entities as part of a separate settlement it entered into today with the U.S. Securities and Exchange Commission (SEC). The amount to be paid to Alabama entities has not yet been determined.

The states' settlement with UBS is part of coordinated separate law enforcement and regulatory settlements that UBS entered into today with the U.S. Department of Justice's Antitrust Division, the SEC and the Internal Revenue Service. UBS is the second financial institution to settle with the state working group in the ongoing municipal bond derivatives investigation.

"This settlement continues our multi-state antitrust task force's effort to prosecute anticompetitive conduct in the marketplace for municipal bond derivatives," said Attorney General Strange. "The monies that were invested by government and not-for-profit entities in these rigged or tainted municipal derivatives contracts came from taxpayers and, as a result of this settlement, they will finally receive compensation for the illegal conduct."

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Attorney General Strange added “I also want to commend UBS for doing the right thing by agreeing to step up and cooperate with our investigation and provide meaningful restitution to those harmed. UBS’s agreement to provide continuing cooperation - - an essential component of this settlement - - provides the task force with further evidence against UBS’s coconspirators.”

Municipal bond derivatives are contracts that tax-exempt issuers use to reinvest the proceeds of bond offerings until the funds are needed, or to hedge interest rate risk. In 2008, a group of states began an investigation of 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 investigation, which is still ongoing, revealed collusive and deceptive conduct involving individuals at UBS 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 to government agencies, among others, of fraudulent certifications of compliance with U.S. Treasury regulations. Regardless of the means used to perpetrate the schemes, the objective was to enrich the financial institution and/or the broker at the expense of the issuer, depriving the issuer of a competitive, transparent marketplace. As a result of such wrongful conduct, state, local, and not-for-profit entities entered into municipal derivatives contracts on less advantageous terms than they would have otherwise.

Other states joining Alabama in the UBS settlement include California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee and Wisconsin.

Attorney General Strange commended Assistant Attorney General Antitrust Section Chief James M. Steinwinder for his efforts leading the Alabama investigation.