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- iii. failing to ensure that its agents were selling ARS to individual investors for whom they were suitable; and
- b. failing to review account portfolio statements sent to its customers to ensure that they reflected accurate information regarding ARS;
- c. failing to review ARS transactions in accounts of customers who needed liquidity; and
- d. failing to ensure that its registered personnel were providing adequate information regarding ARS to its customers.

II.

CONCLUSIONS OF LAW

17. The Division has jurisdiction over this matter pursuant to the Wisconsin Uniform Securities Law, and sections 551.61(1) and 551.63(1) and (2), Wis. Stats., the statutes applicable during the relevant time period with respect to this Consent Order.

18. The Division finds Wachovia Securities failed to supervise its employees and engaged in dishonest or unethical practices in the securities business, and that this conduct constitutes grounds to revoke Wachovia Securities' registration under sections 551.34(1)(j) and (1)(g), Wis. Stats., respectively, the statutes applicable during the relevant time period with respect to this Consent Order.

19. The Division finds this Order and the following relief to be appropriate in the public interest, and consistent with the purposes intended by the Wisconsin Uniform Securities Law.

III.

ORDER

On the basis of the Findings of Fact, Conclusions of Law, and Wachovia's consent to the entry of this Order,

IT IS HEREBY ORDERED:

- 1. This Order concludes the investigation by the Division and any other action that the Division

1 could commence under applicable Wisconsin law on behalf of Wisconsin as it relates to Wachovia, and its
2 marketing and sale of auction rate securities to investors.

3 2. This Order is entered into solely for the purpose of resolving the referenced multi-state
4 investigation, and is not intended to be used for any other purpose.

5 3. Wachovia will CEASE AND DESIST from violating the Wisconsin Uniform Securities
6 Law and will comply with the Wisconsin Uniform Securities Law.

7 4. Within ten days after the entry of this Order, Wachovia shall pay as a monetary penalty,
8 the sum of \$457,903.77 to the Wisconsin Department of Financial Institutions, to be deposited in
9 the Gifts, Grants, Settlements and Publications appropriation in sec. 20.144(1)(h), Wis. Stats.

10 5. In the event another state securities regulator determines not to accept Wachovia's state
11 settlement offer, the total amount of the Wisconsin payment shall not be affected, and shall remain at
12 \$457,903.77.

13 6. Wachovia Securities and Wachovia Capital Markets, respectively, as agents for one or
14 more affiliated companies and not as principal, shall offer to purchase at par ARS that are subject to
15 auctions that are not successful and are not subject to current calls or redemptions ("Eligible ARS") from
16 all investors in the Relevant Class. For purposes of this Order the Relevant Class shall be defined as all
17 investors who purchased ARS from either Wachovia Securities or Wachovia Capital Markets,
18 respectively, on or before February 13, 2008 into accounts maintained at Wachovia Securities or
19 Wachovia Capital Markets, respectively.

20 a. Wachovia Securities and Wachovia Capital Markets, as agents for one or more
21 affiliated companies and not as principal, shall make an offer to buy the Eligible ARS from
22 Individuals Investors, as defined below, who are in the Relevant Class. This buy back shall
23 commence no later than November 10, 2008 and conclude no later than November 28, 2008. For
24 purposes of this Order, Individual Investors shall include natural persons, individual retirement
25 accounts and the following entities or accounts:

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i. Accounts with the following owners:

1. non-profit charitable organizations; and
2. religious corporations.

ii. Accounts with the following owners and with account values or household values up to \$10 million:

1. trusts;
2. corporate trusts;
3. corporations;
4. employee pension plans/ERISA and Taft Hartley Act plans;
5. educational institutions;
6. incorporated non-profit organizations;
7. limited liability companies;
8. limited partnerships;
9. non-public companies;
10. partnerships;
11. personal holding companies;
12. unincorporated associations; and
13. governmental and quasi-government entities.

b. Wachovia Securities and Wachovia Capital Markets as agent for one or more affiliated companies and not as principal, shall commence a buy back of the Eligible ARS from all other investors in the Relevant Class not otherwise covered by subparagraph a, above, no later than June 10, 2009 and conclude no later than June 30, 2009.

7. No later than November 28, 2008, Wachovia shall pay any investor in the Relevant Class who sold ARS below par between February 13, 2008 and August 15, 2008 and whom Wachovia can reasonably identify, the difference between par and the price at which the investor sold the ARS.

1 with appropriate staff, to respond to questions from investors concerning the terms of this Order and
2 Wachovia's no net cost loan (nonrecourse, no release) program. Wachovia Securities shall maintain this
3 dedicated telephone assistance line through June 30, 2009.

4 13. With respect to any claim for consequential damages, to the extent such claims are not
5 resolved informally by Wachovia, Wachovia shall arbitrate the claim of any Relevant Class member who
6 elects to arbitrate, pursuant to the following provisions:

7 a. the arbitrations will be conducted by a public arbitrator (as defined by section
8 12100(u) of the NASD Code of Arbitration Procedures for Customer Disputes, eff. April 16,
9 2007), under the auspices of FINRA;

10 b. the above-referenced public arbitrator will be available for the exclusive purpose
11 of arbitrating any Relevant Class member's consequential damages claim;

12 c. Wachovia shall pay all applicable forum and filing fees;

13 d. any Relevant Class member who chooses to pursue such a claim shall bear the
14 burden of proving that they suffered consequential damages and that such damages were caused
15 by investors' inability to access funds consisting of investors' ARS purchases through Wachovia;
16 and

17 e. Wachovia shall be able to defend itself against such claims; provided, however,
18 that Wachovia shall not contest liability related to the sale of ARS; and provided further that
19 Wachovia shall not be able to use as part of its defense an investor's decision not to borrow
20 money from Wachovia.

21 14. By November 28, 2008, Wachovia Securities and Wachovia Capital Markets,
22 respectively and separately, shall refund refinancing fees received by it to municipal auction rate issuers
23 that issued such securities in the initial primary market between August 1, 2007 and February 13, 2008,
24 and refinanced those securities through Wachovia after February 13, 2008.

25 15. If Wachovia defaults in any of its obligations set forth in this Order, the Division may
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1. vacate this Order, at its sole discretion, upon 10 days notice to Wachovia and without opportunity for
2 administrative hearing or may refer this matter for enforcement as provided in 551.57, Wis. Stats.

3 16. This Order is not intended to indicate that Wachovia or any of its affiliates or current or
4 former employees shall be subject to any disqualifications contained in the federal securities law, the rules
5 and regulations thereunder, the rules and regulations of self regulatory organizations or various states'
6 securities laws including any disqualifications from relying upon the registration exemptions or safe
7 harbor provisions. In addition, this Order is not intended to form the basis for any such disqualifications.

8 17. This Order may not be read to indicate that Wachovia or any of its affiliates or current or
9 former employees engaged in fraud or violated any federal or state laws, the rules and regulations
10 thereunder, or the rules and regulations of self regulatory organizations.

11 18. For any person or entity not a party to this Order, this Order does not limit or create any
12 private rights or remedies against Wachovia including, without limitation, the use of any e-mails or other
13 documents of Wachovia or of others for the marketing and sale of auction rate securities to investors, limit or
14 create liability of Wachovia, or limit or create defenses of Wachovia to any claims.

15 19. This Order shall not disqualify Wachovia or any of its affiliates or current or former
16 employees from any business that they otherwise are qualified or licensed to perform under applicable
17 state law and this Order is not intended to form the basis for any disqualification.

18 20. Nothing herein shall preclude Wisconsin, its departments, agencies, boards, commissions,
19 authorities, political subdivisions and corporations, other than the Division and only to the extent set forth in
20 paragraph 1 above, (collectively, "State Entities") and the officers, agents or employees of State Entities from
21 asserting any claims, causes of action, or applications for compensatory, nominal and/or punitive damages,
22 administrative, civil, criminal, or injunctive relief against Wachovia in connection with the marketing and
23 sale of auction rate securities at Wachovia.

24 21. Wachovia shall pay its own costs and attorneys' fees with respect to this matter.
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