

1 35. On February 11, 2008, CGMI did not place any support bids in auctions for Student Loan
2 ARS. As a result, on that date all of the Student Loan ARS auctions where CGMI was designated
3 the lead manager failed.

4 36. After February 11, 2008, CGMI no longer continued to place support bids on all ARS for
5 which it was designated the lead manager. Subsequently, many auctions then failed, resulting in
6 the illiquidity of billions of dollars invested in ARS.

7 **Auction Desk Tapes**

8 37. CGMI recorded the Auction Desk's phone calls. These calls sometimes included
9 conversations with issuers, other CGMI personnel, and institutional investor clients.

10 38. After a tape was fully recorded, it would be catalogued and maintained for a period of
11 ninety (90) days. Following this 90-day period, the tape would be placed in a pool of tapes
12 available for re-recording. CGMI represents that recycled tapes were randomly selected from the
13 available pool for re-recording.

14 39. On or about April 17, 2008, the Texas State Securities Board ("TSSB") requested
15 documentary evidence related to ARS for the period from January 1, 2007 through April 17, 2008,
16 including tape recordings, from CGMI.

17 40. On or about July 2, 2008, CGMI informed the TSSB that certain tapes of the Auction Desk
18 for the period from mid-October 2007 through February 13, 2008 had been overwritten pursuant to
19 CGMI's represented tape recycling process. Upon discovery of the issue, CGMI promptly
20 requested the suspension of the recycling of the Auction Desk tapes. CGMI represents that it
21 subsequently determined that only one of the nine tapes for the period July 13, 2007 through July
22 2, 2008 had in fact been overwritten.
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1 41. As of July 2, 2008, CGMI had not overwritten the tapes for the period from July 13, 2007
2 through December 17, 2007 and for the period from February 14, 2008 through July 2, 2008.

3 42. CGMI failed to take adequate steps to secure one tape of the Auction Desk.

4 **II.**

5 **CONCLUSIONS OF LAW**

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

9 2. The above conduct is in violation of sections 551.34(1)(g) and (j), Wis. Stats., applicable
10 during the relevant time period with respect to this Consent Order, for dishonest or unethical
11 practices and failure to supervise.

12 3. The Division finds the following relief appropriate per section 551.63(2), Wis. Stats., and in
13 the public interest.

14 **III.**

15 **ORDER**

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

18 IT IS HEREBY ORDERED:

19 1. This Order concludes the investigation by the Division and any other action that the Division
20 could commence under applicable Wisconsin law on behalf of Wisconsin as it relates to CGMI's
21 marketing and sale of ARS to CGMI's "Eligible Customers," as defined below.

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

2 3. CGMI shall cease and desist from violating sections 551.34(1)(g) and (j), Wis. Stats., as a
3 result of the above-listed conduct and activities, and will comply with the Wisconsin Uniform
4 Securities Law.

5 4. Within 10 days from the entry of this Order, CGMI shall pay as a monetary penalty, the
6 sum of \$ 831,670.01 to the Wisconsin Department of Financial Institutions, to be deposited in the
7 Gifts, Grants, Settlements and Publications appropriation in sec. 20.144(1)(h), Wis. Stats.

8 5. CGMI shall take certain measures with respect to current and former customers that
9 purchased "Eligible ARS" from CGMI, as defined below.

10 6. Eligible ARS. For purposes of this Order, "Eligible ARS" shall mean auction rate
11 securities that were purchased at CGMI on or before February 12, 2008, and that have failed at
12 auction at least once between August 7, 2008, and December 11, 2008.

13 7. Eligible Customer. As used in this Consent, "Eligible Customer" shall mean:

14 a. Natural persons who purchased ARS at CGMI on or before February 12, 2008, and
15 held those securities on February 12, 2008;

16 b. Charities, endowments, or foundations with Internal Revenue Code Section
17 501(c)(3) status that purchased ARS at CGMI on or before February 12, 2008, and held those
18 securities on February 12, 2008; and

19 c. Small Businesses that purchased ARS at CGMI on or before February 12, 2008, and
20 held those securities on February 12, 2008. For purposes of this provision, "Small Businesses"
21 shall mean customers not otherwise covered by paragraph 7(b) above that had \$10 million or less
22 in assets in their accounts with CGMI net of margin loans (or if the customer custodied portions of
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1 its investments purchased from CGMI away from CGMI, then had \$10 million or less in assets
2 custodied at CGMI net of margin loans plus those assets purchased from CGMI but custodied
3 elsewhere), as determined by the customer's aggregate household position(s) as of July 31, 2008 (if
4 the customer was not a customer of CGMI as of July 31, 2008, as of the date that the customer
5 terminated its customer relationship with CGMI, except that any customer excluded because it had
6 more than \$10 million in assets purchased from CGMI as of the termination date shall be included
7 if such customer can reasonably show that it held \$10 million or less in assets in its accounts at
8 broker-dealers or other financial institutions where it held investments as of July 31, 2008).

9 8. Notwithstanding any other provision, "Small Businesses" does not include: (i) broker-
10 dealers, or (ii) banks acting as conduits for their customers; or (iii) customers that have represented
11 that they had total assets of greater than \$50 million, or otherwise are determined to have had assets
12 greater than \$50 million, as of July 31, 2008.

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14 9. In no event shall CGMI be required by this Order to purchase more than \$10 million of
15 ARS from any Small Business.

16 10. Offer period. No later than November 5, 2008, or, for those Eligible Customers not
17 identified prior to November 5, 2008, despite CGMI's best efforts, as soon as practicable
18 thereafter, CGMI shall offer to purchase, at par plus accrued and unpaid dividends/interest, Eligible
19 ARS from Eligible Customers. This offer period shall remain open until at least February 5, 2009
20 ("Offer Period"). CGMI may extend the Offer Period beyond this date. To the extent that CGMI
21 is made aware that an Eligible Customer did not receive notice of the offer, the Offer Period shall
22 remain open for that Eligible Customer until at least 5 pm (Eastern Time) on June 1, 2009.

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24 11. Initial Notice. No later than seven (7) business days from December 11, 2008, CGMI shall

1 make best efforts to identify and provide written notice to Eligible Customers, informing them of
2 the relevant terms of the offer to repurchase, the specific security and quantity purchased (where
3 practicable), a statement that the offer may be the only opportunity for the investor to liquidate the
4 ARS holdings, and that the offer to repurchase is being made pursuant to a settlement with various
5 regulators. CGMI shall also provide written notice to any Eligible Customers identified subsequent
6 to the Initial Notice.

7 12. Second Notice. To the extent that any Eligible Customer has not responded to CGMI's
8 offer to purchase their Eligible ARS, CGMI shall make best efforts to provide any such Eligible
9 Customer a second written notice on or before forty five (45) days before the end of the Offer
10 Period including the terms detailed in paragraph III(11) above, notifying them of the impending
11 expiration of the Offer Period, describing the state of the ARS market at that time, and explaining
12 the consequences of failing to sell their ARS to CGMI prior to the expiration of the Offer Period.

13 13. Notification to Customers Who Purchased ARS at Other Firms. With respect to CGMI
14 customers who hold ARS in their accounts at CGMI that were purchased at other firms, by no later
15 than forty five (45) days from December 11, 2008, CGMI shall use best efforts to notify such
16 customers that they should contact those firms directly to determine whether they are extending an
17 offer to purchase the customers' ARS.
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19 14. Customer Assistance Line. No later than two (2) business days from December 11, 2008,
20 CGMI shall establish a dedicated toll-free telephone assistance line, with appropriate staffing, to
21 provide information and to respond to questions concerning the terms of this Order. CGMI shall
22 maintain this dedicated telephone assistance line through December 31, 2009.
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24 15. Purchase Acceptance Deadline. Eligible Customers may accept CGMI's offer to purchase
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1 Eligible ARS by notifying CGMI within the Offer Period and consistent with the provisions of
2 paragraphs III(16) and III(17), below.

3 16. Purchases Relating to Eligible Customers Who Custody Their Eligible ARS at CGMI. For
4 Eligible Customers who custodied their Eligible ARS at CGMI as of August 31, 2008:

5 a. If CGMI receives notification of acceptance of its purchase offer on or before
6 October 21, 2008, CGMI shall purchase the Eligible ARS from the Eligible Customer on or before
7 November 5, 2008; or

8 b. If CGMI receives notification of acceptance of its purchase offer after October 21,
9 2008, but within the Offer Period, CGMI shall purchase the Eligible ARS on or before the next
10 scheduled auction date that occurs (i) after November 5, 2008, and (ii) after three (3) business dates
11 after CGMI's receipt of notification.
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13 17. Purchases Relating to Eligible Customers Who Custody Their Eligible ARS Away From
14 CGMI. For Eligible Customers who custodied their Eligible ARS away from CGMI as of August
15 31, 2008:

16 a. If CGMI receives: (i) notification of acceptance of its purchase offer on or before
17 December 5, 2008; (ii) assurance reasonably satisfactory to CGMI from the customer's current
18 financial institution that the bidding rights associated with the ARS will be transferred to the
19 CGMI; and (iii) transfer of the ARS, then CGMI shall purchase the Eligible ARS as soon as
20 reasonably practicable but no later than December 23, 2008; or

21 b. If CGMI receives: (i) notification of acceptance of its purchase offer after December
22 5, 2008, but within the Offer Period; (ii) assurance reasonably satisfactory to CGMI from the
23 customer's current financial institution that the bidding rights associated with the ARS will be
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