

California Announces Settlement with Brokerages to Recover Billions for Investors in Auction Rate Securities

Corporations Commissioner DuFauchard Reaches Settlement with Wachovia and Citigroup to Repurchase Risky Securities

SACRAMENTO, Calif.--([BUSINESS WIRE](#))-- California Corporations Commissioner Preston DuFauchard today announced a settlement agreement with Wachovia Securities, LLC, and Wachovia Capital Markets, LLC (collectively, "Wachovia"), and Citigroup Global Markets Inc. ("Citigroup") to return over \$4.7 billion to investors in California. Today's agreement will settle an investigation alleging Wachovia and Citigroup with misrepresenting auction rate securities (ARS) to investors as safe, cash-equivalent products, even though the products faced increasing liquidity risk.

"Today's multi-billion dollar agreement is an important and timely relief for investors who lost funds in the collapse of the auction rate securities market," Commissioner DuFauchard said. "I applaud the financial industry for taking the appropriate actions to provide restitution to previous customers in this volatile securities market. The Department of Corporations' major goal in these negotiations has been to return money to investors, which is accomplished by these agreements."

Under the settlement with Wachovia, the brokerage has agreed to offer to repurchase securities in the amount of \$1.5 billion. Offers have already been made to individual investors and repurchase offers for institutional customers will be completed no later than June 30, 2009.

Under the settlement with Citigroup, the brokerage has made repurchase offers of \$3.2 billion in auction rate securities from California eligible customers. For institutional investors, Citigroup will continue to work with issuers, customers and regulators to attempt to provide liquidity solutions by December 31, 2009.

Terms of the settlement also provide that both Wachovia and Citigroup pay administrative penalties to the State and agree to abide by a Cease and Desist order prohibiting violations of California's securities law including failure to supervise its employees in the sale of Auction Rate Securities.

The Commissioner extends his gratitude to the North American Securities Administrators Association (NASAA) and its multi-state Auction Rate Securities Task Force, of which California has been an active participant. The Securities Division of the Missouri Secretary of State acted as the lead in negotiations with Wachovia. The Texas State Securities Board acted as lead with Citigroup.

Through the NASAA ARS Task Force, settlement negotiations continue with other broker-dealers nationwide who issued auction rate securities without adequate investor protections.

Anyone interested in having auction rate securities repurchased by the two brokerages should contact the firm directly via toll-free telephone numbers set up for this purpose. For Wachovia, customers may call (866) 283-7943. For Citigroup, customers may call (866) 720-4802.

To view the "Findings of Fact, Conclusion of Law, and Administrative Consent Order" for Wachovia, please go to: http://www.corp.ca.gov/ENF/pdf/w/Wachovia_Facts.pdf.

To view the "Findings of Fact, Conclusion of Law, and Consent Order" for Citigroup, please go to: http://www.corp.ca.gov/ENF/pdf/c/CitigroupGlobal_Facts.pdf.

The Department of Corporations is California's investment and financing authority and is responsible for the regulation, enforcement, and licensing of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending, residential mortgage lending, payday lenders, check sellers, bill payers, and debt reduction services. Consumers should contact the department to check on the status of the companies, investments or other services they are considering and the licensing status of the person. Contact The Department's toll-free Consumer Resource Center at 1-866-ASK-CORP (1-866-275-2677) or visit www.corp.ca.gov.