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ATTORNEY GENERAL MADIGAN ANNOUNCES \$90.8 MILLION SETTLEMENT WITH UBS***Illinois Municipalities, Agencies and Nonprofits Awarded
\$3 Million Over Bank's Scheme***

Chicago — Attorney General Lisa Madigan today announced a \$90.8 million, multistate settlement with Union Bank of Switzerland ("UBS") for its involvement in a scheme to rig bids and engage in other anticompetitive practices that defrauded state agencies, municipalities, school districts and nonprofits in purchasing municipal bond derivatives from the bank.

Madigan said the settlement, which was joined by 23 other states and the District of Columbia, will result in nearly \$3 million in restitution to Illinois municipalities, local government agencies and nonprofits harmed by the bank's efforts to orchestrate illegal bids for municipal derivatives.

"UBS sought to profit at any cost, even if it meant cheating hospitals, municipalities and state agencies out of much needed resources," said Attorney General Madigan. "This settlement will help relieve some of the financial strain these entities have suffered as a result of the bank's fraudulent practices."

UBS is the second financial institution to settle with the multistate working group in the ongoing municipal bond derivatives investigation. In December 2010, Bank of America settled for \$137 million, which included a \$67 million settlement with Illinois and 18 other states for its involvement in the bid-rigging scheme.

Today's settlement resolves allegations that from 2001 through 2004, the bank conspired with financial institutions and brokers to orchestrate bids for municipal derivatives circumventing the competitive bidding process. In some instances, UBS and other financial institutions communicated directly with one another, and not through brokers, to fix prices for bids or to fix the rates or key terms of these transactions. Brokers also frequently offered UBS and other financial entities the unfair advantage of reviewing other bids, thus rigging who would win the deal. In some instances, UBS acted as the broker.

UBS's practices illegally and unreasonably restrained competition in the marketing, sale and placement of these municipal derivatives in violation of Illinois' antitrust laws. This conduct financially harmed the municipalities, local and state agencies and nonprofits that relied on UBS's services. Several Illinois municipalities, state agencies and nonprofits that purchased a municipal derivative from UBS or used UBS as a broker will be eligible to receive restitution as part of this settlement.

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

Municipalities, schools and other organizations typically issue municipal bonds to fund capital projects. Once bonds are issued, the money is typically placed into accounts to spend as the local entity incurs expenses for the project. Because the money from the bonds does not need to be spent immediately, the municipality or other agency that issued the bonds typically seeks out ways to invest the money and may also use strategies to manage or transfer the bond's interest rate risk. These investment accounts and risk management products – which are collectively called "municipal bond derivatives" – are provided by large financial institutions.

The states' investigation into financial institutions involved in this scheme remains ongoing in conjunction with a federal investigation by the U.S. Department of Justice, Securities and Exchange Commission and the Internal Revenue Service.

Bureau Chief Robert W. Pratt and Assistant Attorney General Jamie Manning are handling this case for Madigan's Antitrust Bureau.

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