



ARIZONA CORPORATION COMMISSION

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Commission Approves Wells Fargo ARS Settlement, Scuttles Unregistered Investment Before It Spread and Defrauded Investors

PHOENIX, AZ—The Commission approved a consent order requiring Wells Fargo Investments, LLC to pay a \$78,451 administrative penalty as a result of the company's auction-rate securities (ARS) sales in Arizona. In a separate case, the Commission halted an unregistered securities offering before it spread and financially harmed any investors.

The penalty amount levied against Wells Fargo Investments represents Arizona's pro-rata share of a \$1.9 million global settlement negotiated by a multistate task force of state regulators formed by the North American Securities Administrators Association (NASAA). The agreement marks the twelfth case involving ARS sales in Arizona since the widespread market failure in 2008. Among the principal components of the Wells Fargo Investments settlement is the buyback of ARS from investors who purchased them from Wells Fargo Investments. The Wells Fargo Investments buyback in Arizona involves 154 brokerage accounts and over \$54 million in ARS.

The Commission found that Wells Fargo Investments agents recommended ARS as liquid, short-term investments when ARS are actually long-term investments subject to a complex auction process that, upon failure, can lead to illiquidity and financial loss. Additionally, the Commission found that Wells Fargo Investments failed adequately supervise and train its agents with respect to ARS products.

For eligible customers during certain time periods, Wells Fargo Investments agreed to either repurchase their ARS at par or reimburse those who sold at a financial loss. Additionally, Wells Fargo Investments agreed to participate in a special arbitration process to settle an eligible investor's consequential damages claim arising from their inability to sell ARS. Any investor who purchased ARS from Wells Fargo Investments, but has not received notice from them, should contact Wells Fargo Investments' dedicated ARS hotline at 1-866-281-7438 to determine eligibility and request a repurchase. In settling this matter, Wells Fargo Investments neither admitted nor denied the Commission findings, but agreed to the entry of the consent order. This consent order is the final step in Arizona's ARS case against Wells Fargo Investments.

In a separate case, the Commission ordered Marc Hubbard of North Carolina and his affiliated company to pay a \$5,000 administrative penalty for fraudulently offering unregistered promissory notes in Arizona. Following a faxed letter from an Arizona resident, the Commission's Securities Division launched an investigation into Hubbard who was president and chief executive officer of Sports Dimensions, Inc., a company in the business of promoting concerts. The Commission found that while not registered to offer or sell securities in Arizona, Hubbard solicited investors through a web site and promotional letters, promising a guaranteed 30 percent return in 18 months on promissory notes that would be convertible into company stock when Sports Dimensions, Inc. went public. The Commission found that Hubbard's private placement offering memorandum contained inconsistencies regarding the investment return and the company's profitability. Moreover, the memorandum omitted that three state

securities regulators had previously taken legal action against Hubbard and Sports Dimensions, Inc. No known Arizona investors were financially harmed as a result of Hubbard's actions, an outcome that can be credited to an alert Arizona resident and the swift intervention of the Commission's Securities Division.

More caution for investors:

Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9. The Division's investor education web site also has helpful information at www.azinvestor.gov.

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