

FOR IMMEDIATE RELEASE
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WISCONSIN SCHOOL DISTRICTS PRAISE FILING OF CHARGES BY THE U.S. SECURITIES AND EXCHANGE COMMISSION AGAINST STIFEL NICOLAUS AND DAVID NOACK

Milwaukee, WI. The five Wisconsin school districts who are suing securities brokerage firm Stifel, Nicolaus & Company and the Royal Bank of Canada in Milwaukee County circuit court for fraud, arising out of the 2006 sale to them of \$200 million of synthetic CDOs that are now worthless, today praised the U.S. Securities and Exchange Commission for its filing of fraud charges against brokerage firm Stifel Nicolaus and its then broker, David Noack.

In 2006, the Kimberly, Kenosha, Waukesha, West Allis/West Milwaukee, and Whitefish Bay School Districts were convinced by Stifel and Royal Bank of Canada to purchase synthetic CDO products offered by Stifel and RBC, which were represented to be “just like buying US Treasuries for seven years.” David Noack of Stifel worked both as a registered representative for Stifel and as financial advisor to the School Districts. Stifel and RBC advised the School Districts to purchase synthetic CDOs as a safe means to partially fund other post-employment benefits (“OPEB” benefits), such as health insurance, to be paid over many years to retired teachers and staff, and the Districts followed that advice.

In fact, the synthetic CDO product Stifel and RBC advised the Districts to purchase was nothing like owning US Treasury bonds. First, the Districts’ OPEB trusts were not accredited investors or qualified purchasers for such extremely complex derivative investments, which could only legally be sold to certain large, ultra-sophisticated investors. Stifel and RBC knew the School Districts did not qualify. Second, in their sales of synthetic CDOs to the Districts, Stifel and RBC grossly violated securities laws requiring the sellers (Stifel and RBC) to know their customers, and only offer suitable investments to them. Third, Stifel and RBC lied to the Districts about what was contained in the investment; the risk of total loss if just a small percentage of company debt in the investment was downgraded; the amount of fees the sellers would earn (many millions of dollars more than was disclosed); and later, failed to disclose that the prior investments were failing, while at the same time selling the Districts additional, new synthetic CDOs.

Within six weeks after \$25 million was paid to purchase Tribune 30 (the first synthetic CDO, represented to be a seven year investment) it began to lose significant value. Without informing any District of this failing performance, RBC

and Stifel used District money to modify the investment, thereby staving off immediate failure. Beginning a few weeks after this undisclosed failure, Stifel and RBC created, brokered and sold two additional synthetic CDO investments to the Districts (Sentinel I and Sentinel II) in purchase amounts totaling \$175 million. The last sale to the Districts, synthetic CDO Sentinel II in the amount of \$115 million, occurred on December 21, 2006. By that date, Stifel, RBC and District lender Depfa Bank well knew that both Tribune 30 and Sentinel I were dangerously declining in value, and not performing as represented. This fact was concealed from the Districts by Stifel and RBC, who each earned millions of dollars in fees and other consideration for selling the additional deals.

Stephen Kravit, one of the attorneys for the five Wisconsin school districts suing Stifel Nicolaus & Co., RBC, and others, issued the following statement:

"The Kenosha, Kimberly, Waukesha, West Allis-West Milwaukee, and Whitefish Bay School Districts and their trusts were defrauded by the actions of Stifel, RBC and other named defendants who, in 2006, devised, solicited and sold them a \$200 million series of wholly unsuitable, complex, and volatile synthetic collateralized debt obligations (CDOs). To protect district residents and taxpayers, and to fully recover the monies lost to this fraud scheme, the Districts investigated the fraud, filed suit in Milwaukee County Circuit court in the fall of 2008, and since then have doggedly pursued their claims. Three million pages of discovery documents have been reviewed and analyzed by the Districts' counsel. The Districts duly reported the fraud they uncovered to the U. S. Securities and Exchange Commission, turned over relevant documents and information, and for the past twelve months have in every way fully cooperated in the SEC's investigation of these issues.

The Districts are gratified that the SEC has issued fraud charges against Stifel and Noack. The Districts are aware that the SEC has dedicated considerable resources to its own investigation. The filing by the SEC of a parallel lawsuit to our case is proof that the Districts are following a just path, and that they are ever closer to recovering their losses from this fraud."

Kurt Wachholz, District Administrator of the West Allis/West Milwaukee School District, stated: "The good people in our school district, our board, administration, faculty, staff, students and taxpayers, did not deserve to be lied to and defrauded. Our thanks to the SEC for recognizing this wrongdoing and for pursuing justice."

Todd Gray, Superintendent of the School District of Waukesha, stated: "Our thanks go to the SEC for taking a stand against Wall Street firms who took advantage of our school district and our hard working board members, teachers and staff, all of whom were just trying to fund promised benefits in a responsible way."

Robert Mayfield, Superintendent of the Kimberly School District, stated: "Our position that Stifel lied to us has not changed. I'm reassured to see that the SEC agrees."

Mary Gavigan, District Administrator of Whitefish Bay Schools, stated: "I am grateful to the SEC for bringing these justified charges. This is the beginning of the end of what has been a distraction for our board and administrators. We look forward to recovery of the money taken from us by fraud."

Dr. Michele Hancock, Superintendent Kenosha Unified School District, stated: "We welcome the involvement of the SEC in charging Stifel with fraud. These are challenging times for Wisconsin school districts, and the return of the money taken from Kenosha taxpayers by fraud will be welcome."

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FOR FURTHER INFORMATION:

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