

**FOR IMMEDIATE RELEASE**  
**December 6, 2016**

**WISCONSIN SCHOOL DISTRICTS SETTLE LITIGATION  
WITH THE ROYAL BANK OF CANADA; SEC ANNOUNCES  
RESOLUTION OF PARALLEL REGULATORY PROCEEDING  
AGAINST STIFEL NICOLAUS & COMPANY**

**Milwaukee, WI.** Five Wisconsin school districts announced a comprehensive final settlement with the Royal Bank of Canada (“RBC”) in their long pending Milwaukee county circuit court lawsuit to recover their failed investment in collateralized debt obligations (“CDOs”) manufactured by RBC. At the same time, the U.S. Securities & Exchange Commission (“SEC” or “the Commission”) announced that it had resolved its regulatory case against Stifel Nicolaus & Company, Inc. (“Stifel”) arising out of the same transactions in a federal case that has been pending in Milwaukee for the past five years.

These settlements resolve all pending litigation relating to \$200 million in synthetic CDOs that were manufactured by RBC and sold to the districts’ trusts in 2006. The districts’ total final recovery from settlement of the cases is **\$217.9 million** in cash and debt forgiveness. Today’s announcement marks the end of an eight-year long legal fight. The school districts have been made whole – all of their investment losses from the transactions have been restored.

On September 29, 2008, the districts and trusts filed suit against RBC and Stifel alleging fraud, misrepresentation, and multiple securities law violations. In 2010, at the urging of the school districts and their counsel, the SEC began investigating RBC and Stifel concerning these CDO investments.

RBC settled with the Commission, agreeing to pay \$30.4 million to the districts through an SEC Fair Fund, on September 27, 2011. At the time that settlement was announced, the Director of the SEC Enforcement Division, Robert Khuzami, stated that: “RBC failed Securities 101 when it sold complex derivatives that were unsuitable to five school districts without fully informing them of the risks.”

Six months later, on March 19, 2012, the districts and trusts resolved their direct claims against Stifel. In that settlement, Stifel paid \$13 million to the school districts and provided a standby letter of credit for an additional \$9.5 million, to be paid when its own regulatory case with the SEC ended. The Stifel settlement also relieved the districts and trusts of any obligation to repay \$154 million in notes originally issued by Depfa Bank to help fund the CDO purchases.

In the final settlement announced today, neither the school districts nor their trusts will have any further obligation under those notes, which are finally and irrevocably cancelled. In addition, now that the parallel SEC-Stifel federal case has concluded, the districts received the \$9.5 million cash that was secured by Stifel's standby letter of credit.

After the March, 2012 settlement, the school districts and Stifel jointly pursued claims against RBC for fraud and failure to satisfy its suitability obligations with respect to the transactions. The districts and Stifel alleged, among other things, that RBC manufactured and arranged the CDOs in order to maximize its own profits, thereby greatly increasing the risks to the trusts making the investments. In accordance with this settlement, RBC paid an additional \$19.5 million to resolve the claims against it and fully dismissed cross- and counterclaims it filed against the districts, their trusts, and Stifel.

**Summary of cash settlements.** In the settlements announced today, the school districts received an additional \$20.5 million in cash recovery. Adding the funds from the previous settlement with Stifel and the RBC-SEC resolution (totaling \$43.4 million), the districts have finally received **\$63.9 million** in cash. The breakdown of remaining settlement distributions is as follows:

- \$8,000,000.00 to the school districts directly from RBC;
- \$5,277,404.03 to the School District of Waukesha from an SEC Fair Fund established in the Stifel regulatory case;
- \$3,769,824.34 to the West-Allis West Milwaukee School District from an SEC Fair Fund established in the Stifel regulatory case;
- \$2,492,746.74 to the Kenosha Unified School District from an SEC Fair Fund established in the Stifel regulatory case;
- \$557,430.96 to the Whitefish Bay School District from an SEC Fair Fund established in the Stifel regulatory case; and
- \$402,593.94 to the Kimberly Area School District from an SEC Fair Fund established in the Stifel regulatory case.

Originally, the districts invested \$35 million in cash and their trusts borrowed \$165 million – for a total of \$200 million – to purchase the CDOs in 2006. As noted above, the cash recovered by the school districts from settlements is \$63.9 million. That recovery is nearly twice (182%) the amount of the districts' initial cash investment. With complete debt forgiveness of \$154 million in this settlement, the total litigation recovery is **\$217.9 million, or 109% of the amount originally invested.** This is the second largest civil settlement in state history.

The districts are very pleased to announce the final resolution of these cases and to mark the end of what was a lengthy legal process.

Todd Gray, Superintendent of the School District of Waukesha, stated: “When we first filed suit, our objective was to be made whole again, and I’m thrilled that we were able to achieve it. We take our obligations to safeguard taxpayer money very seriously and our efforts to recover these funds are a testament to that. We had a great team on this case and I am thankful for their efforts.”

Dr. Robert Mayfield, Superintendent of the Kimberly School District, stated: “While no one ever wishes for litigation, I’m extremely proud of what the districts and our lawyers were able to accomplish together. Not only is this settlement with RBC a tremendous result from a monetary perspective, but I think it will also serve as a deterrent to other firms who may be tempted to try to take advantage of small municipal investors like us in the future.”

Andrew Chromy, Director of Finance and Operations for the West Allis-West Milwaukee School District, stated: “This settlement comes at an important time for our district. The influx of more than \$7 million in cash will be a big shot in the arm for us financially. We are extremely grateful to the lawyers at Kravit, Hovel & Krawczyk, who worked tirelessly for years on behalf of the districts to bring us to this point. We are excited to be able to put this behind us now and to move forward as a district.”

Shawn Yde, District of Business Services for Whitefish Bay Schools, stated: “It was a long time coming, but this is a terrific result for us. We stood up for ourselves and recovered everything we lost. I’m grateful for the unwavering support of our board, administration, and the Whitefish Bay community. Without their commitment, and the excellent work of our legal team, an outcome like this wouldn’t have been possible.”

Dr. Sue Savaglio-Jarvis, Superintendent of the Kenosha Unified School District, stated: “Although I haven’t been personally involved with the litigation for that long, I am so impressed by all the work that was done to get us here. Resolving this case on the best possible terms has been a priority of KUSD for years, and we are delighted with the final result.”

Joseph Como, Chairman of the Waukesha Board of Education, added: “This was a complicated case and the decisions that had to be made along the way were far from obvious. I commend the members of each board for their willingness to make some tough calls that ultimately led to this very successful outcome. I’d also like to thank Stifel Nicolaus, who stepped up early on to make things right with us in 2012 and who has been a good partner to the districts over the past four years.”

The Districts' lead counsel, C.J. Krawczyk of Kravit, Hovel & Krawczyk s.c. in Milwaukee, stated: "It has been a real privilege to represent the districts in these matters. You get to see the true measure of people during difficult times, and everything I witnessed from district leadership over years of working together would make the citizens of those communities very proud. On their behalf, I also extend our gratitude to the Securities and Exchange Commission for all of its work in helping to bring these cases to a conclusion."

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**FURTHER INFORMATION:**

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