



ARIZONA CORPORATION COMMISSION

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Commission Fines RBC Capital Markets for Auction-Rate Securities Sales, Sanctions World Group Securities Salesman

PHOENIX, AZ—The Arizona Corporation Commission today approved a consent order that requires RBC Capital Markets Corporation, a subsidiary of Royal Bank of Canada, to pay a \$37,067 fine in connection with its auction-rate securities (ARS) sales in Arizona. In another case, the Commission sanctioned a World Group Securities salesman and his company, requiring the payment of \$47,849 in restitution and \$20,000 in administrative penalties.

The fine amount levied against RBC Capital Markets represents Arizona's pro-rata share of a \$9.8 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 fifth settlement of an ARS case in Arizona since the widespread market failure last year. In the past four months, the Commission sanctioned Merrill Lynch, Wachovia Securities, LLC, Wachovia Capital Markets, LLC, Citigroup Global Markets, Banc of America Securities, LLC, and Banc of America Investment Services, Inc. Among the principal components of the RBC Capital Markets settlement is the buyback of ARS from investors who purchased them from or through RBC Capital Markets. In Arizona, the RBC Capital Markets buyback involves 52 investors and over \$25 million in ARS.

The Commission found that RBC Capital Markets misled investors about ARS by marketing the securities as safe, highly liquid, cash-alternative investments when ARS are actually long-term investments subject to a complex auction process that, upon failure, can lead to illiquidity and financial loss. For eligible customers, RBC Capital Markets agreed to buyback at par any ARS purchased from or through RBC Capital Markets prior to February 11, 2008. To each investor who sold ARS below par between February 11, 2008 and May 31, 2009, RBC Capital Markets agreed to reimburse any investor who sold at a financial loss. Additionally, RBC Capital Markets agreed to refund refinancing fees from specified municipal ARS issuers, make a best effort to provide liquidity solutions for institutional investors and other customers and arbitrate any claim for consequential damages. Any investor who purchased ARS from RBC Capital Markets during the specified time frame, but has not received notice from them, can call RBC Capital Markets' ARS assistance hotline at 1-866-876-5469 to request a repurchase.

In settling this matter, RBC Capital Markets neither admits nor denies the Commission findings, but agrees to the entry of the consent order. This consent order is the final step in Arizona's ARS case against RBC Capital Markets. Settlements or penalty payments arising from securities law violations are directed by law to the Arizona General Fund and do not remain with the Arizona Corporation Commission. The Commission's funding is appropriated through the normal state budget process.

In a separate case, the Commission revoked the securities salesman registration of Dustin J. Lunt of Mesa for defrauding four investors. Lunt and his company, DJL & Associates, LLC, agreed to pay

\$47,849 in restitution, \$20,000 in administrative penalties and to never again apply for registration as an Arizona securities salesman, dealer or investment adviser. The Commission found that Lunt, while working as a branch manager of World Group Securities, promoted unregistered investments without the authorization of his securities dealer. Lunt told his clients that their money would be invested in a venture that funded television advertisements and touted astronomical, annual returns of 4,800 to 12,000 percent. Lunt failed to inform investors that the U.S. Securities and Exchange Commission determined that the television-advertising venture was a Ponzi scheme. Additionally, the Commission found that Lunt took investor money raised from a securities salesman under his supervision and invested it in foreign currency trading to recoup the losses incurred from the television advertising venture. In settling this matter, Lunt neither admits nor denies the Commission's findings, but agrees to the entry of the consent order.

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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