



# COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS  
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## **COMMISSION APPROVES THIRTEENTH ANALYST SETTLEMENT AGREEMENT**

**Wachovia Capital Markets to pay Arizona \$342,348**

PHOENIX – The Arizona Corporation Commission today approved a settlement with Wachovia Capital Markets, LLC. The Wachovia settlement is the thirteenth case involving conflicts of interest among research analysts. Arizona will receive \$342,348 in fines to be deposited in the state’s General Fund as a result of this order. It is the result of a \$25 million proposed national settlement negotiated between state regulators and Wachovia. This money represents Arizona’s pro-rata share of the settlement.

To date, 12 brokerage firms have paid over \$7.5 million to Arizona for inappropriate conduct involving analysts and their recommendations. In addition to paying a fine to the state, Wachovia will deposit \$47,439 with the Investor Education Fund of the Investor Protection Trust in Washington, DC. This is Arizona’s share of \$3 million that is earmarked for investor education programs.

In 2002, a national task force began investigating whether stock analysts misled investors by entering into arrangements that conflicted with their ability to offer fair, independent and impartial recommendations to the investing public. Wachovia consented to the agreement without admitting or denying the regulators’ findings.

Regulators also determined that, similar to the twelve other Wall Street firms, Wachovia compensated some of its research analysts based in part on their participation in investment banking activities. Employee performance evaluations considered investment banking activity in assessing whether the employee fulfilled some analysts identified potential investment banking opportunities in industries they covered. The agreement requires Wachovia to implement significant reforms to its stock research

practices.

Investigators also found that Wachovia did not maintain e-mail communications, as required by law. Electronic back-up data for e-mail was also missing.

Under the terms of the settlement, Wachovia will not seek reimbursement or indemnification for any penalties that it pays. Additionally, Wachovia will not seek a tax deduction or tax credit for the penalty payments.

Approval of the agreement concludes Arizona's investigation and any action the Commission could initiate against Wachovia in connection with its past research practices. The agreement and the Commission's order, however, do not preclude any investor's private litigation against this firm.

To read about Commission actions against other Wall Street brokerage firms or to learn about enforcement actions by the Commission, view the news releases section of the website at: <http://www.azinvestor.gov/News/HotOffThePresses.asp>. Investors can find a variety of helpful brochures and tips on wise investing at the investor education website, [www.azinvestor.gov](http://www.azinvestor.gov). To call the Commission's Securities Division, dial 602-542-4242 within Maricopa County or toll free, 1-866-VERIFY-9, from elsewhere.

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