

PRESS RELEASE APRIL 22, 2009

School Districts File Amended Complaint in Investment Fraud Case

Milwaukee. Five school districts who purchased \$200 million in what they were told was a conservative investment similar to buying a portfolio of corporate bonds from investment firm Stifel Nicolaus and the Royal Bank of Canada in 2006, filed an amended fraud complaint in Milwaukee County circuit court today. This follows the remand of the case to state court, which was ordered by U.S. District Judge Rudolph Randa at the request of the school districts in an opinion filed April 10, 2009.

The West Allis/West Milwaukee, Kenosha, Waukesha, Whitefish Bay and Kimberly school districts originally filed their suit claiming securities fraud last fall. Lawyers for James Zemlyak, Chief Operating Officer of Stifel Nicolaus, had removed the case to federal court claiming Zemlyak was a resident of Missouri. Judge Randa found that Zemlyak was in fact domiciled in Wisconsin, where his family lives, and where he built a \$3 million home and has his four cars registered.

The amended complaint filed today “crystallizes and clarifies the facts concerning this complex investment, and adds an important claim” said Stephen Kravit, one of the attorneys for the districts. “It turns out that the trusts set up by the districts for this investment were not qualified to purchase these unregistered securities, and it was illegal for Stifel and RBC to sell them to these investors” Kravit said. “The districts are entitled to get all of the money they originally paid, \$200 million, back from the sellers.”

The amended complaint says that what the districts learned they paid \$200 million for was a group of unregistered synthetic credit derivatives, structured in a risky, complex fashion, which included what are now called “toxic” assets, such as subprime loans and credit card debt. The amended complaint states the districts’ investments in these assets have now declined in value “by more than \$190 million.”

“Royal Bank of Canada was responsible for qualifying the investors here, and providing a suitable investment for the districts” Kravit said, “and they failed miserably on both counts.”

The case is assigned to Milwaukee County Circuit Judge David Hansher.

###