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Wells Fargo, Banned From Bond Work, Wins California Deal Anyway.

- State law allowed bank to win with best price in an auction
- Wells Fargo was sanctioned over fake accounts scandal

California's suspension of Wells Fargo & Co. from investment work hasn't completely prevented the beleaguered bank from underwriting the state's bonds.

Wells Fargo submitted the lowest competitive bid Wednesday to sell $636 million of California general obligations. The 12-month ban imposed in September by State Treasurer John Chiang applies to negotiated sales, in which the underwriters are picked in advance. State law requires Chiang to accept the lowest bid submitted at an auction.

"We were pleased with the price that they offered," said Marc Lifsher, a spokesman for Chiang. "It doesn't reflect our feelings about their behavior toward their customers."

Yields on the bonds, which refinanced higher-cost debt, ranged from 0.81 percent for securities maturing in August to 2.66 percent for those due in 2030, data compiled by Bloomberg show. Five-year bonds were priced 0.07 percentage point over benchmark securities, a lower premium than the 0.16 percentage point demanded on similar maturities sold in March.

In evaluating the market and the liquidity of California bonds, Wells Fargo bankers decided to "be aggressive, put our best foot forward for the state and save them money," said Parks Lineberger, a director who worked on the deal. "This shows our commitment to the state."

Federal regulators announced in September that Wells Fargo employees had opened potentially 2 million unauthorized accounts. The scandal has led to fines, firings, claw backs of bonuses, lawsuits and lost business with municipal governments.

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