



Dora

Department of Regulatory Agencies

Division of Securities

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Colorado Securities Commissioner Agrees to JPMorgan Chase & Co., Auction Rate Securities Settlement

Colorado Securities Commissioner Fred Joseph announced today the terms of a settlement between the Colorado Division of Securities and JPMorgan & Chase, Co. Under the terms of the settlement, JPMorgan agreed to buy back \$139 million worth of auction rate securities from Colorado investors who found themselves unable to sell their securities after they had been frozen in the auction rate securities ("ARS") market.

The settlement concludes an investigation led by state securities regulators, including the Colorado Division of Securities, into allegations that JPMorgan failed to ensure that all of its sales representatives made appropriate disclosures to customers regarding the nature and risks of auction rate securities. Customers were told that auction rate securities were liquid, safe, short-term investments and did not highlight the risk that, in the event of a failed auction, the securities might become illiquid. The ARS markets froze in February of 2008, triggering a flood of complaints from investors who could not withdraw money from their accounts. States received complaints from a wide range of investors who suffered significant financial damage because the money they were told was liquid was tied up in the frozen ARS market.

"Securing a liquidity solution for investors in Colorado has been the primary objective of our investigations of firms who sold auction rate securities, and this agreement achieves that goal. We are pleased to see that JPMorgan has resolved this problem," said Colorado Securities Commissioner Fred Joseph.

The Colorado settlement is part of a multi-state agreement in which JPMorgan Lynch has bought back over \$17 billion of auction rate securities from all JPMorgan retail customers who held those securities at the time the auction market failed on February 12, 2008.

The investigation into possible violations by JPMorgan is part of a larger state-led effort to address problems in connection with the offer and sale of ARS securities. State regulators, including Colorado, are continuing their investigations into possible misconduct by other firms, and have reached agreements to settle with some of these firms.

DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado. Consumer protection is our mission.

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