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Department of Regulatory Agencies

**Division of Securities**  
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Securities Commissioner

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## **NEWS RELEASE**

**For Immediate Release - June 18, 2009**

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### **Colorado Securities Commissioner Agrees to Merrill Lynch Auction Rate Securities Settlement**

Colorado Securities Commissioner Fred Joseph announced today the terms of a settlement between the Colorado Division of Securities and Merrill Lynch. Under the terms of the settlement, Merrill agreed to buy back \$256 million worth of auction rate securities from certain 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, a division of the Colorado Department of Regulatory Agencies, into allegations that Merrill Lynch misled its clients by falsely assuring them that ARS securities were as safe and liquid as cash. 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.

"This settlement represents a major victory for investors who for months have been unable to access their funds at Merrill Lynch because those funds were placed in auction rate securities," said Colorado Securities Commissioner Fred

Joseph. "Securing a liquidity solution for investors has been the primary objective of our investigations, and this agreement achieves that goal. We are pleased to see that Merrill has resolved this problem."

The Colorado settlement is part of a multi-state agreement in which Merrill Lynch will buy back over \$26 billion of auction rate securities from all Merrill retail customers who held those securities at the time the auction market failed on February 13, 2008. Merrill has agreed to promptly purchase auction rate securities from any eligible investor, and such offer will remain open until January 15, 2010.

The investigation into possible violations by Merrill Lynch 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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