



STATE OF FLORIDA  
OFFICE OF FINANCIAL REGULATION

IN RE: )  
 )  
JPMORGAN CHASE & CO., )  
 )  
Respondent. )  
 )  
\_\_\_\_\_ /

Administrative Proceeding  
No.:  
0403-S-10/08

**FINAL ORDER**

The Office of Financial Regulation (“Office”), and Respondent, JPMorgan Chase & Co. (hereinafter “Respondent”), having entered into a Consent Agreement to Final Order last dated June 4, 2009, attached hereto, resolving and concluding this matter;

**IT IS ACCORDINGLY ORDERED:**

1. The Consent Agreement to Final Order attached hereto is adopted and incorporated herein by reference as if set forth at length;
2. The Office and Respondent shall comply with all provisions of the incorporated Consent Agreement to Final Order.

**DONE and ORDERED** this 4th day of June 2009, in Tallahassee, Leon County, Florida.

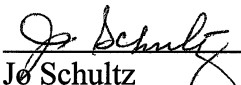
  
\_\_\_\_\_  
Alex Hager, Acting Commissioner  
Office of Financial Regulation

**NOTICE OF RIGHT TO JUDICIAL REVIEW**

A PARTY WHO IS ADVERSELY AFFECTED BY THIS FINAL ORDER IS ENTITLED TO JUDICIAL REVIEW PURSUANT TO SECTION 120.68, FLORIDA STATUTES. REVIEW PROCEEDINGS ARE GOVERNED BY THE FLORIDA RULES OF APPELLATE PROCEDURE. SUCH PROCEEDINGS ARE COMMENCED BY FILING THE ORIGINAL NOTICE OF APPEAL WITH THE AGENCY CLERK OF THE OFFICE OF FINANCIAL REGULATION, SUITE 526, FLETCHER BUILDING, 200 EAST GAINES STREET, TALLAHASSEE, FLORIDA 32399-0379, AND A COPY, ACCOMPANIED BY FILING FEES PRESCRIBED BY LAW, WITH THE DISTRICT COURT OF APPEAL, FIRST DISTRICT, 301 S. MARTIN LUTHER KING, JR., BOULEVARD, TALLAHASSEE, FLORIDA 32399-1850, OR WITH THE DISTRICT COURT OF APPEAL IN THE APPELLATE DISTRICT WHERE THE PARTY RESIDES. THE NOTICE OF APPEAL MUST BE FILED WITHIN 30 DAYS OF RENDITION OF THE ORDER TO BE REVIEWED.

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a copy of the foregoing Final Order was sent by regular U. S. Mail to Counsel for Respondent, JPMorgan Chase & Co., Peter H. Bresnan, Esquire, Simpson Thacher & Bartlett, L.L.P., 601 Pennsylvania Avenue, NW, North Building, Washington, D.C. 20004, this 5<sup>th</sup> day of June 2009.

  
\_\_\_\_\_  
Jo Schultz  
Attorney Supervisor

Copies furnished:

Michael G. Moore, Assistant General Counsel  
Office of Financial Regulation  
2295 Victoria Avenue, Suite 170  
Fort Myers, Florida 33901

**STATE OF FLORIDA  
OFFICE OF FINANCIAL REGULATION**

<b>IN RE:</b>	)	<b>Administrative Proceeding</b>
	)	<b>No.:</b>
<b>JPMORGAN CHASE &amp; CO.,</b>	)	
	)	<b>0403-S-10/08</b>
<b>Respondent.</b>	)	
<hr/>	/	

**CONSENT AGREEMENT TO FINAL ORDER**

WHEREAS, certain affiliates of JPMorgan Chase & Co. are dealers registered in the State of Florida; and

WHEREAS, an investigation into the activities of JPMorgan Chase & Co. and its subsidiaries and affiliates, including J.P. Morgan Securities Inc., Chase Investment Services Corporation and Bear Stearns & Co. and affiliates, with the exception of WaMu Investments Inc., which JPMorgan acquired on September 25, 2008, (hereinafter "JPMorgan") in connection with certain of its marketing and sale of Auction Rate Securities practices during the period of approximately January 2006 through the present has been conducted under the auspices of a multistate task force; and

WHEREAS, JPMorgan has cooperated with regulators conducting the investigation by responding to inquiries, providing documentary evidence and other materials, and providing regulators with access to facts relating to the investigation; and

WHEREAS, JPMorgan has advised regulators that it desires to settle and resolve the investigations without admitting or denying the allegations set forth below; and

WHEREAS, JPMorgan agrees to take certain actions described herein and to make certain payments; and

WHEREAS, JPMorgan elects to permanently waive any right to a hearing and appeal under Chapter 120, Florida Statutes, with respect to this Consent Agreement to Final Order (the “Order”);

NOW, THEREFORE, the State of Florida, Office of Financial Regulation, (the “Office”), as administrator of Florida’s Securities and Investor Protection Act under Chapter 517, Florida Statutes, and Respondent, JPMorgan, in consideration of the mutual promises herein, recite, stipulate, and agree on the last date executed below as follows:

**I.**

**FINDINGS OF FACT**

1. JPMorgan admits the jurisdiction of the State of Florida, Office of Financial Regulation, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to the entry of this Order by the Office and the Office makes the following findings of fact contained herein.

2. Auction rate securities are financial instruments that include auction preferred shares of closed-end funds, municipal auction rate bonds, and student loan-backed auction rate bonds (collectively referred to herein as “ARS”). While ARS are all long-term instruments, one significant feature of ARS (which historically provided the potential for short-term liquidity) is the interest/dividend reset through periodic auctions. If an auction is successful (i.e., there are enough buyers for every ARS being offered for sale at the auction), investors are able to sell their ARS on a short-term basis. If, however, auctions “fail” (i.e., there are not enough buyers for every ARS being offered for sale), investors may be required to hold all or some of their ARS until the next successful auction in order to liquidate their funds.

## **Marketing and Sales of ARS to Investors**

3. Although JPMorgan was aware of increasing strains in areas of the ARS market during the approximate six (6) months prior to the mass failure, JPMorgan failed to ensure that all of its registered representatives made appropriate disclosures to customers regarding the nature and risks of auction rate securities. Certain JPMorgan employees stated 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.

4. JPMorgan used the proprietary name, M-Stars or Municipal Short Term Auction Rate Securities, in marketing ARS. This could have led certain investors to conclude that ARS were short-term instruments. In fact, ARS were not simply "short-term" instruments. For example, certain student loan MSTARs had maturities in the year 2039 and full liquidity was only available at an auction if the auction was successful.

5. Starting in the Fall of 2007, demand for certain auction rate securities continued to erode and JPMorgan's auction rate securities inventory grew significantly. JPMorgan did not discuss the increasing risks of owning or purchasing auction rate securities with all of its customers.

6. In February 2008, JPMorgan stopped uniformly supporting auctions for which it acted as the sole or lead broker. Without the benefit of support bids from broker-dealers, the auction rate securities market collapsed, leaving certain investors who had believed that these securities were liquid, safe, short-term investments appropriate for managing short-term cash needs, holding long-term securities that could not be sold at par value.

7. JPMorgan engaged in practices prohibited by Section 517.161, Florida Statutes (2007), by engaging in prohibited business practices of a dealer pursuant to section 517.161(1)(h), Florida Statutes.

## **Failure to Supervise Agents who Sold ARS**

8. JPMorgan did not provide all its sales or marketing staff with the training and information necessary to adequately explain these products or the mechanics of the auction process to their customers.

9. Not all of JPMorgan's registered associated persons were adequately educated in the ARS products they were selling.

10. JPMorgan failed to reasonably supervise all its employees, by among other things:

a. failing to provide adequate training to all its registered agents regarding ARS by, among other things:

i failing to provide to all of its registered agents timely and comprehensive sales and marketing literature regarding ARS and the mechanics of the auction process;

ii failing to provide to all of its registered agents all pertinent information concerning the ARS product;

iii failing to provide to all of its registered agents all pertinent information regarding the state of the market prior to the mass auction failures in mid-February, 2008; and

b. failing to review ARS transactions in accounts of certain customers who needed liquidity; and

c. failing to ensure that all its registered personnel were providing adequate information regarding ARS to its customers.

## **II.**

### **CONCLUSIONS OF LAW**

The Office has jurisdiction over this matter pursuant to Section 517.221, Florida Statutes (2007).

11. As described in the Findings of Fact above, JPMorgan failed to supervise all its agents and employees and engaged in other practices in violation of Section 517.161(1)(h), Florida Statutes (2007), Rule 69W-600.013(1)(h)1., Florida Administrative Code, and NASD Conduct Rule 3010.

12. As a result, the Office finds this Consent Agreement and the following relief appropriate, is in the public interest, and consistent with Florida Securities and Investor Protection Act, Chapter 517, Florida Statutes (2007).

## **III.**

### **CONSENT TERMS**

On the basis of the Findings of Fact, Conclusions of Law, and JPMorgan's consent to the entry of this Consent Agreement and a Final Order approving same,

IT IS HEREBY AGREED:

1. JPMorgan neither admits nor denies the Findings of Facts set forth above.
2. Entry of a Final Order approving this Consent Agreement concludes the investigation by the Office and any other action that the Office could commence under applicable Florida law on behalf of the Office as it relates to JPMorgan, relating to certain sale and marketing of auction rate securities at JPMorgan; provided, however, that excluded from and not covered by this paragraph are any claims by the Office arising from or relating to violations of the provisions contained in this Consent Agreement.

3. The foregoing Consent Agreement is entered into solely for the purpose of resolving the referenced multistate investigation and is not intended to be used for any other purpose.

4. JPMorgan will CEASE AND DESIST from violating Section 517.161(1), Florida Statutes, and will comply with the Florida Securities and Investor Protection Act, Chapter 517, Florida Statutes.

5. JPMorgan shall pay the sum of \$ 1,293,398.34 to the State of Florida, Department of Financial Services, as a civil monetary penalty pursuant to Section 517.221(3), Florida Statutes, to be deposited into the Anti-fraud Trust Fund, pursuant to Section 517.221, Florida Statutes, which amount constitutes the State of Florida's proportionate share of the state settlement amount of 25 Million Dollars (\$25,000,000.00), which shall be payable to the State of Florida within ten (10) days of the date on which the Final Order approving this Consent Agreement is entered.

6. In the event another state securities regulator determines not to accept the recommendation of the NASAA Task Force and does not enter into a settlement with JPMorgan that follows the terms of the Settlement Term Sheet signed by JPMorgan, the North American Securities Administrators' Association and the Office on August 14, 2008, the total amount of the State of Florida's payment shall not be affected, and shall remain at \$ 1,293,398.34.

7. JPMorgan shall comply (and, to the extent the Settlement Term sheet described herein required action to be take prior to the date of this Consent Agreement, has already complied) with the requirements of the Settlement Term Sheet executed August 14, 2008, a copy of which is attached hereto as Exhibit "A," which provides:

a. Individual Investors

As soon as practicable following the execution of the Settlement Term Sheet, JPMorgan will offer to buy back at par auction rate securities that since February 12, 2008 have not been auctioning from individual investors who purchased those auction rate securities from JPMorgan prior to February 12, 2008 (“Individual Investors”). For purposes of the Settlement, charities and small to medium sized businesses with account values and household values up to \$10 million will also be treated as JPMorgan Individual Investors. The term Individual Investors does not include senior management of JPMorgan and its predecessors and JPMorgan financial advisors/registered representatives.

The buybacks will be completed no later than November 12, 2008.

JPMorgan will provide notice to customers of the settlement terms and JPMorgan will establish a dedicated telephone assistance line, with appropriate staff, to respond to questions from customers concerning the terms of the settlement.

b. Relief for Investors Who Sold Below Par

No later than November 12, 2008, any JPMorgan Individual Investor that JPMorgan can reasonably identify who sold auction rate securities below par between February 12, 2008 and announcement of the Settlement will be paid the difference between par and the price at which the investor sold the auction rate securities.

c. Consequential Damages Claims

No later than November 12, 2008, JPMorgan shall notify those JPMorgan clients who own auction rate securities, pursuant to the terms of the Settlement, that a public arbitrator (as defined by Section 12100(u) of the NASD Code of Arbitration Procedures for Customer

Disputes, eff. April 16, 2007), under the auspices of FINRA, will be available for the exclusive purpose of arbitrating any JPMorgan Individual Investor's consequential-damages claim.

Arbitration shall be conducted by public arbitrators and JPMorgan will pay all applicable forum and filing fees. Any JPMorgan Individual Investors who choose to pursue such claims shall bear the burden of proving that they suffered consequential damages and that such damages were caused by investors' inability to access funds consisting of investors' auction rate securities holdings at JPMorgan. JPMorgan shall be able to defend itself against such claims; provided, however, that JPMorgan shall not contest in these arbitrations liability related to the sale of auction rate securities. Special or punitive damages shall not be available in the arbitration proceedings.

d. Institutional Investors

JPMorgan shall endeavor to continue to work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously provide liquidity solutions for institutional investors not covered by paragraph 6.a. above, that continue to hold auction rate securities purchased from JPMorgan ("Institutional Investors").

Within 45 days of the end of each quarter beginning with a report covering the quarter ended December 31, 2008 (due on February 14, 2009) and continuing through and including a report covering the quarter ended December 31, 2009 (due on February 14, 2010), JPMorgan shall submit a quarterly written report detailing JPMorgan's progress with respect to its obligations pursuant to this Consent Agreement and outlining the efforts in which JPMorgan has engaged and the results of those efforts with respect to JPMorgan's institutional investors' holdings in auction rate securities. JPMorgan shall confer with William F. Reilly, Bureau Chief, Bureau of Securities Regulation, of the Office, as the lead NASAA member on behalf of all the States, on a quarterly basis to discuss JPMorgan's progress to date. Such quarterly reports and conferences/meetings shall

continue until the first quarter of 2010. Following every quarterly meeting, the Office shall advise JPMorgan of any concerns regarding JPMorgan's progress in providing liquidity solutions for Institutional Investors and, in response, JPMorgan shall detail the steps that JPMorgan plans to implement to address such concerns. The reporting or meeting deadlines set forth above may be amended with written permission from the Office.

e. Relief for Municipal Issuers

JPMorgan shall refund underwriting fees JPMorgan has received from municipal auction rate issuers that issued such securities through JPMorgan in the initial primary market between August 1, 2007 and February 12, 2008, and refinanced those securities through JPMorgan after February 12, 2008 through the date this Consent Agreement to Final Order is executed by JPMorgan.

f. Investigative Costs

Furthermore, JPMorgan shall pay \$15,000.00 to NASAA as reimbursement for investigative costs incurred by NASAA.

g. In consideration of the Settlement

The Office will:

i. Terminate its investigation with respect to JPMorgan's marketing and sale of auction rate securities to Individual Investors defined in paragraph 6.a. above. However, nothing herein limits the ability of the Office in pursuing any investigation relating to any party other than JPMorgan.

ii. Refrain from taking legal action, excluding entry of the Final Order which embodies this settlement, against JPMorgan with respect to its institutional

investors until November 12, 2008; The States shall issue continuances of that period as it deems appropriate; and

iii. Accept payment of \$1,293,398.34, as its portion of the above-mentioned \$25 million penalty, to address all underlying conduct relating to the marketing and sale of auction rate securities. The Office will not seek additional monetary penalties from JPMorgan relating to such conduct.

8. If payment is not made by JPMorgan or if JPMorgan materially defaults in any of its obligations set forth in this Consent Agreement and fails to cure such a default reasonably after 10 days notice from the Office, notwithstanding any other provision of Florida law, the Office may vacate the Final Order approving this Consent Agreement at its sole discretion and without opportunity for administrative hearing.

9. The Final Order approving this Consent Agreement is not intended to indicate that JPMorgan or any of its affiliates or current or former employees shall be subject to any disqualifications contained in the federal securities law, the rules and regulations thereunder, the rules and regulations of self regulatory organizations or various states' securities laws including any disqualifications from relying upon the registration exemptions or safe harbor provisions. In addition, neither the Final Order, nor this Consent Agreement, is intended to form the basis for any such disqualifications.

10. Nothing herein shall preclude the State of Florida, its departments, agencies, boards, commissions, authorities, political subdivisions and corporations (collectively, "State Entities"), other than the Office and only to the extent set forth in paragraph 2 above, and the officers, agents or employees of State Entities from asserting any claims, causes of action, or applications for compensatory, nominal and/or punitive damages, administrative, civil, criminal,

or injunctive relief against JPMorgan in connection with certain marketing and sales practices of auction rate securities at JPMorgan.

11. Except in an action by the Office to enforce the obligations of JPMorgan in this Consent Agreement, this Consent Agreement may neither be deemed nor used as an admission of or evidence of any alleged fault, omission or liability of JPMorgan in any civil, criminal, arbitration or administrative proceeding in any court, administrative agency or tribunal. For any person or entity not a party to this Consent Agreement, neither the Final Order, nor this Consent Agreement, limits or creates any private rights or remedies against JPMorgan including, without limitation with respect to the use of any e-mails or other documents of JPMorgan or of others concerning the marketing and/or sales of auction rate securities, limit or create liability of JPMorgan, or limit or create defenses of JPMorgan to any claims.

12. This Consent Agreement shall not disqualify JPMorgan or any of its affiliates or current or former employees from any business that they otherwise are qualified or licensed to perform under applicable state law and the Final Order approving this Consent Agreement is not intended to form the basis for any disqualification.

13. The Final Order approving this Consent Agreement and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the State of Florida without regard to any choice of law principles.

14. Respondent, JPMorgan, through its execution of this Consent Agreement, voluntarily waives its right to a hearing on this matter and to judicial review of the Final Order approving this Consent Agreement under Sections 120.569, 120.57, and 120.68, Florida Statutes (2007).

15. Respondent, JPMorgan, enters into this Consent Agreement voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the Office or any member, officer, employee, agent, or representative of the Office to induce JPMorgan to enter into this Consent Agreement other than as set forth in this Consent Agreement.

16. This Consent Agreement, and the Final Order approving this Consent Agreement, shall be binding upon JPMorgan and its successors and assigns as well as to successors and assigns of relevant affiliates with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

RESPONDENT, JPMORGAN

  
\_\_\_\_\_  
MARK E. SEGALL, SENIOR VICE PRESIDENT  
JPMORGAN

  
\_\_\_\_\_  
DATE

OFFICE OF FINANCIAL REGULATION

  
\_\_\_\_\_  
MICHAEL GROSS, ACTING DIRECTOR  
DIVISION OF SECURITIES

  
\_\_\_\_\_  
DATE

## **CONSENT TO ENTRY OF FINAL ORDER BY JPMORGAN**

1. JPMorgan hereby acknowledges that it has been served with a copy of the foregoing Consent Agreement and proposed Final Order, has read the foregoing, is aware of its right to a hearing and appeal in this matter, and has waived the same.

2. JPMorgan admits the jurisdiction of the Office, neither admits nor denies the Findings of Fact and Conclusions of Law contained in the foregoing Consent Agreement; and consents to entry of the proposed Final Order, a copy of which is attached hereto as Exhibit "B," by the Office as settlement of the issues contained in the foregoing Consent Agreement and Final Order.

3. JPMorgan agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any administrative monetary penalty that JPMorgan shall pay pursuant to this Consent Agreement as approved by the Final Order.

4. JPMorgan states that no promise of any kind or nature whatsoever that is not reflected in this Consent Agreement was made to it to induce it to enter into this Consent Agreement or the Final Order and that it has entered into this Consent Agreement and the Final Order voluntarily.

5. Mark E. Segall represents that he is Senior Vice President and Associate General Counsel of JPMorgan and that, as such, has been authorized by JPMorgan to enter into this Consent Agreement and Final Order for and on behalf of JPMorgan.

RESPONDENT, JPMORGAN

Mark E. Segall  
MARK E. SEGALL, SENIOR VICE PRESIDENT  
and ASSOCIATE GENERAL COUNSEL  
JPMORGAN

June 1, 2009  
DATE

State of New York )  
County of Kings )

Before me, the undersigned notary public, personally appeared Mark E. Segall, upon being duly sworn, states that he has read and understand the foregoing Stipulation and Consent Agreement and voluntarily signed same. Sworn to and subscribed before me this 1 day of June, 2009.

[Signature]  
Notary Public

MARLENE M. THOMPSON  
Notary Public, State of New York  
No. 01TH6161011  
Qualified in Kings County  
Certificate filed in New York County  
Commission Expires February 12, 2011

**STATE OF FLORIDA  
OFFICE OF FINANCIAL REGULATION**

<b>IN RE:</b>	)	<b>Administrative Proceeding</b>
	)	<b>No.:</b>
<b>JPMORGAN CHASE &amp; CO.,</b>	)	
	)	<b>0403-S-10/08</b>
<b>Respondent.</b>	)	
<hr/>	/	

**EXHIBIT "A"**

- 1. Settlement Term Sheet dated August 14, 2008.**

## Settlement Term Sheet

The North American Securities Administrators Association (“NASAA”) established a task force (the “NASAA Task Force”) for purposes of investigating the sale of auction rate securities by various broker-dealers including JPMorgan Chase & Co. (“JPMorgan”). The following represents the terms under which JPMorgan, on behalf of itself and its affiliates, has agreed to settle with the Office of Financial Regulation of the State of Florida and which the NASAA Task Force will recommend for approval by the jurisdictions identified in Appendix A (the “States”). The Settlement will be embodied in administrative and/or civil settlement actions with each of the States, whereby JPMorgan, without admitting or denying any allegations or findings, will agree to the following:

### **I. Individual Investors**

As soon as practicable following the execution of this term sheet, JPMorgan will offer to buy back at par auction rate securities that since February 12, 2008 have not been auctioning from individual investors who purchased those auction rate securities from JP Morgan prior to February 12, 2008 (“Individual Investors”). For purposes of the Settlement, charities and small to medium sized businesses with account values and household values up to \$10 million will also be treated as JPMorgan Individual Investors. The term individual Investors does not include senior management of JPMorgan and its predecessors and JPMorgan financial advisors/registered representatives.

The buybacks will be completed no later than November 12, 2008.

JPMorgan will provide notice to customers of the settlement terms and JPMorgan will establish a dedicated telephone assistance line, with appropriate staff, to respond to questions from customers concerning the terms of the settlement.

### **II. Relief for Investors *Who Sold Below Par***

No later than November 12, 2008, any JPMorgan Individual Investor that JP Morgan can reasonably identify who sold auction rate securities below par between February 12, 2008 and announcement of the Settlement will be paid the difference between par and the price at which the investor sold the auction rate securities.

### **III. Consequential Damages Claims**

No later than November 12, 2008, JPMorgan shall notify those JPMorgan clients who on auction rate securities, pursuant to the terms of the Settlement, that a public arbitrator (as defined by section 12100(u) of the NASD Code of Arbitration Procedures for Customer Disputes, eff April 16, 2007), under the auspices of FINRA, will be available for the exclusive purpose of arbitrating any JPMorgan Individual Investor’s consequential-damages claim. Arbitration shall be conducted by public arbitrators and JPMorgan will pay all applicable forum and filing fees. Any JPMorgan Individual Investors who choose to pursue such claims shall bear the burden of proving that they suffered consequential damages and that such damages were caused by investors’ inability to access funds consisting of investors’ auction rate securities holdings at JPMorgan. JPMorgan shall be able to defend itself against such claims; provided, however, that

JPMorgan shall not contest in these arbitrations liability related to the sale of auction rate securities. Special or punitive damages shall not be available in the arbitration proceedings.

#### **IV. Institutional Investors**

JPMorgan shall endeavor to continue to work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously provide liquidity solutions for institutional investors not covered by Section I. above.

Beginning November 12, 2008 and then quarterly after that, JPMorgan shall submit a written report to the States outlining the efforts in which JP Morgan has engaged and the results of those efforts with respect to JPMorgan institutional investors' holdings in auction rate securities. JPMorgan shall confer with the States no less frequently than quarterly to discuss JPMorgan's progress to date. Such quarterly meetings shall continue at the States' request until no later than December 31, 2009. Following every quarterly meeting, the States shall advise JP Morgan of any concerns and, in response, JP Morgan shall discuss how JP Morgan plans to address such concerns.

#### **V. Relief for Municipal Issuers**

JPMorgan shall refund refinancing fees JPMorgan has received from municipal auction rate issuers that issued such securities through JPMorgan in the initial primary market between August 1, 2007 and February 12, 2008, and refinanced those securities through JP Morgan after February 12, 2008.

#### **VI. Charges**

Failure to supervise and/or unethical practices (or substantially equivalent non-fraud based terms under relevant state statutes).

#### **VII. Penalties**

Payment of a total of \$25 million to the State of New York and the States, which shall be allocated at the discretion of State of New York and the States, to address all underlying conduct relating to the sale of auction rate securities.

#### **VIII. Investigative Costs**

Furthermore, JP Morgan shall pay \$15,000.00 to NASAA as reimbursement for investigative costs incurred by NASAA.

#### **IX. In consideration of the Settlement**

The States will:

- a. Terminate its investigation with respect to JPMorgan's marketing and sale of auction rate securities to Individual Investors defined in Section 1

herein, However, nothing herein limits the ability of the States in pursuing any investigation relating to any party other than JPMorgan.

- b. Refrain from taking legal action, excluding the Administrative Consent Order which embodies this settlement, against JPMorgan with respect to its institutional investors until [November 12, 2008; The States shall issue continuances of that period as it deems appropriate; and
- c. Payment of the above-mentioned \$25 million penalty to address all underlying conduct relating to the marketing and sale of auction rate securities. The States will not seek additional monetary penalties relating to such conduct.

**WHEREFORE**, the following signatures are affixed hereto on the dates set forth below.

**NORTH AMERICAN SECURITIES  
ADMINISTRATORS' ASSOCIATION**

By: /s/ Karen Tyler

Karen Tyler  
North Dakota Securities Commissioner &  
NASAA President (solely as observer and not as a party)  
Dated: August 14, 2008

**OFFICE OF FINANCIAL REGULATION OF THE STATE OF FLORIDA**

By: /s/ Richard A. White \_\_\_\_\_  
Name: Richard A. White  
Title: Director, Division of Securities  
Dated: August 14, 2008

**JP MORGAN CHASE & CO.**

By: /s/ Mark E. Segall \_\_\_\_\_  
Name: Mark E. Segall  
Title: Senior Vice President and Associate General Counsel  
Dated: August 14, 2008

APPENDIX A

ALABAMA  
ALASKA  
ARIZONA  
ARKANSAS  
CALIFORNIA  
COLORADO  
CONNECTICUT  
DELAWARE  
DISTRICT OF COLUMBIA  
FLORIDA  
GEORGIA  
HAWAII  
IDAHO  
ILLINOIS  
INDIANA  
IOWA  
KANSAS  
KENTUCKY  
LOUISIANA  
MAINE  
MARYLAND  
MASSACHUSETTS  
MICHIGAN  
MINNESOTA  
MISSISSIPPI  
MISSOURI  
MONTANA  
NEBRASKA  
NEVADA  
NEW HAMPSHIRE  
NEW JERSEY  
NEW MEXICO  
NORTH CAROLINA  
NORTH DAKOTA  
OHIO  
OKLAHOMA  
OREGON  
PENNSYLVANIA  
PUERTO RICO  
RHODE ISLAND  
SOUTH CAROLINA  
SOUTH DAKOTA  
TENNESSEE

TEXAS  
U.S. VIRGIN ISLANDS  
UTAH  
VERMONT  
VIRGINIA  
WASHINGTON  
WEST VIRGINIA  
WISCONSIN  
WYOMING

**STATE OF FLORIDA  
OFFICE OF FINANCIAL REGULATION**

<b>IN RE:</b>	)	<b>Administrative Proceeding</b>
	)	<b>No.:</b>
<b>JPMORGAN CHASE &amp; CO.,</b>	)	
	)	<b>0403-S-10/08</b>
<b>Respondent.</b>	)	
_____	/	

**FINAL ORDER**

The Office of Financial Regulation (“Office”), and Respondent, JPMorgan Chase & Co. (hereinafter “Respondent”), having entered into a Consent Agreement to Final Order last dated May \_\_\_, 2009, attached hereto, resolving and concluding this matter;

**IT IS ACCORDINGLY ORDERED:**

1. The Consent Agreement to Final Order attached hereto is adopted and incorporated herein by reference as if set forth at length;
2. The Office and Respondent shall comply with all provisions of the incorporated Consent Agreement to Final Order.

**DONE and ORDERED** this \_\_\_\_\_ day of June 2009, in Tallahassee, Leon County, Florida.

\_\_\_\_\_  
Alex Hager, Acting Commissioner  
Office of Financial Regulation

**NOTICE OF RIGHT TO JUDICIAL REVIEW**

**A PARTY WHO IS ADVERSELY AFFECTED BY THIS FINAL ORDER IS ENTITLED TO JUDICIAL REVIEW PURSUANT TO SECTION 120.68, FLORIDA STATUTES. REVIEW PROCEEDINGS ARE GOVERNED BY THE FLORIDA RULES OF APPELLATE PROCEDURE. SUCH PROCEEDINGS ARE COMMENCED BY FILING THE ORIGINAL NOTICE OF APPEAL WITH THE AGENCY CLERK OF THE OFFICE OF FINANCIAL REGULATION, SUITE 526, FLETCHER BUILDING, 200 EAST GAINES STREET, TALLAHASSEE, FLORIDA 32399-0379, AND A COPY, ACCOMPANIED BY FILING FEES PRESCRIBED BY LAW, WITH THE DISTRICT COURT OF APPEAL, FIRST DISTRICT, 301 S. MARTIN LUTHER KING, JR., BOULEVARD, TALLAHASSEE, FLORIDA 32399-1850, OR WITH THE DISTRICT COURT OF APPEAL IN THE APPELLATE DISTRICT WHERE THE PARTY RESIDES. THE NOTICE OF APPEAL MUST BE FILED WITHIN 30 DAYS OF RENDITION OF THE ORDER TO BE REVIEWED.**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a copy of the foregoing Final Order was sent by regular U. S. Mail to Counsel for Respondent, JPMorgan Chase & Co., Peter H. Bresnan, Esquire, Simpson Thacher & Bartlett, L.L.P., 601 Pennsylvania Avenue, NW, North Building, Washington, D.C. 20004, this \_\_\_\_\_ day of June 2009.

\_\_\_\_\_  
Jo Schultz  
Attorney Supervisor

Copies furnished:

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RESPONDENT, JPMORGAN

\_\_\_\_\_  
MARK E. SEGALL, SENIOR VICE PRESIDENT  
and ASSOCIATE GENERAL COUNSEL  
JPMORGAN

\_\_\_\_\_  
DATE

State of New York )  
County of \_\_\_\_\_)

Before me, the undersigned notary public, personally appeared Mark E. Segall, upon being duly sworn, states that he has read and understand the foregoing Stipulation and Consent Agreement and voluntarily signed same. Sworn to and subscribed before me this \_\_\_\_ day of \_\_\_\_\_, 2009.

\_\_\_\_\_  
Notary Public