

MEMORANDUM

Agenda Item No. 14(A)(4)

---

**TO:** Honorable Chairman Joe A. Martinez  
and Members, Board of County Commissioners

**DATE:** July 17, 2012

**FROM:** R. A. Cuevas, Jr.  
County Attorney

**SUBJECT:** Resolution delegating to the  
County Mayor the right to enter  
into the settlement and release  
of claims against JPMorgan  
Chase & Co.

Resolution No. R-651-12

---

The accompanying resolution was prepared by the Finance Department and placed on the agenda at the request of Prime Sponsor Commissioner Lynda Bell.

  
\_\_\_\_\_  
R. A. Cuevas, Jr.  
County Attorney

RAC/jls

# Memorandum



**Date:** July 17, 2012  
**To:** Honorable Chairman Joe A. Martinez  
and Members, Board of County Commissioners  
**From:** Carlos A. Gimenez  
County Mayor   
**Subject:** Resolution Delegating Authority to the Mayor to Enter into the Settlement and Release of  
Claims Against JP Morgan Chase & Co.

---

## **Recommendation**

It is recommended that the Board of County Commissioners (Board) adopt the accompanying Resolution (Resolution) authorizing the delegation of authority to the County Mayor or the County Mayor's designee to (a) participate in the Settlement Agreement among the Attorneys General of the States and (b) execute the Election to Participate in the Settlement with JPMorgan Chase & Co. (JPMorgan) and Release by Participating Counterparties. Such authority is subject to the administration conducting an assessment and determining that the financial terms of the Settlement have adequately satisfied any harm the County may have suffered.

Given that the County was notified of the settlement on July 10, 2012, it is important for the Board to take action at its July 17, 2012 meeting to meet a August 23, 2012 deadline to respond.

## **Scope**

This item provides restitution for harm caused by JPMorgan due to improper conduct by its employees in the municipal derivative markets and the Settlement will have a countywide impact.

## **Fiscal Impact/Funding Source**

If it is determined that the County should participate in the Settlement Agreement, the County will receive \$147,714.85. Such funds may be used for any lawful purpose.

## **Background**

JPMorgan, one of the world's largest financial institutions, has been in the business of underwriting tax free bonds and selling and structuring municipal bond derivatives since 1994. Responsibility for JPMorgan's municipal derivatives business was handled by its municipal derivatives desk, which personnel include marketers who maintain client and broker relationships, and structure and sell JPMorgan's municipal bond derivative products to its issuer clients.

It was alleged by certain State Attorneys General (including the Attorney General of the State of Florida) that certain of JPMorgan's municipal desk employees engaged in a variety of illegal activities (including orchestrating bids to create the appearance of competition and attempting to fix the price, rate or key terms of a particular transaction) on certain transactions primarily during the period from 2001 to 2005. The Attorneys General alleged that JPMorgan obtained unjust profits as a result, and their unlawful activities may have caused certain issuers throughout the country to receive less favorable terms on municipal bond derivatives than they would have received otherwise.

The Attorneys General brought suit against JPMorgan and on July 7, 2011, the states and commonwealths of Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee, and Wisconsin (States) and JPMorgan entered into the Settlement Agreement, attached as Exhibit A to the Resolution, with JPMorgan settling these claims. JPMorgan, without admitting or denying allegations contained in the Settlement Agreement, entered into this Settlement Agreement prior to

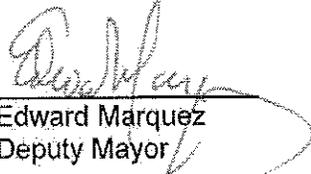
Honorable Chairman Joe A. Martinez  
and Members, Board of County Commissioners  
Page 2

any court making any findings of fact or conclusion of law relating to the Allegations of the Attorneys General of the States. JPMorgan agreed to offer to make payments to certain entities that entered into one or more Municipal Bond Derivatives (Swaps) from January 1, 1998 through December 31, 2006.

The State of Florida, having been one of the States, has contacted the County to determine if the County wants to participate in the settlement received from JPMorgan. The County is entitled to participate in the settlement because it entered into a Swap with JPMorgan on April 27, 2004. In order to participate in the settlement, the County has to respond to the State of Florida on or before August 23, 2012.

Given that we were only notified of the settlement on July 10, 2012 and the fact that July 17, 2012 is the only meeting of the Board prior to the August 23, 2012 deadline, the delegated authority is sought to participate in the Settlement, if, after conducting a thorough assessment, including consulting with the County's Swap Advisor, the County Mayor or the County Mayor's designee determines that the financial terms of the Settlement adequately satisfies any recoverable harm that the County may have suffered as a result of the actions taken by JPMorgan and to execute the Election to Participate in Settlement With JPMorgan, attached to the Resolution as Exhibit B and the Release by Participating Counterparties, attached to the Resolution as Exhibit C.

Attachments



Edward Marquez  
Deputy Mayor



**MEMORANDUM**  
(Revised)

**TO:** Honorable Chairman Joe A. Martinez  
and Members, Board of County Commissioners

**DATE:** July 17, 2012

**FROM:** R. A. Cuevas, Jr.  
County Attorney

**SUBJECT:** Agenda Item No. 14(A)(4)

Please note any items checked.

- "3-Day Rule" for committees applicable if raised
- 6 weeks required between first reading and public hearing
- 4 weeks notification to municipal officials required prior to public hearing
- Decreases revenues or increases expenditures without balancing budget
- Budget required
- Statement of fiscal impact required
- Ordinance creating a new board requires detailed County Manager's report for public hearing
- No committee review
- Applicable legislation requires more than a majority vote (i.e., 2/3's \_\_\_\_, 3/5's \_\_\_\_, unanimous \_\_\_\_ ) to approve
- Current information regarding funding source, index code and available balance, and available capacity (if debt is contemplated) required.

Approved \_\_\_\_\_ Mayor  
Veto \_\_\_\_\_  
Override \_\_\_\_\_

Agenda Item No. 14(A)(4)  
7-17-12

RESOLUTION NO. R-651-12

RESOLUTION DELEGATING TO THE COUNTY MAYOR OR THE COUNTY MAYOR'S DESIGNEE THE RIGHT TO ENTER INTO THE SETTLEMENT AND RELEASE OF CLAIMS AGAINST JPMORGAN CHASE & CO. RELATING TO ITS' CONDUCT IN THE MUNICIPAL BOND DERIVATIVES MARKET IF CERTAIN CONDITIONS ARE SATISFIED; AUTHORIZING COUNTY MAYOR OR COUNTY MAYOR'S DESIGNEE TO TAKE ALL ACTIONS NECESSARY TO ACCOMPLISH SUCH PURPOSES INCLUDING EXECUTION OF ALL RELATED DOCUMENTS

WHEREAS, this Board wishes to accomplish the purposes outlined in the accompanying memorandum, a copy of which is incorporated herein by reference,

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that:**

Section 1. This Board hereby approves the terms of and authorizes the County Mayor or the County Mayor's designee to (a) participate in the Settlement Agreement Among the Attorneys General of the States and Commonwealths of Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee and Wisconsin and JPMorgan Chase & Co. dated July 7, 2011 (the "Settlement Agreement"), attached as Exhibit A and (b) execute the Election to Participate in Settlement With JPMorgan Chase & Co., attached as Exhibit B, and the Release by Participating Counterparties, attached as Exhibit C, subject to the administration conducting a thorough assessment, including consultation with the County's Swap Financial

Advisor, and making the determination that the financial terms of the settlement adequately satisfy any recoverable harm that the County may have suffered as a result of the actions taken by JPMorgan Chase & Co. in the derivatives market during the period from January 1, 1998 and December 31, 2006.

Section 2. The Board hereby authorizes the County Mayor or the County Mayor's designee to do all acts and things and to execute and deliver any and all documents and certificates which they deem necessary or advisable in order to effectuate the aforementioned settlement upon the occurrence of all of the following: (a) the conditions set forth in Section 1 are satisfied and (b) review by the Office of the County Attorney of such documents and certificates for legal sufficiency.

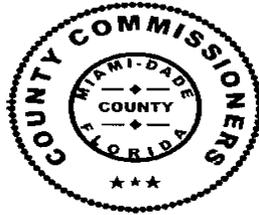
Section 3. The County Mayor or the County Mayor's designee will submit a report, to the Board of County Commissioners, describing all actions taken by the County Mayor or the County Mayor's designee relating to the aforementioned settlement.

The foregoing resolution was offered by Commissioner **Rebeca Sosa**, who moved its adoption. The motion was seconded by Commissioner **José "Pepe" Diaz** and upon being put to a vote, the vote was as follows:

	Joe A. Martinez, Chairman	<b>aye</b>	
	Audrey M. Edmonson, Vice Chairwoman	<b>aye</b>	
Bruno A. Barreiro	<b>aye</b>	Lynda Bell	<b>aye</b>
Esteban L. Bovo, Jr.	<b>aye</b>	Jose "Pepe" Diaz	<b>aye</b>
Sally A. Heyman	<b>aye</b>	Barbara J. Jordan	<b>aye</b>
Jean Monestime	<b>aye</b>	Dennis C. Moss	<b>aye</b>
Rebeca Sosa	<b>aye</b>	Sen. Javier D. Souto	<b>aye</b>
Xavier L. Suarez	<b>aye</b>		

The Chairperson thereupon declared the resolution duly passed and adopted this 17<sup>th</sup> day of July, 2012. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA  
BY ITS BOARD OF  
COUNTY COMMISSIONERS



HARVEY RUVIN, CLERK

By: **Christopher Agrippa**  
Deputy Clerk

Approved by County Attorney as  
to form and legal sufficiency.

A handwritten signature in black ink, consisting of the letters "JRA" in a stylized, cursive font.

Juliette R. Antoine

Exhibit A  
Settlement Agreement

**An Agreement Among  
the Attorneys General of the States and Commonwealths of Alabama, California,  
Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland,  
Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North  
Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee, Wisconsin  
and  
JPMorgan Chase & Co. dated July 7, 2011**

This Settlement Agreement is made and entered into this 7th day of July, 2011 (hereinafter, "Effective Date"), by and between the Attorneys General of the States and Commonwealths of Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee and Wisconsin (hereinafter, Attorneys General) and JPMorgan Chase & Co. (hereinafter, referred to as "JPMC" and as defined hereinafter).

WHEREAS, the Attorneys General have been conducting an investigation of violations of state and federal antitrust laws, state consumer protection laws and false claims statutes in the marketing, sale and placement of municipal bond derivatives (the "Attorneys General's Investigation");

WHEREAS, the Attorneys General are prepared to make the following allegations based upon the Attorneys General's Investigation ("Allegations"), which allegations JPMC neither admits nor denies:

**ALLEGATIONS**

**The Market for Tax-Exempt Securities**

1. The market for bonds issued by governmental, quasi-governmental and not-for-profit entities in the United States ("Municipal Bonds") is very large with approximately \$400 billion in new tax exempt bonds issued each year and a total market value of almost \$2.8 trillion in outstanding tax exempt bonds.
2. Municipal Bonds represent an important source of funds for many governmental, quasi-governmental and not-for-profit entities ("Issuers").
3. Municipal Bonds are used by state agencies, municipalities, towns and other qualified Issuers to finance a variety of projects such as mass transit, repair of streets and roads, and construction of buildings, low-income housing, schools and power plants as well as to satisfy ongoing cash flow and debt service requirements.
4. While the proceeds from the issuance of Municipal Bonds are usually earmarked for specific purposes, the monies often are not required to be spent immediately. For instance, if the bond was issued to fund the construction of a stadium, the Issuer may only have an immediate

need for a portion of the proceeds raised through the bond offering. The remainder is typically placed in an account that can be drawn upon as construction-related expenses are incurred. In such cases, the Issuer may seek a safe interest-bearing investment to earn interest on the funds until they are ready to use.

5. Investment agreements used to invest the proceeds from a Municipal Bond issue include forward purchase, supply or delivery agreements, repurchase agreements, certificate of deposits on escrows and secured ("collateralized") and unsecured guaranteed investment contracts (collectively, "Municipal Reinvestment Products").

6. Apart from Municipal Reinvestment Products, Issuers also utilize various hedging instruments and strategies designed to manage or transfer the interest rate risk associated with the issuance of bonds, such as swaps, options, "swaptions," collars, and floors (collectively, "Interest Rate Risk Management Products").

7. Interest Rate Risk Management Products are risk management tools used by many Issuers of long-term debt to hedge, offset, or reduce the cost of borrowing by managing the short and long-term risks associated with fluctuating interest rates. An Interest Rate Risk Management Product is usually a contract under which each party agrees to make periodic payments to the other for an agreed period of time based upon a notional amount of principal. In one such type of product, an interest rate swap, one party agrees to make payments to the other based on a fixed rate in exchange for payments from the other party based on a floating rate.

8. Issuers enter into agreements for Municipal Reinvestment Products and Interest Rate Risk Management Products (collectively, "Municipal Bond Derivatives") with counterparties. These counterparties, or "providers," are most often large financial institutions such as commercial or investment banks, insurance companies or other financial service companies. JPMC was a provider.

#### **The Safe Harbor Regulations**

9. Tax arbitrage is an investment strategy that takes advantage of tax rate differences among assets. In the context of the Municipal Bond market, such a strategy may be accomplished by using low-cost tax-exempt bonds to finance the purchase of higher-yielding Municipal Bond Derivatives. In order to prevent tax arbitrage (the ability of the issuer to profit from the investment of tax-exempt proceeds), the United States Department of the Treasury has promulgated regulations that restrict the yield on certain types of investments. Should the Issuer's return on the investments exceed the interest paid by the Issuer on the bond, the federal regulations in some cases may require the Issuer to rebate the earnings to the government.

10. To avoid running afoul of the federal regulations, the yield on an investment such as a Guaranteed Investment Contract must be based on a purchase price that does not exceed the yield permitted by the regulations.

11. With respect to Municipal Reinvestment Products, the transaction will fall within the safe harbor regulations and the price will be treated as fair market value if the bid specifications include, *inter alia*:

- a. All material terms of the bid, including all terms that may directly or indirectly affect the yield;
- b. A written statement that the potential providers did not consult with any other providers about the bid, that the bid was determined without regard to any agreement, and that the bid was not a "courtesy bid" (a bid submitted solely as a courtesy to the issuer, or any other person, for purposes of satisfying the regulations);
- c. A written statement that no bidder received an unfair bidding advantage such as an opportunity to review other bids or to have a "last look" (an opportunity to review other bids before providing a bid);
- d. A written statement that at least three (3) "reasonably competitive providers" were solicited; and
- e. At least three written bids from disinterested providers were obtained.

12. In order for an Issuer to meet the fair market value "safe harbor" requirements, Municipal Reinvestment Products are always handled through a competitive bidding process that is conducted by a bidding agent or broker retained by the Issuer or the Issuer's agent.

13. In addition to its responsibilities for conducting the bidding on a Municipal Reinvestment Product, at the conclusion of the bidding and prior to the award of the Municipal Reinvestment Product, the broker must certify to the Issuer, in writing, that it has complied with a number of requirements, principal among them being:

- At least three (3) disinterested bidders with an established industry reputation as "reasonably competitive providers" of the types of investment agreements being purchased were solicited for bids;
- All potential bidders had "an equal opportunity to bid"; and
- At least one of the three bids was obtained from a "competitive provider."

14. Unlike Municipal Reinvestment Products, Interest Rate Risk Management Products are not subject to the fair market value safe harbor. Although Issuers are not required by the federal

regulations to engage in competitive bidding for Interest Rate Risk Management Products, in many instances they choose, or are required by local procurement regulations, to do so.

15. When considering whether to enter into an Interest Rate Risk Management Product, the Issuer will often retain the services of one or more advisors such as a broker or swap advisor who are responsible for assisting the Issuer in evaluating and selecting the most appropriate provider and assisting the Issuer in obtaining the Interest Rate Risk Management Products at a fair and reasonable price. A swap advisor, presumably acting on behalf of the Issuer, would analyze such factors as the structure of the transaction, credit, cash flow payments, current benchmark pricing and the date and time of the transaction. Swap advisors are usually paid a fee for providing this service by the Issuer.

16. During the period from 1999 through 2005, Issuers involved in negotiated transactions often instructed their brokers and swap advisors to obtain an independent third party opinion to gauge whether the price offered by the putative provider was a fair and reasonable price. These valuations were usually accomplished through what the industry referred to as "market pricing letters," "check-away prices," "shadow prices" and "fairness opinions."

17. Market pricing letters are intended to be an independent market-based valuation of the fairness of the provider's pricing for, e.g., a swap and take into consideration, *inter alia*, such factors as the structure of the transaction, credit, cash flow payments and the date and time of the transaction.

18. The purpose of obtaining a check-away price is similar in most respects to obtaining a market pricing letter. In this scenario, the broker or swap advisor will identify several providers not involved in the negotiated transaction who are then asked to provide an "on-market rate" or "shadow rate" at or around the time the transaction is set to take place. These rates are compared against the rate offered by the Issuer's designated provider to assess the fairness of the rate offered. Providers are usually not compensated for providing the Issuer with the check-away price.

#### **JPMC's Municipal Derivatives Desk**

19. JPMC is a financial holding company in the United States and one of the world's largest financial institutions with \$2.2 trillion in assets. All references to actions or conduct of JPMC refers to conduct of certain employees of certain subsidiaries of JPMC.

20. JPMC or its predecessors has been in the business of underwriting tax free bonds and selling and structuring Municipal Bond Derivatives since at least 1994.

21. Responsibility for JPMC's Municipal Derivatives business was handled by the Municipal Derivatives Desk, which was located primarily in New York, New York. The derivatives desk

was formed in 1994 as part of a subsidiary of Chemical Banking Corporation. In 1996, Chemical Banking Corporation merged with The Chase Manhattan Corporation, N.A. and in 2000 The Chase Manhattan Corporation, N.A. merged with JP Morgan & Co. to form JPMC. The Municipal Derivatives desk was part of the J.P. Morgan U.S. Investment Bank. No other JPMC business line sells Municipal Bond Derivatives.

22. JPMC's Municipal Derivatives desk personnel include marketers who maintain client and broker relationships, structure and sell JPMC's municipal bond derivative products to its issuer clients, obtain credit and compliance approval for these products, bid on behalf of the desk for competitively bid derivative transactions, and negotiate for Interest Rate Risk Management Products that are not bid out competitively. JPMC's marketers are supported by a number of analysts, associates and administrative staff.

23. During the period from 1994 through 2008, the number of JPMC employees on the desk ranged from four to fifteen.

24. During the period 2001 through 2005, JPMC's Municipal Bond Derivatives marketers' annual compensation was a combination of salary plus incentives, such as bonuses and stock options. Each marketer's annual incentive compensation was determined based on a number of factors, including the profitability of the desk.

#### **JPMC's Illegal Conduct**

25. The Municipal Bond Derivative industry is a relationship-driven business. Marketers know that their level of personal success — opportunities for promotion and increased compensation — may be affected by the number of profitable transactions they bring to their financial institution. Access to these transactions is largely controlled by brokers and bidding agents, who decide which providers to solicit for a particular competitively bid transaction or which provider to recommend to an issuer for a negotiated transaction. Simply put, not every provider gets an opportunity to "see" and bid on a transaction. Therefore, a marketer has reasons to gain favor with the brokers and bidding agents who act as gatekeepers over the ultimate selection of a provider.

26. But it works both ways. Providers often have direct relationships with Issuers. These relationships are usually an outgrowth of the fact that many times the provider was the Issuer's underwriter on a municipal bond, such that the investment banker who advised and led the bond underwriting may have an established relationship with the Issuer's finance director, bond counsel or advisor. Thus, it was fairly common for an Issuer to seek a recommendation from providers for a broker, bidding agent or swap advisor to assist the Issuer with handling the Municipal Bond Derivative transaction. Bidding agents, brokers and swap advisors, therefore, have an incentive to gain favor with marketers, not only as additional sources of business but also because, as discussed above, for many deals bidding agents and brokers need to obtain a minimum of three quotes to meet the fair market safe harbor. Often, finding three "competitive" providers to submit quotes and the prices or "levels" quoted, are key elements of completing the deal.

27. The broker/marketer relationship can contribute to a smooth, efficient and ultimately competitive market for Municipal Bond Derivative transactions, ensuring that the Issuer enters into an appropriate investment and obtains a competitive rate. But this relationship also enabled certain providers and brokers to put their mutual pecuniary interests ahead of those of the Municipal Bond Derivative clients they represent.

28. Certain JPMC municipal derivatives desk employees ("Certain JPMC Marketers") engaged in a variety of illegal activities on certain transactions primarily during the period 2001 through at least 2005. The employees who were engaged in those activities are no longer employed by JPMC, and the Municipal Derivatives Desk has been closed. Sometimes Certain JPMC Marketers' activities involved a broker orchestrating bids for a Municipal Reinvestment Product, including courtesy or "cover" bids to create the appearance of competition. In other instances, a provider communicated directly with other providers to fix the price, rate, or key terms of a particular transaction. In a number of other instances, despite the broker's and winning provider's certification to the Issuer that no bidders had reviewed a competitor's bid, submitted a courtesy bid, or received a "last look," that was precisely what had occurred.

29. JPMC participated in these transactions through one or more of its desk employees and obtained unjust profits as a result. Certain JPMC Marketers' unlawful activities caused certain Issuers throughout the country to receive less favorable terms on Municipal Bond Derivatives that were the subject of those activities than they would have received otherwise.

#### **JPMC Rigged Bids on Certain Municipal Bond Derivative Transactions**

30. By and large the bid rigging was directed by several powerful Municipal Bond Derivative brokers and carried out with the assistance of a number of co-conspirator marketers employed by participating providers.

31. The bid-rigging involving Certain JPMC Marketers, which occurred on certain transactions, differed from transaction to transaction. For competitively bid transactions, brokers might identify in advance the provider it determined should win the bid and then arrange or "set up" the necessary additional bids to "cover" the winning provider's bid.

32. For a competitive transaction that JPMC sought to win, the broker might either inform the other bidders where their "cover" quote needed to be, *i.e.*, the rate or terms above or below JPMC's bid, or inform the JPMC Marketer of the other providers' bids so that JPMC could adjust its own bid to ensure it was the successful bidder. Certain JPMC Marketers understood that sometimes the broker would preordain that JPMC would be the winning bidder and sometimes JPMC would need to provide the courtesy bid to protect another competitor's bid. All of this conduct, however, was obscured from the Issuer, who believed that its broker was obtaining "competitive" bids.

33. At times, in return for the business referral from the JPMC Marketer, it was understood that the broker would arrange to provide JPMC with confidential information on competitors'

bids. This "last look" opportunity, which might be given on the very deal referred to the broker, or might be afforded in the future, enabled JPMC to be less aggressive with its bidding on a given transaction and hence, change its bid just enough to win rather than provide the Issuer with what it expected through a competitive bid process — the best terms available on the market. In some cases, the "last look" enabled JPMC to win a deal it might otherwise have lost to a more competitive provider. While in some instances the last look resulted in a benefit to the Issuer, in other instances the last look resulted in JPMC adjusting its bid to the detriment of the Issuer on a specific transaction. The long term effect of last looks is to artificially alter the market level of bids.

34. At times, these illegal activities to manipulate and steer business to JPMC for competitive Municipal Reinvestment Products were further concealed from the Issuer by means of the false representations that both the broker and Certain JPMC Marketers (as well as the other participating providers) made on the respective certifications mandated by the federal safe harbor regulations (respectively, the Bid Form and "Certificate of Bidding Agent") and attested to by the broker and Certain JPMC Marketers. Moreover, the Certificate of Bidding Agent expressly stated that the Issuer can rely on the representations made in the certificate.

#### **JPMC Deceived Issuers on Certain Negotiated Interest Rate Risk Management Products**

35. Throughout the time period, 2001 through at least 2005, JPMC was well-positioned to provide certain types of Interest Rate Risk Management Products, particularly index-based swaps. These offerings are among the most straightforward in the derivatives market and the most profitable, attracting many providers, including JPMC.

36. As alleged in paragraph 14, above, Interest Rate Risk Management Products are not subject to the federal safe harbor regulations concerning the fair market value of an investment and, as a result, many times issuers entered into these financial derivatives by negotiating directly with a provider through a financial advisor or swap advisor. To protect itself against providers seeking to take advantage of the lack of competitive bidding and thus ensure it received "on market" rates, the Issuer sometimes required its advisor to obtain "market pricing letters" and "check-away prices."

37. At various times, JPMC's marketing materials for prospective clients who were considering whether to enter into negotiated Interest Rate Risk Management Products suggested that Issuers could "feel comfortable with swap pricing" by asking their financial advisors or swap advisors "to 'check away' pricing in the market through the use of other providers ... ." In effect, JPMC's marketing materials suggested to Issuers that shadow pricing could provide them with a competitive benchmark to assess the fairness of JPMC's pricing. On a number of occasions, however, Certain JPMC Marketers agreed with certain competitor providers, brokers and swap advisors to arrange and procure non-competitive shadow or check-away prices.

38. The activities of Certain JPMC Marketers differed from transaction to transaction. For instance, JPMC might learn that the swap advisor planned to contact other providers and use the check-away process to measure the fairness of JPMC's pricing. One or more Certain JPMC

Marketers might then contact these other providers to ensure that they gave the advisor "shadow prices" that were higher (or lower, depending on the type of swap) than JPMC's prices in order to make it appear as if JPMC's pricing was competitive. It was either understood based on a prior course of dealing — or expressly communicated — that JPMC would return the favor when necessary. At times, Certain JPMC Marketers misrepresented the profitability, mid-market level or fairness of the negotiated price to the Issuer or otherwise misled the Issuer as to competitiveness of the negotiated price.

39. In furtherance of the conduct alleged in the paragraphs 1 to 38 above, JPMC engaged in deceptive, collusive, unfair or fraudulent conduct that concealed or facilitated the anticompetitive activity. As a result of these activities, JPMC and other participating providers were able to fix their profit margins on affected transactions at artificially high levels.

WHEREAS, based on this information, the Attorneys General are prepared to allege that JPMC and other providers and brokers: (a) unreasonably restrained competition in the marketing, sale and placement of certain Municipal Bond Derivatives by rigging bids, and fixing prices and other terms and conditions with respect to specific Municipal Bond Derivatives transactions; (b) agreed not to bid for certain Municipal Bond Derivatives; or (c) engaged in other anticompetitive, deceptive, unfair or fraudulent conduct, including misrepresenting or omitting material facts, that deprived Issuers of Municipal Bonds of the benefits of competition among the Providers of Municipal Bond Derivatives;

WHEREAS, JPMC has reached a resolution with the Securities Exchange Commission ("SEC Resolution"), whereby JPMC has agreed, without admitting or denying any wrongdoing, to pay certain Municipal Bond Derivatives Counterparties identified by the SEC as being entitled to payment as a result of conduct by JPMC alleged in the SEC Resolution to have violated Section 15(c)(1)(A) of the Securities Act, 15 U.S.C. section 780(c)(1)(A);

WHEREAS, JPMC has entered into a formal agreement with the Office of the Comptroller of the Currency ("OCC Resolution"), whereby JPMC has agreed, without admitting or denying any wrongdoing, to pay certain Municipal Bond Derivative Counterparties identified as having been allegedly injured as a result of conduct by JPMC;

WHEREAS, JPMC has entered an agreement with the Internal Revenue Service ("IRS") pursuant to which JPMC shall make payments to the Internal Revenue Service that satisfy any outstanding liability to the IRS that Eligible Counterparties and Additional Eligible Counterparties may have as a result of any of JPMC activities in connection with the Municipal Bond Derivatives that are the subject of this Settlement Agreement;

WHEREAS, JPMC has executed a Written Agreement with the Board of Governors of the Federal Reserve System ("FRB") pursuant to which JPMC has agreed to certain compliance and supervisory measures;

WHEREAS, JPMC, without admitting or denying any of the allegations contained herein, is entering into this Settlement Agreement prior to any court making any findings of fact or conclusions of law relating to the Allegations of the Attorneys General;

WHEREAS, the conduct at issue in the Attorneys General's Investigation did not concern JPMC's underwriting, placement or remarketing of, or provision of credit or liquidity for, Municipal Bonds;

WHEREAS, JPMC has cooperated fully with the Attorneys General's Investigation of Municipal Bond Derivatives, has given substantial assistance to the Attorneys General's Investigation and has agreed to provide appropriate relief for the harm caused;

WHEREAS, pursuant to this Settlement Agreement, without admitting or denying liability, JPMC agrees to offer to make payments to certain Eligible Counterparties and Additional Eligible Counterparties and to pay the Civil Penalty and Additional Payment to resolve all claims and potential claims against it;

WHEREAS, JPMC has agreed to continue to cooperate fully with the ongoing Attorneys General's Investigation; and

WHEREAS, the Attorneys General find that the relief and other provisions contained in this Settlement Agreement are appropriate and in the public interest.

NOW THEREFORE, in exchange for the mutual obligations described below, JPMC and the Attorneys General hereby enter into this Settlement Agreement, and agree as follows:

#### DEFINITIONS

- A. "Attorneys General" shall mean the Attorneys General of Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Tennessee, Texas and Wisconsin. Attorneys General as used in this Settlement Agreement shall include "Participating Attorneys General" as defined below.
- B. "Participating Attorneys General" shall mean any Attorney General who elects to participate in this Settlement Agreement by completing the form attached hereto as Exhibit 2 pursuant to Paragraph 38 below.
- C. "Municipal Bond Derivatives" shall mean (i) contracts involving the reinvestment of the proceeds of tax-exempt bond issues and Qualified Zone Academy Bonds, or bonds issued by or on behalf of any governmental or quasi-governmental or non-profit entity in the United States, including but not limited to, states, cities, towns, counties, villages, parishes, school districts, clubs or various economic development, redevelopment, financing, lottery, parking, housing, educational, medical, religious, public safety, building, water, sewer, hospital, transportation, public works, waste management, environmental, port, park, airport, telecommunications and power authorities, corporation or boards; and (ii) related transactions involving the management or transfer of the interest rate risk associated with the bonds or bond issues described above, including, but

not limited to, guaranteed investment contracts, forward supply, purchase, or delivery agreements, repurchase agreements, swaps, options and swaptions. Notwithstanding the foregoing, Municipal Bond Derivatives do not include (i) contracts to underwrite the issuance of municipal bonds, (ii) credit default products, such as credit default swaps and credit default options; (iii) auction-rate securities; (iv) inter-dealer swaps; (v) swaps, or other agreements between Providers to hedge, manage or otherwise share or transfer their risk on a Municipal Bond Derivative except to the extent used to facilitate any improper undisclosed payments to brokers or the rigging of bids for the reinvestment or management of bond proceeds.

- D. "Covered Derivatives" are Municipal Bond Derivatives that meet the criteria set forth in Attachment A.
- E. "Municipal Bond Derivatives Counterparties" shall mean the entities that entered into one or more Municipal Bond Derivatives, but shall not include Providers, Brokers, other financial institutions or any for-profit entities.
- F. "Eligible Counterparties" shall mean Municipal Bond Derivatives Counterparties that entered into one or more Covered Derivatives with JPMC.
- G. "Additional Eligible Counterparties" shall mean Eligible Counterparties identified within 90 days after the date the notice is sent to Eligible Counterparties.
- H. "Participating Counterparties" shall mean Eligible Counterparties or Additional Eligible Counterparties that submit timely and complete claims pursuant to this Settlement Agreement.
- I. "Provider(s)" shall mean banks, insurance companies, other financial institutions and any other persons or entities that engage in or offer to engage in the business of buying, selling or entering into Municipal Bond Derivatives with Municipal Bond Derivatives Counterparties.
- J. "Broker(s)" shall mean persons, corporations, firms, partnerships and other entities that either: (a) act on behalf of or assist the Municipal Bond Derivatives Counterparties in developing requests for bids or proposals, in soliciting bids or proposals and/or in evaluating bids or proposals for Municipal Bond Derivatives; and/or (b) act on behalf of or assist Municipal Bond Derivatives Counterparties in locating Providers and/or in negotiating and evaluating Municipal Bond Derivatives. For purposes of this Settlement Agreement, Broker(s) shall also include persons, corporations, firms, partnerships and other entities that advise Municipal Bond Derivatives Counterparties or prospective Municipal Bond Derivatives Counterparties.
- K. "Relevant Conduct" shall mean, except as provided below, JPMC engaging in any of the following conduct from January 1, 1998 through December 31, 2006, whether by itself or in concert with Providers and Brokers: (i) rigging bids or fixing the prices or other terms and conditions of any Municipal Bond Derivatives; (ii) agreeing not to bid for any

Municipal Bond Derivatives; (iii) engaging in any other anticompetitive conduct relating to the marketing, sale, modification or termination of any Municipal Bond Derivatives; and (iv) engaging in any deceptive, unfair or fraudulent conduct relating to Municipal Bond Derivatives that is described in paragraphs 1-39 of this Agreement (Allegations). Notwithstanding the foregoing, Relevant Conduct does not include conduct related to attempts to manipulate underlying interest rates used in the pricing of Municipal Bond Derivatives.

#### **PARTIES**

1. JPMC shall mean JP Morgan Chase & Co., a corporation existing and organized under the laws of the State of Delaware, with its headquarters in New York, New York, and, its predecessors, successors and assigns, and the subsidiaries, divisions, groups, affiliates and partnerships of each of the foregoing.
2. The Attorneys General and the Participating Attorneys General are the chief law enforcement officers of their respective states and are responsible for enforcing certain state laws within their respective jurisdictions.

#### **SETTLEMENT PAYMENTS**

3. JPMC shall pay a total of \$92,000,000 in consideration of its settlement with the Attorneys General. JPMC's payment consists of the following:
  - a. \$65,500,000 as payment to Eligible Counterparties to be paid into an escrow fund in accordance with Paragraph 4 below;
  - b. \$17,000,000 to be paid to eligible entities by JPMC pursuant to agreements between JPMC and the Securities and Exchange Commission and the Office of the Comptroller of the Currency;
  - c. \$6,000,000 as an Additional Payment to be paid in accordance with Paragraphs 18 and 19 below; and
  - d. \$3,500,000 as a Civil Penalty to be paid in accordance with Paragraph 20 below.
4. JPMC shall pay \$65,500,000 into an escrow fund ("Fund") in accordance with the Attorneys General's instructions within 10 business days of executing the contract with the escrow agent. The monies in the Fund and all interest earned thereon shall be used to make payments to Participating Counterparties. Any interest earned by this Fund shall remain in the Fund and be available for payments made from the Fund in accordance with this Settlement Agreement. No portion of the Fund shall be considered a fine or a penalty.

5. The remainder of the amount paid by JPMC pursuant to Paragraph 3(c) and (d) shall comprise the Additional Payment described in Paragraph 18 below and the Civil Penalty described in Paragraph 20 below and shall be paid into separate account(s) pursuant to the Attorneys General's instructions.

6. It is acknowledged by JPMC and the Attorneys General that the identification of Eligible Counterparties who entered into Municipal Bond Derivative transactions with JPMC during the relevant time period, as defined in Attachment A, was determined by the Attorneys General based on the Attorneys General's Investigation and information provided by JPMC in a database of Municipal Bond Derivative transactions. If, within 90 days of notice to Eligible Counterparties, it is determined by the Attorneys General, after consultation with the claims administrator, that there are additional Eligible Counterparties that could not be identified due to errors or omissions in the information provided by JPMC, then such additional entities shall also be eligible to receive payment from the Fund.

7. JPMC warrants that, as of the Effective Date of this Settlement Agreement, neither it nor any of its affiliates are insolvent, nor shall payment(s) into the Fund or payment of the Additional Payment or Civil Penalty render it or any of its affiliates insolvent within the meaning of and/or for purposes of the United States Bankruptcy Code. If a case is commenced against JPMC or any of its affiliates under Title 11 of the United States Code (Bankruptcy), or a trustee, receiver or conservator is appointed under any similar law and, in the event of a final order by a court of competent jurisdiction determining that payments made pursuant to this Settlement Agreement, and/or any accrued interest or any portion thereof constitute a preference, voidable transfer, fraudulent transfer or other similar transaction, and if, pursuant to such order, payments are not made pursuant to this Settlement Agreement or such payments are returned to JPMC, any of its affiliates, or the trustee, receiver or conservator appointed by a court in any proceedings relating to JPMC or any of its affiliates, then this Settlement Agreement shall be terminated and cancelled.

8. An escrow agent, which may not be JPMC or an alleged participant in the Relevant Conduct as identified by the Attorneys General, shall be selected by JPMC within 20 days of the Effective Date of this Settlement Agreement; however, the Attorneys General or their designated representative shall approve, in advance of engagement, the selection of the escrow agent and the terms of the escrow agent's contract. Any amendment of the contract must also be approved by the Attorneys General or their designated representative. JPMC and the Attorneys General agree to cooperate in good faith to resolve on a timely basis any objections by the Attorneys General or their designated representative to the proposed escrow agent or the contract terms. Notwithstanding the preceding, any decision by the Attorneys General to disapprove a proposed escrow agent and/or the contract shall be final. The escrow agent shall invest the cash in the Fund in obligations of or obligations guaranteed by the United States of America or any of its departments or agencies, to obtain the highest available return on investment consistent with the preservation of principal, and shall reinvest the proceeds of these instruments as they mature into similar instruments at their then-current market rates. By selecting the escrow agent, JPMC makes no representations or warranties about the escrow agent, and neither the Attorneys General nor JPMC shall bear any risk or liability related to the investment of the Fund. The escrow agent shall be liable for any Fund losses caused by its own and/or its agents' willful

misconduct, including theft or embezzlement, or gross negligence. The escrow agent shall not be liable for any loss resulting from the escrow agent's good faith reliance on instructions from the claims administrator described herein which have been countersigned by an authorized individual on behalf of JPMC and the Attorneys General. Notwithstanding the foregoing, the escrow agent shall use all reasonable efforts to correct any mistakes if the same should occur, including but not limited to a Federal Reserve wire recall process for funds wired to an incorrect beneficiary, a stop-payment on a check if the item is not presented for payment at that time, and holding the account balance so that only known and acceptable transactions take place. Any instructions from JPMC relating to the administration of or disbursement from the Fund to Participating Counterparties must be countersigned by the Attorneys General or their designated representative. The escrow agent shall provide copies of monthly statements to the Attorneys General or their designated representative. The escrow agent shall disburse the fund in a manner consistent with this Settlement Agreement and consistent with the instructions of the claims administrator. The costs of the escrow agent and the costs of administering the Fund (including the preparation of any tax returns) shall be the sole responsibility of JPMC and shall not be paid from the proceeds of the Fund.

9. The Fund shall be treated as being at all times a qualified settlement fund within the meaning of Treas. Reg. 1.468B-1. The escrow agent and, as required, the parties shall timely make such elections as necessary or advisable to carry out the provisions of this paragraph, including the "relation-back election," as defined in Treas. Reg. 1.468B-1, back to the earliest permitted date. Such elections shall be made in compliance with the procedures and requirements contained in such regulation. It shall be the responsibility of the escrow agent to timely and properly prepare and deliver the necessary documentation for signature by all necessary parties, and thereafter to cause the appropriate filing to occur. The escrow agent shall be the "administrator" (as defined in Treas. Reg. 1.468B-2(k)(3)) of the Fund, and shall timely and properly file all informational and other tax returns necessary or advisable with respect to the Fund. The expenses of tax preparation and tax filing shall be borne by JPMC. Taxes shall be timely paid by the escrow agent out of the Fund. The escrow agent shall be obligated to withhold from distribution out of the Fund any amounts necessary to pay such tax liabilities (as well as any amounts that may be required to be withheld under Treas. Reg. 1.468B-2(1)(2)).

10. A claims administrator shall be employed to provide notice and distribute and/or administer the distribution of the Funds in accordance with the terms of this Settlement Agreement. The Attorneys General shall select the claims administrator; however, JPMC and the Attorneys General agree to cooperate in good faith to resolve on a timely basis any objections by JPMC to the claims administrator or the contract terms; notwithstanding the preceding, any decision by the Attorneys General to disapprove a proposed claims administrator and/or the contract shall be final. The contract shall expressly provide that: (i) the claims administrator shall provide interim reports to JPMC and the Attorneys General, no less than every thirty (30) days or as otherwise requested by the Attorneys General or JPMC, that shall include an itemization of all payments made from the Fund or the Residue (as defined in Paragraph 14 below); (ii) the claims administrator shall prepare draft notices to Eligible Counterparties and Additional Eligible Counterparties, which shall include a notice letter, an election to participate and release form and a "question and answer" pamphlet ("Notice Packet"); (iii) the Notice

Packet shall be mailed to Eligible Counterparties and Additional Eligible Counterparties by first-class mail, postage pre-paid and by electronic delivery if addresses are available; (iv) the claims administrator shall maintain a settlement website (which shall not be identified with JPMC) and shall provide a method by which Eligible Counterparties and Additional Eligible Counterparties may call with questions about the settlement; (v) the Notice Packet and any other written communication with Eligible, Additional Eligible or Participating Counterparties, including the letter that will accompany the mailing of payments to Participating Counterparties from the Fund, shall be approved in advance by the Attorneys General or their designated representative after consultation with JPMC; (vi) instructions to the claims administrator regarding notices and distribution of the Fund to Participating Counterparties shall be countersigned by the Attorneys General or their designated representative; and (vii) any questions regarding the distribution to the Participating Counterparties that cannot be answered by the claims administrator shall be directed to the Attorneys General or their designated representative(s). By selecting the claims administrator, the Attorneys General make no representations or warranties about the claims administrator. The claims administrator shall bear all risks related to the administration of and/or distribution of the Fund. Neither the Attorneys General nor JPMC bear any risk or liability related to the administration and/or distribution of the Fund, or the actions or inaction of the claims administrator. The costs of administering the distribution of the Fund (including all notices) shall be the sole responsibility of JPMC and shall not be paid from the Fund.

11. Payments from the Fund shall be made to Participating Counterparties, pursuant to a formula developed by the Attorneys General in consultation with JPMC. To the extent a Participating Counterparty has or will receive a payment through the SEC or OCC Resolutions with JPMC for the same transaction, such payment amount will be subtracted from any payments to be made from the Fund. Notwithstanding the foregoing, the Attorneys General shall have the right to adopt a formula they deem appropriate for payments from the fund.

12. In order to ensure that payments are made to the Participating Counterparties on a timely basis, JPMC and the Attorneys General will work in good faith to complete their respective duties and tasks as set forth in Attachment B within the time specified therein.

13. To receive a payment from the Fund, Eligible Counterparties and Additional Eligible Counterparties must submit a timely election to participate, accompanied by a signed release in the form attached hereto as Exhibit 1, in accordance with the instructions set forth in the Notice Packet. In the event that any Eligible Counterparty or Additional Eligible Counterparty elects not to participate or otherwise does not respond ("Non-Participating Counterparty"), this settlement shall have no effect on any claims or causes of action for damages, disgorgement or restitution that such Non-Participating Counterparty may have against JPMC for the Relevant Conduct.

14. In the event that any of the principal of JPMC's \$65,500,000 payment (i.e. not including accrued interest) remains in the Fund after all payments have been made to Participating Counterparties pursuant to Attachment B ("the Residue"), JPMC upon ten (10) days notice to the Attorneys General, may instruct the claims administrator to use any of the Residue to satisfy any pending or other claims asserted by Municipal Bond Derivatives Counterparties relating to the Relevant Conduct by disbursing such money from the Fund specifically for such use; *provided*,

*however*, that the Residue shall be used solely for payment of other claims asserted by Municipal Bond Derivatives Counterparties related to the Relevant Conduct.

15. Notwithstanding anything in this Settlement Agreement to the contrary: (i) JPMC is specifically prohibited from using any of the Fund or Residue for payment of attorneys' fees; (ii) in no event shall any distribution to any non-Participating Counterparty from the Fund or the Residue exceed the amount the non-Participating Counterparty would have received if it had elected to be a Participating Counterparty under this Settlement Agreement; (iii) any of the Fund or Residue remaining in the Fund as of the date the last case that is or was part of MDL No. 1950, Master Docket No. 08-2156 (*In Re Municipal Derivatives Antitrust Litigation*) is dismissed with prejudice as to JPMC and the time for appeal has expired shall be paid to a multi-state fund for additional disbursement to Participating Counterparties, for the antitrust training of deputy and assistant Attorneys General, or otherwise directed by the Attorneys General; and (iv) under no circumstances shall any of the monies in the Fund or Residue, at any time, be returned to JPMC.

16. The claims administrator and the escrow agent shall provide JPMC and the Attorneys General or their designated representatives with a final report accounting for all amounts paid to Participating Counterparties from the Fund and to whom such payments were made. In addition, the claims administrator and escrow agent shall maintain and provide JPMC and the Attorneys General or their designated representatives with reports accounting for payments made to all other Municipal Bond Derivative Counterparties (other than the Participating Counterparties) pursuant to Paragraphs 14 and 15 above. Such reports shall be provided monthly or as otherwise requested by JPMC or the Attorneys General. Upon request, the claims administrator and escrow agent shall make available for inspection by the Attorneys General or their designated representatives all records relating to such payments.

17. In no event shall any of the monies in the Fund be used to pay attorney's fees including attorneys' fees incurred in satisfying payment pursuant to pending or other claims asserted by Municipal Derivatives Counterparties relating to the Relevant Conduct, or any costs or expenses associated with the establishment or administration of the Fund, including but not limited to the costs of identifying Eligible Counterparties, providing notices, calculating payments, issuing checks and preparing any accounting, return(s) or other reports.

#### ADDITIONAL PAYMENT

18. Within thirty (30) business days of the date of the Effective Date of this Settlement Agreement, JPMC shall pay or cause to be paid, by wire transfer, certified check or other guaranteed funds, pursuant to the instructions of the Attorneys General, the sum of \$6,000,000 ("the Additional Payment").

19. The Additional Payment shall be apportioned and used for any one or more of the following purposes, as the Attorneys General, in their sole discretion, see fit: (a) payment of attorneys' fees and expenses; (b) antitrust or consumer protection law enforcement; (c) to cover

additional expenses relating to the ongoing Attorneys General's Investigation and any related litigation; (d) for deposit into a state antitrust or consumer protection account (e.g., revolving account, trust account), for use in accordance with the state laws governing that account; (e) for deposit into a fund exclusively dedicated to assisting state attorneys general defray the costs of experts, economists and consultants in multistate antitrust investigations and litigation; or (f) for such other purpose as the Attorneys General deem appropriate, consistent with the various states' laws.

#### **CIVIL PENALTY**

20. Within thirty (30) business days of the Effective Date of this Settlement Agreement, JPMC shall pay or cause to be paid, by wire transfer, certified check or other guaranteed funds, pursuant to the instructions of the Attorneys General, the sum of \$3,500,000 as a civil penalty.

#### **PROHIBITED CONDUCT**

21. JPMC, its directors, officers, managers, agents, and employees shall not, directly or indirectly, maintain, solicit, suggest, advocate, discuss or carry out any unlawful combination, conspiracy, agreement, understanding, plan or program with any actual or potential competitor, financial advisor, swap advisor, bidding agent or broker to (a) submit courtesy, cover or otherwise non-competitive bids for Municipal Bond Derivatives, (b) refrain from bidding on or negotiating for Municipal Bond Derivatives, (c) coordinate the preparation, submission, content, price and other terms of Municipal Bond Derivatives or (d) engage in the Relevant Conduct as defined above.

22. JPMC, its directors, officers, managers, agents, and employees shall not, in conjunction with the marketing, sale or placement of Municipal Bond Derivatives make material misrepresentations or omit material facts to potential counterparties, their agents, brokers or advisors.

#### **BUSINESS REFORMS**

23. Within ninety (90) days of the Effective Date of this Settlement Agreement, JPMC shall provide the Attorneys General with its written antitrust compliance policy for the J.P. Morgan U.S. Investment Bank.

24. Pursuant to the agreement between JPMorgan Chase Bank, NA and the OCC, JPMC has agreed to develop within sixty days a detailed written plan to ensure appropriate control and oversight of certain transactions, including Municipal Bond Derivatives. That agreement

requires that the plan be designed to detect and prevent potential collusion, bid-rigging, price fixing and other anticompetitive activity and will include a written program to test the Bank's compliance.

#### COOPERATION WITH THE ATTORNEYS GENERAL'S INVESTIGATION

25. Until the date upon which the Attorneys General's Investigation is concluded, JPMC agrees to continue to provide full, complete and prompt cooperation with the ongoing Attorneys General's Investigation, and related proceedings and actions, against any other person, corporation or entity, including but not limited to JPMC's former employees. JPMC agrees to use its best efforts to secure the full and truthful cooperation of its current officers, directors, employees and agents with the ongoing Attorneys General's Investigation and related proceedings and actions.

26. Cooperation shall include, but not be limited to: (a) producing, voluntarily, without service of subpoena, to the extent permitted by law or regulation, all information, documents or other tangible evidence reasonably requested by the Attorneys General that relates to the Attorneys General's Investigation, subject to the right to withhold information on grounds of privilege, work product or other legal doctrine; (b) preparing, without service of subpoena, to the extent permitted by law or regulation, any compilations or summaries of information or data that the Attorneys General reasonably request that relate to the Attorneys General's Investigation; and (c) if requested by the Attorneys General, working to ensure that JPMC's current officers, directors, employees and agents attend, on reasonable notice, any proceedings (including but not limited, to meetings, interviews, hearings, depositions, grand jury proceedings and trial) and, subject to the right to withhold information on grounds of privilege, work product or other legal doctrine, to answer completely, candidly and truthfully any and all inquiries relating to the subject matter of the Attorneys General's Investigation that may be put to such persons by the Attorneys General (or any of them, their deputies, assistants or agents), without the necessity of a subpoena.

27. In the event any JPMC document or information is withheld or redacted on grounds of privilege, work-product or other legal doctrine, a statement shall be submitted in writing by JPMC indicating: (i) the type of document or information; (ii) the date of the document; (iii) the author and recipient of the document; (iv) the general subject matter of the document or information; (v) the reason for withholding the document; and (vi) the Bates number or range of the withheld document. The Attorneys General or their designated representative may initiate a challenge to such claim in any forum of their choice and may, without limitation, rely on all unprivileged documents or communications theretofore produced or the contents of which have been described by JPMC, its officers, directors, employees, or agents.

28. It is agreed that any confidential information provided pursuant to the preceding Paragraphs shall be covered under the Confidentiality Agreement, dated July 16, 2008, signed by Robert B. McCaw, Esq. of WilmerHale and Michael E. Cole, Chief, Antitrust Department of the Connecticut Attorney General's Office.

29. JPMC agrees not to compromise the integrity or confidentiality of any aspect of the Attorneys General's Investigation or any proceeding or actions relating to the Attorneys General's Investigation, by sharing or disclosing evidence, documents, or other information provided to JPMC by the Attorneys General or their designated representative without the consent of the Attorneys General or their designated representative. JPMC shall give notice to the Attorneys General of any discovery or other request for such information within ten (10) business days of receipt. Nothing herein shall prevent JPMC from providing such evidence to other government regulators, self-regulatory organizations, law enforcement agencies or as otherwise required by law or regulation.

30. JPMC shall maintain custody of, or make arrangements to have maintained, all documents and records of JPMC related to the Attorneys General's Investigation and covered by the subpoena(s) issued in the Attorneys General's Investigation until the completion of the investigation and any related litigation, including appeals.

#### ENFORCEMENT

31. The Attorneys General, jointly or individually, may make such application as appropriate to enforce or interpret the provisions of this Settlement Agreement or, in the alternative, may maintain any action within their legal authority, either civil or criminal, for such other and further relief as any Attorney General may determine in his/her sole discretion is proper and necessary for the enforcement of this Settlement Agreement. JPMC consents to the jurisdiction of the courts of the States of Alabama, California, Connecticut, Colorado, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Tennessee, Texas and Wisconsin and only for the purpose of an action brought by one or more of the Attorneys General to enforce the terms of this Settlement Agreement. New York law shall apply in any action brought by one or more of the Attorneys General to enforce the terms of this Settlement Agreement, except to the extent that the issue concerns the Confidentiality Agreement described in Paragraph 28 above, in which case the law of the relevant state shall apply. The parties recognize that the remedies at law for violations of this Settlement Agreement, except for Paragraphs 3, 4, 18, 21, and 22 are inadequate. The parties agree that, in any action to enforce the terms of this Settlement Agreement, except Paragraphs 3, 4, 18, 21, and 22, a court shall have the authority to award equitable relief, including specific performance, and the parties consent to the awarding of such equitable relief including specific performance.

32. This Settlement Agreement may be modified by the mutual agreement of JPMC and the Attorneys General. Any such modification shall be in writing and signed by all parties to this Settlement Agreement.

33. In the event that impediments arise in the identification of Eligible Counterparties or Additional Eligible Counterparties, or in the allocation or distribution of monies to Participating Counterparties, JPMC and the Attorneys General agree to use their best efforts to eliminate or otherwise resolve these impediments in order to ensure that timely payment is made to

Participating Counterparties according to the formula to be developed pursuant to Paragraph 11 above. Notwithstanding the foregoing, the Attorneys General shall make the final determination as to who is an Eligible Counterparty or Additional Eligible Counterparty entitled to receive a payment under this Settlement Agreement and how much each is entitled to receive under this Agreement.

**RELEASE BY ATTORNEYS GENERAL AND  
PARTICIPATING ATTORNEYS GENERAL**

34. By his or her execution of this Settlement Agreement or by submission of an Election by an Attorney General to Participate in Settlement with JPMC (Exhibit 2 attached hereto), each Attorney General and Participating Attorney General releases JPMC, as defined in Paragraph 1, and their past and current officers, directors and employees, other than past employees on the Municipal Derivatives desk, from all civil claims, counterclaims, cross claims, setoffs, civil causes of action of any type (whether common law, equitable, statutory, regulatory or administrative, class, individual or otherwise in nature, and whether reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured), demands, disputes, damages, restitution, whenever incurred and liabilities of any nature whatsoever, including, without limitation, costs, fines, debts, expenses, penalties and attorneys' fees, known or unknown, arising out of the Relevant Conduct that could have been asserted by each Attorney General in his or her sovereign capacity as chief law enforcement officer of his or her respective state.

35. The Attorneys General and Participating Attorneys General intend by this Settlement Agreement to settle with and release only JPMC and all of JPMC's past and current officers, directors, and employees, other than past employees on the Municipal Derivatives desk, and do not intend this Settlement Agreement, or any part hereof or any other aspect of the settlement or the releases, to extend to, to release or otherwise to affect in any way any rights that the Attorneys General have or may have against any other person, party, or entity whatsoever.

36. Paragraphs 34 and 35 pertain only to claims that could have been asserted by the Attorneys General or Participating Attorneys General in their sovereign capacities and do not affect civil or administrative claims, causes of action, counterclaims, set-offs, demands, actions, suits, rights and liabilities for damages, restitution, disgorgement or taxes arising from the Relevant Conduct that an Attorney General or Participating Attorney General may assert on behalf of any Eligible Counterparty or Additional Eligible Counterparty. The parties understand, agree and acknowledge that paragraphs 34 and 35 do not pertain to the mortgage lending, mortgage servicing or mortgage foreclosure activities or business practices of JPMC.

### RELEASE BY PARTICIPATING COUNTERPARTIES

37. In order to recover from the Fund established pursuant to Paragraph 3 of this Settlement Agreement, each Participating Counterparty shall be required to execute a release in the form of Exhibit 1 attached hereto.

### PARTICIPATION OF ADDITIONAL ATTORNEYS GENERAL

38. The Attorney General of any state that wishes to join in this settlement may opt-in and accept the terms of this Settlement Agreement by signing the opt-in agreement appended hereto as Exhibit 2, within 60 days of the Effective Date. Any Attorney General submitting a timely opt-in agreement will thereby become a party to this Settlement Agreement.

### NOTICES AND REPORTS

39. All notices and reports required to be provided shall be sent electronically or first-class mail, postage pre-paid as follows:

For JPMC:

Nancy Schwarzkopf  
Senior Vice President, Legal and Compliance Department  
JPMorgan Chase & Co.  
Mail Code NY1-A436  
One Chase Manhattan Plaza, 26<sup>th</sup> Floor  
New York, NY 10005  
nancy.e.schwarzkopf@chase.com  
Telephone: (212) 553-3585

David Gillis  
Managing Director and Associate General Counsel  
J.P. Morgan  
270 Park Avenue, 4<sup>th</sup> Floor  
New York, NY 10017  
david.kf.gillis@jpmchase.com  
Telephone: (212) 648-0362

Thomas Mueller  
WilmerHale  
1875 Pennsylvania Avenue NW  
Washington, DC 20006  
thomas.mueller@wilmerhale.com  
Telephone: (202) 663-6766

20

For Attorneys General:

Bret Fulkerson  
Assistant Attorney General, Antitrust Division  
Office of the Texas Attorney General  
300 W. 15<sup>th</sup> Street, Seventh Floor  
Austin, TX 78701  
Bret.Fulkerson@oag.state.tx.us

Jamie Manning  
Assistant Attorney General, Antitrust Bureau  
Office of the Illinois Attorney General  
100 W. Randolph  
Chicago, IL 60601  
jmanning@atg.state.il.us

Within one year of the Effective Date, J.P. Morgan U.S. Investment Bank shall provide a statement of compliance, certified by an authorized representative, that to the best of its knowledge, it has not engaged in any of the prohibited conduct identified in Paragraphs 21 and 22 above and that it has provided all reports and written standards required herein. The J.P. Morgan U.S. Investment Bank shall provide this statement of compliance annually for a period of five years after the Effective Date of this Settlement Agreement.

Upon request by JPMC, the Attorneys General will designate a representative or group of no more than three representatives to serve as liaison on behalf of the States on issues of cooperation and claims administration.

#### OTHER PROVISIONS

40. This Settlement Agreement is entered into voluntarily and solely for the purpose of resolving the claims and causes of action against JPMC. This Settlement Agreement and any and all negotiations, communications, documents (including drafts) and discussions associated with it shall not be used for any other purpose, except in proceedings or actions to enforce or interpret this Settlement Agreement. It shall not constitute or be construed as an admission or evidence of any violation of any statute or law or of any liability or wrongdoing by JPMC or bar any JPMC entity from asserting any defense in any litigation or administrative or other proceeding based upon, arising out of or relating to, in whole or in part, the Relevant Conduct.

41. Nothing in this Settlement Agreement shall relieve JPMC of any obligations imposed by any applicable laws or regulations relating to the marketing, sale or placement of Municipal Bond Derivatives.

42. JPMC represents that, pursuant to an agreement it has entered into with the Internal Revenue Service, the IRS has agreed that, for purposes of compliance by an Issuer with the arbitrage requirements of Section 148 of the Internal Revenue Code for Covered Bond Issues, Covered Contracts are deemed to have been entered into on terms which represented the fair market value of such Covered Contracts. For the purposes of this paragraph, "Covered Contracts" refers collectively to the following contracts during the period between January 1, 1997 and December 31, 2006 that JPMorgan entered into, bid on (or refrained from bidding on), provided pricing for or was asked to provide pricing for, advised issuers or other financial institutions on, negotiated, structured, or was otherwise involved: (a) "Investment Contracts", involving the investment or reinvestment of the proceeds of a State or Local bond within the meaning of Section 103 of the Code (a "State or Local Bond"), and (b) "Derivatives Contracts" (including swap contracts), which involve the management or transfer of the interest rate risk associated with a State or Local Bond with issuers of State or Local Bonds (the "Issuers") or with entities which borrowed the proceeds of such bonds from the Issuer thereof or otherwise were the beneficiaries of such State or Local Bonds, and (c) Investment Contracts and Derivatives Contracts that Issuers entered into with other financial institutions. The State or Local bond issues to which the Covered Contracts relate are referred to collectively herein as the "Covered Bond Issues." JPMC agrees to indemnify and hold harmless the Attorneys General and all Eligible Counterparties and Additional Eligible Counterparties for any liability incurred as a result of any breach of the foregoing representation by JPMC.

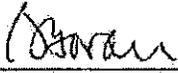
43. Nothing contained in this Settlement Agreement shall be construed as mandating or recommending that JPMC or any of its current employees be disqualified, suspended or debarred from engaging in any business in any jurisdiction, including but not limited to the marketing, sale or placement of Municipal Bond Derivatives or any other investment vehicle in any jurisdiction. Moreover, the Attorneys General agree that: in connection with any state suspension and/or debarment proceeding instituted against JPMC or any of its current directors, officers, agents, or employees (or any other proceeding in which a state or local entity is considering not doing business with JPMC), at JPMC's request the Attorney General of the state shall promptly make known to the suspending and/or debarring authority (or other relevant state or local entity) that JPMC has cooperated fully with the Attorneys General's Investigation of Municipal Bond Derivatives, has given substantial assistance to the Attorneys General's Investigation and has provided appropriate relief for the harm it caused. Notwithstanding the foregoing, this provision shall not require any Attorney General to disclose confidential information or to take any action that would compromise the Attorneys General's ongoing investigation.

44. This Settlement Agreement shall not confer any rights upon, and is not enforceable by, any persons or entities besides the Attorneys General and JPMC.

45. This Settlement Agreement may be executed in counterparts.

WHEREFORE, IT IS SO AGREED AND the following signatures are affixed hereto on this 7th day of July, 2011.

JPMORGAN CHASE & CO.

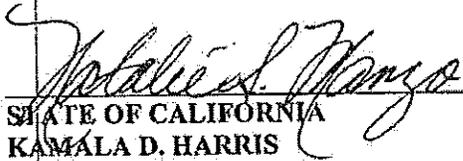
By:   
Anthony J. Horan  
Corporate Secretary

LUTHER STRANGE  
ATTORNEY GENERAL  
STATE OF ALABAMA  
501 WASHINGTON AVENUE  
MONTGOMERY, ALABAMA 36130  
334-242-XXXX

Luther Strange

JAMES M. STEINWINDER  
ANTITRUST CHIEF  
ALABAMA ATTORNEY GENERAL'S OFFICE  
GENERAL CIVIL AND ADMINISTRATIVE DIVISION.  
501 WASHINGTON AVENUE  
MONTGOMERY, ALABAMA 36130  
334-352-9171

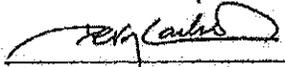
James M. Steinwinder



STATE OF CALIFORNIA  
KAMALA D. HARRIS  
Attorney General

Natalie S. Manzo  
Supervising Deputy Attorney General  
Office of the Attorney General  
California State Bar No. 155655  
300 South Spring Street, Suite 1702  
Los Angeles, CA 90013  
Telephone: 213-897-2707  
Facsimile: 213-897-2801  
Natalie.Manzo@doj.ca.gov

STATE OF COLORADO  
JOHN W. SUTHERS  
Attorney General



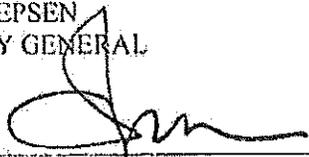
---

DEVIN LAIHO  
Assistant Attorney General  
Consumer Protection

1525 Sherman Street, 7th Floor  
Denver, Colorado 80203  
Voice: 303-866-5079  
Email: [devin.laiho@state.co.us](mailto:devin.laiho@state.co.us)

STATE OF CONNECTICUT  
GEORGE JEPSEN  
ATTORNEY GENERAL

BY:

  
\_\_\_\_\_  
GEORGE JEPSEN

Michael E. Cole  
Chief, Antitrust Department  
Christopher M. Haddad  
Assistant Attorneys General  
55 Elm Street, PO Box 120  
Hartford, CT 06141-0120  
Tel: (860)808-5040  
Fax: (860)808-5033  
michael.cole@ct.gov

THE DISTRICT OF COLUMBIA

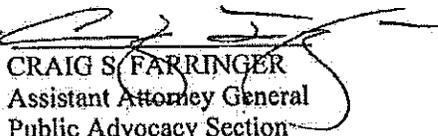
IRVIN B. NATHAN  
Attorney General for the District of Columbia

GEORGE C. VALENTINE  
Deputy Attorney General  
Civil Litigation Division

ELLEN S. EFROS  
Assistant Deputy Attorney General  
Civil Litigation Division

BENNETT RUSHKOFF  
Chief, Public Advocacy Section

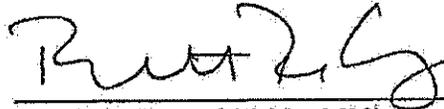
By

  
CRAIG S. FARRINGER  
Assistant Attorney General  
Public Advocacy Section  
Civil Litigation Division  
Office of the Attorney General for the District of Columbia  
441 4th Street, N.W., Suite 600S  
Washington, DC 20001

JPMC / Municipal Bond Derivatives

  
STATE OF FLORIDA  
PAMELA JO BONDI  
Attorney General  
Patricia A. Conners  
Associate Deputy Attorney General  
Nicholas Weilhammer  
Assistant Attorney General  
PL-01 The Capitol  
Tallahassee, FL 32399-1050  
Phone: (850) 414-3300

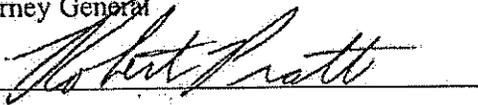
LAWRENCE G. WASDEN  
ATTORNEY GENERAL  
STATE OF IDAHO

 6/28/11

Brett T. DeLange (ISB No. 3628)  
Deputy Attorney General  
Consumer Protection Division  
Office of the Attorney General  
954 W. Jefferson St., 2<sup>nd</sup> Floor  
P. O. Box 83720  
Boise, Idaho 83720-0010  
Telephone: (208) 334-4114  
FAX: (208) 334-4151  
brett.delange@ag.idaho.gov

STATE OF ILLINOIS  
LISA MADIGAN  
Attorney General

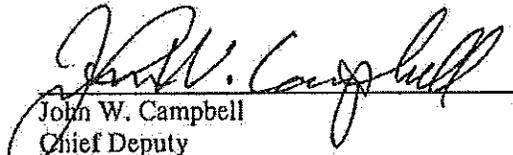
By: \_\_\_\_\_



Robert Pratt  
Assistant Attorney General  
Office of the Illinois Attorney General  
100 W. Randolph Chicago, IL  
Phone: (312) 814-3722  
rpratt@atg.state.il.us

Date: July 7, 2011

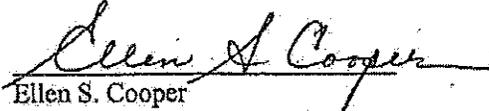
STATE OF KANSAS  
DEREK SCHMIDT  
Attorney General

  
John W. Campbell  
Chief Deputy

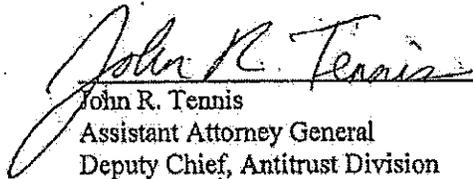
  
Lynette R. Bakker  
Assistant Attorney General  
Consumer Protection & Antitrust Division  
120 S.W. 10th Avenue, 2nd Floor  
Topeka, Kansas 66612-1597  
Phone: (785) 286-2215  
[lynette.bakker@ksag.org](mailto:lynette.bakker@ksag.org)

Date: June 29, 2011

DOUGLAS F. GANSLER  
MARYLAND ATTORNEY GENERAL



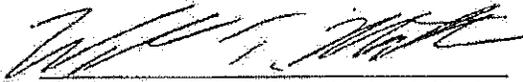
Ellen S. Cooper  
Assistant Attorney General  
Chief, Antitrust Division



John R. Tennis  
Assistant Attorney General  
Deputy Chief, Antitrust Division  
Office of the Attorney General  
200 St. Paul Place, 19<sup>th</sup> Floor  
Baltimore, Maryland 21202  
Tel. # (410) 576-6470  
Fax # (410) 576-7830

COMMONWEALTH OF MASSACHUSETTS

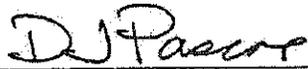
MARTHA COAKLEY  
Attorney General



---

William T. Matlack (MA BBO #552109)  
Aaron Lamb (MA BBO #661654)  
Assistant Attorneys General  
Office of the Attorney General  
One Ashburton Place  
Boston, MA 02108  
Phone: (617) 727-2200

STATE OF MICHIGAN  
BILL SCHUETTE  
Attorney General



---

DJ Pascoe  
Assistant Attorney General  
Michigan Department of Attorney General  
Corporate Oversight Division  
Securities, Antitrust, and Business Section  
G. Mennen Williams Building, 6th Floor  
525 W. Ottawa Street  
Lansing, Michigan 48933  
Telephone: (517) 373-1160

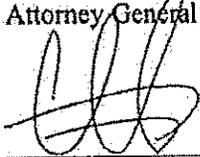
JPMC/State Working Group Municipal Bond Derivative Settlement July, 2011

STATE OF MISSOURI  
CHRIS KOSTER  
Attorney General

*Andrew M. Hartnett*

Andrew M. Hartnett  
Assistant Attorney General  
Missouri Attorney General's Office  
P.O. Box 899  
Jefferson City, MO 65102  
Phone : (573) 751-7445  
Fax : (573) 751-2041  
[andrew.hartnett@ago.mo.gov](mailto:andrew.hartnett@ago.mo.gov)

STATE OF MONTANA  
STEVE BULLOCK  
Attorney General



---

Chuck Munson  
Assistant Attorney General  
Office of Consumer Protection  
215. N Sanders  
Helena, MT 59620-1401  
(406) 444-2026  
(406) 444-3549 (FAX)  
[cmunson@mt.gov](mailto:cmunson@mt.gov)

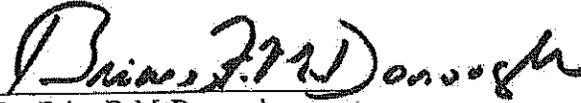
STATE OF NEVADA  
CATHERINE CORTEZ MASTO  
Attorney General

ERIC WITKOSKI  
Consumer Advocate and Chief Deputy Attorney General

By: Michael Saunders  
MICHAEL SAUNDERS  
Senior Deputy Attorney General  
State of Nevada, Office of the Attorney General  
Bureau of Consumer Protection  
555 E. Washington Ave., Suite 3900  
Las Vegas, Nevada 89101  
Telephone: (702) 486-3793  
Email: msaunders@ag.nv.gov

Date: July 7, 2011

STATE OF NEW JERSEY  
PAULA T. DOW  
Attorney General



Dated: July 6, 2011

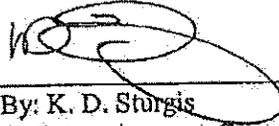
By: Brian F. McDonough  
Assistant Attorney General  
State of New Jersey, Office of the Attorney General  
Department of Law and Public Safety  
Division of Law  
124 Halsey Street, 5<sup>th</sup> Floor  
P.O. Box 45029  
Newark, New Jersey 07101  
Phone: 973-648-2500  
Email: [Brian.McDonough@dol.lps.state.nj.us](mailto:Brian.McDonough@dol.lps.state.nj.us)

STATE OF NEW YORK  
ERIC T. SCHNEIDERMAN  
ATTORNEY GENERAL

  
Elinor R. Hoffmann  
Assistant Attorney General

Office of the Attorney General  
Antitrust Bureau  
26<sup>th</sup> Floor, 120 Broadway  
New York, NY 10271  
Voice: (212) 416-8262  
[elinor.hoffmann@ag.ny.gov](mailto:elinor.hoffmann@ag.ny.gov)

ROY COOPER  
Attorney General of North Carolina



---

By: K. D. Sturgis  
Assistant Attorney General  
State Bar No. 9486  
North Carolina Department of Justice  
P.O. Box 629  
Raleigh, NC 27602  
Tel. 919/716.6011  
ksturgis@ncdoj.gov

STATE OF OHIO  
MICHAEL DEWINE  
Attorney General



Doreen C. Johnson  
Assistant Section Chief, Antitrust Section  
Ohio Attorney General's Office  
OSB No. 0024725  
150 E. Gay St, 23<sup>rd</sup> Floor  
Columbus, OH 43215  
Telephone: (614) 466-4328  
Email: [doreen.johnson@ohioattorneygeneral.gov](mailto:doreen.johnson@ohioattorneygeneral.gov)

State of Ohio's signature page to JPMorgan Chase & Co Municipal Bonds Derivatives Settlement  
Agreement with Attorneys General

STATE OF OREGON  
JOHN R. KROGER  
Attorney General

  
for Michael A. Kalick  
Tim D. Nord

Senior Assistant Attorney General  
Department of Justice  
1162 Court Street NE  
Salem, OR 97301-4096  
Telephone: (503) 934-4400  
Fax: (503) 378-5017  
Email: tim.d.nord@doj.state.or.us

Dated July 6, 2011

Signature page for the Settlement Agreement between the State of Oregon and JPMC  
over municipal bond derivatives

**COMMONWEALTH OF PENNSYLVANIA**

**LINDA L. KELLY  
ATTORNEY GENERAL**

By: James A. Donahue *vs*

James A. Donahue, III  
Chief Deputy Attorney General  
Office of Attorney General  
Antitrust Section  
14<sup>TH</sup> Floor, Strawberry Square  
Harrisburg, PA 17120  
Telephone: (717) 787-4530  
Fax: (717) 787-1190

STATE OF SOUTH CAROLINA  
ALAN WILSON  
Attorney General



J.C. Nicholson, III  
Assistant Attorney General  
Office of South Carolina Attorney General  
1000 Assembly Street  
Rembert C. Dennis Bldg.  
Post Office Box 11549  
Columbia, South Carolina 29211  
Telephone: 803-734-9916

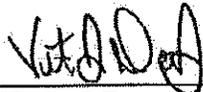
July 7<sup>th</sup> 2011  
Date

STATE OF TEXAS  
GREG ABBOTT  
Attorney General

  
Bret Fulkerson

Assistant Attorney General  
Texas Attorney General's Office  
Texas Bar No. 24032209  
300 West 15<sup>th</sup> Street, Floor 7  
Austin, Texas 78701  
Phone: (512) 463-4012  
[bret.fulkerson@oag.state.tx.us](mailto:bret.fulkerson@oag.state.tx.us)

ROBERT E. COOPER, JR.  
Attorney General and Reporter  
State of Tennessee



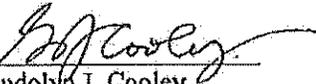
---

Victor J. Domen, Jr. (BPR#015803)  
Senior Counsel  
Tennessee Attorney General's Office  
425 Fifth Avenue North  
Nashville, TN 37202  
Tel: (615) 253-3327  
Fax: (615) 532-6951

July 5, 2011  
JPMC Settlement

The State of Wisconsin elects to participate in the settlement agreement among the  
Attorneys General and JPMC.

J.B. Van Hollen  
Attorney General

By:   
Gwendolyn J. Cooley  
Assistant Attorney General  
Wisconsin Department of Justice  
17 W. Main St.  
Madison, WI 53707-7857  
(608) 261-5810  
[cooleygj@doj.state.wi.us](mailto:cooleygj@doj.state.wi.us)

## ATTACHMENT A

The following criteria shall be applied to determine whether a Municipal Bond Derivative is a Covered Derivative:

- A. For Municipal Reinvestment Products that were awarded through a competitive bidding process:
  - 1. The Provider of the Municipal Bond Derivative is JPMC;
  - 2. JPMC and the counterparty entered into the Municipal Bond Derivative transaction between January 1, 2001 and December 31, 2004, inclusive; and
  - 3. The Municipal Bond Derivative has been identified by the Attorneys General as eligible.
- B. For Municipal Bond Derivatives other than Municipal Reinvestment Products that were awarded through a competitive bidding process:
  - 1. The Provider of the Municipal Bond Derivative is JPMC;
  - 2. JPMC and the counterparty entered into the Municipal Bond Derivative transaction between January 1, 2001 and December 31, 2005, inclusive; and
  - 3. The Municipal Bond Derivative has been identified by the Attorneys General as eligible.
- C. Notwithstanding the eligibility criteria in Parts A and B above, a Municipal Bond Derivative Counterparty is not eligible to receive payment under this Settlement Agreement with respect to any specific Covered Derivative for which it will receive a payment through the SEC or OCC Resolutions that is equal to or greater than the amount the Municipal Bond Counterparty would receive for each such Covered Derivative through this Settlement Agreement.

## ATTACHMENT B

1. Within 10 business days of the Effective Date of this Agreement, the Attorneys General or their designated representative will select a claims administrator and submit a draft contract to JPMC.
2. JPMC shall have 10 business days after receipt of the draft contract to make any objections to the claims administrator and/or the contract. The Attorneys General or their designated representative shall consider in good faith those objections. However, any decision to approve a claims administrator and/or the contract, with the exception of any cost provisions, shall be the final decision of the Attorneys General. The contract provisions concerning the cost of the claims administrator must be agreed by JPMC. The costs of the claims administrator shall be paid by JPMC.
3. Within 14 business days of the Attorneys General's final approval of the claims administrator, the claims administrator shall provide to JPMC and the Attorneys General or their designated representative drafts of the Notice Packet.
4. Within 14 business days of receipt of draft of the Notice Packet, the Attorneys General or their designated representative shall identify all Eligible Counterparties and provide JPMC and the claims administrator with: (a) the Eligible Counterparty's name and address if readily available; (b) the description of the Covered Derivative, including the notional amount; and (c) the amount of money the Eligible Counterparty is eligible to receive relating to the Covered Derivatives or the formula for determining such amount.
5. Within 14 business days of receipt of the list described in Paragraph 4, JPMC will deliver to the Attorneys General or their designated representative and the claims administrator the most current available addresses of Eligible Counterparties. If, despite best efforts, JPMC has been unable to identify an Eligible Counterparty's name and address within 14 business days of receipt of the list, JPMC will so inform the claims administrator and the Attorneys General, who may extend this timeframe or amend the list described in Paragraph 4.
6. Within 14 business days of receipt of the draft Notice Packet from the claims administrator, the Attorneys General or their designated representative, in consultation with JPMC, shall approve or amend its content and provide such amendments to the claims administrator.

7. Within 30 days of receiving the information set forth in Paragraphs above, whichever is later, the claims administrator shall send a Notice Packet to each Eligible Counterparty by first-class mail, postage prepaid and by electronic delivery if addresses are available. For Additional Eligible Counterparties, the claims administrator must send the Notice Packet to each Additional Eligible Counterparty within 7 business days of receiving the information set forth in Paragraphs 4 and 5 above, whichever is later, for any Additional Eligible Counterparty.
8. Eligible Counterparties or Additional Eligible Counterparties shall have 45 days from the date that notice of their eligibility was sent by first-class mail, postage pre-paid, to request a distribution ("the Election Period"). However, the Attorneys General or their designated representative, in consultation with JPMC, have discretion to approve payments to Eligible Counterparties or Additional Eligible Counterparties whose election to participate and release was not received in a timely manner.
9. The claims administrator shall provide JPMC and the Attorneys General with weekly reports during the Election Period, which report(s) shall include, by state, a listing of the names of Eligible Counterparties and Additional Eligible Counterparties that have submitted valid Elections and Releases, and the names of Eligible Counterparties and Additional Eligible Counterparties that have not submitted valid Elections and Releases.
10. The Attorneys General or their designated representative shall provide the claims administrator and JPMC with a template for the letters to accompany the payments made to Participating Counterparties prior to the end of the Election Period.
11. During the Election Period, the claims administrator shall issue a distribution report describing the Eligible Counterparties and Additional Eligible Counterparties that opted to participate and the amount of money to be distributed to each of them. In advance of directing Initial Payments be made, the claims administrator shall obtain approval of the report from the Attorneys General or their designated representative. The final distribution report shall be issued no later than 14 days after the end of the Election Period.
12. Within sixty (60) days after receipt of approval of the claims administrator's distribution report, the claims administrator shall make arrangements to make payments, accompanied by letter(s) provided by the Attorneys General, to the Participating Counterparties that have submitted a proper request and fully-executed release of their share of the Fund. These payments shall be sent in a manner to ensure that they reach the designated Participating Counterparties, either by wire transfer or by registered mail. The escrow agent, in conjunction with the claims administrator, shall make prompt payment in accordance with such instructions.
13. JPMC and the Attorneys General may, by written agreement, alter any time period provided for herein to the extent necessary to carry out the purpose of affording all possible compensation to Eligible Counterparties or Additional Eligible Counterparties.

## EXHIBIT 1

### RELEASE BY PARTICIPATING COUNTERPARTIES

This release executed this \_\_\_\_ day of \_\_\_\_, 20\_\_, by the Releasor (as defined below) in favor of the Releasee (as defined below).

### DEFINITIONS

- A. "Releasor" shall mean \_\_\_\_\_ and any of its divisions, affiliates, subsidiaries, groups, associates, general or limited partners or partnerships, predecessors, successors or assigns, including, without limitation, any of their respective present officers, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers acting on behalf of Releasor.
- B. "Releasee" refers to JPMorgan Chase & Co., and all of its successors, predecessors, assigns and their subsidiaries, divisions, groups, affiliates and partnerships, including without limitation, any of their respective past or current officers, directors, and employees (collectively, "JPMC").
- C. "Relevant Conduct" shall mean, except as provided below, JPMC engaging in any of the following conduct from January 1, 1998 through December 31, 2006, whether by itself or in concert with Providers and Brokers: (i) rigging bids or fixing the prices or other terms and conditions of any Municipal Bond Derivatives; (ii) agreeing not to bid for any Municipal Bond Derivatives; or (iii) engaging in any other anticompetitive, deceptive, unfair or fraudulent conduct relating to any Municipal Bond Derivatives including, but not limited to, misrepresenting or omitting material facts whose primary purpose is to prevent the discovery of the anti-competitive conduct. Notwithstanding the foregoing, Relevant Conduct does not include conduct related to attempts to manipulate underlying interest rates used in the pricing of Municipal Bond Derivatives.
- D. "Municipal Bond Derivatives" shall mean: (i) contracts involving the reinvestment of the proceeds of tax-exempt bond issues and Qualified Zone Academy Bonds, or bonds issued by or on behalf of any governmental or quasi-governmental or non-profit entity in the United States of America, including but not limited to, states, cities, towns, counties, villages, parishes, school districts, clubs, or various economic development, redevelopment, financing, lottery, parking, housing, educational, medical, religious, public safety, building, water, sewer, hospital, transportation, public works, waste management, environmental, port, park, airport, telecommunications and power authorities, corporation or boards; and (ii) transactions involving the management or transfer of the interest rate risk associated with the bonds or bond issues described above

including, but not limited to, guaranteed investment contracts, forward supply, purchase, or delivery agreements, repurchase agreements, swaps, options and swaptions. Notwithstanding the foregoing, Municipal Bond Derivatives does not include (i) contracts to underwrite the issuance of municipal bonds; (ii) credit default products, such as credit default swaps and credit default options; (iii) auction-rate securities; (iv) inter-dealer swaps; (v) swaps, or other agreements between providers to hedge, manage or otherwise share or transfer their risk on a Municipal Bond Derivative except to the extent used to facilitate any improper undisclosed payments to brokers or the rigging of bids for the reinvestment or management of bond proceeds.

- E. "Covered Derivatives" shall mean Municipal Bond Derivatives that meet the criteria set forth in Attachment A to the Settlement Agreement.
- F. "Settlement Agreement" shall mean the Settlement Agreement between JPMorgan Chase & Co. and the Attorneys General of the States and Commonwealths of Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee, Wisconsin, dated July 7, 2011.
- G. "Effective Date" shall mean the Effective Date of the Settlement Agreement.

#### RELEASE

1. In consideration of the receipt by Releasor of \$ \_\_\_\_\_ relating to the [list of specific Covered Derivatives], payment of which is made by JPMC in accordance with the terms of the Settlement Agreement, Releasor hereby releases Releasee from all civil claims, counterclaims, cross-claims, set-offs, causes of action of any type (whether common law, equitable, statutory, regulatory or administrative, class, individual or otherwise in nature, and whether reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured) demands, disputes, damages, restitution, whenever incurred, and liabilities (including joint and several) of any nature whatsoever, including without limitation, costs, fines, debts, expenses, penalties and attorneys fees, known or unknown, that it has against the Releasee arising from the Relevant Conduct in relation to the marketing, sale or placement of Municipal Bond Derivatives, including any claims that have been or could be asserted *In re Municipal Derivatives Antitrust Litigation*, MDL No. 1950, Master Docket No. 08-2156, any actions pending in the United States District Court for the Southern District of New York captioned *In re Municipal Derivatives Antitrust Litigation*, or any related actions filed in or transferred to the United States District Court for the Southern District of New York that are coordinated with or consolidated into the preceding Civil Action docket.

2. In the event that the total payment referred to in Paragraph 1 is not made for any reason, then this Release shall be null and void, provided that any payments received by Releasor shall be credited to Releasee in connection with any claims that (i) Releasor may assert against Releasee; (ii) that are asserted against Releasee on behalf of Releasor by a class of which Releasor is a member; or (iii) that are asserted by any third party against Releasee as to which Releasee may assert a setoff under any applicable law.
  
3. The Releasor intends by this Release to settle with and release only Releasee and does not intend this Release, or any part hereof or any other aspect of the settlement or the releases, to extend to, to release or otherwise to affect in any way any rights that the Releasor has or may have against any other party or entity whatsoever, other than Releasee.
  
4. Releasor hereby waives the provisions of California Civil Code section 1542, which provides: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor." This provision shall not be deemed to turn a specific release into a general release.
  
5. The Releasor represents and warrants that the released claims have not been sold, assigned or hypothecated, in whole or in part.

**EXHIBIT 2**

**ELECTION BY ATTORNEY GENERAL TO PARTICIPATE  
IN SETTLEMENT WITH JPMORGAN CHASE & CO.**

The Attorney General of \_\_\_\_\_ hereby elects to participate in the Settlement Agreement Among the Attorneys General of the States and Commonwealths of Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee and Wisconsin and JPMorgan Chase & Co., dated July 7, 2011 (Settlement Agreement) as a Participating Attorney General.

**Exhibit B**

**Election to Participate in Settlement With JPMorgan Chase & Co.**

JPMC Muni Bond Derivative Settlement  
c/o GCG  
Claims Administrator  
P.O. Box 9864  
Dublin, OH 43017-5764  
(877) 311-1632



CMB0200013516



MIAMI-DADE COUNTY  
R. A. CUEVAS, JR.  
COUNTY ATTORNEY'S OFFICE  
11 NW FIRST STREET  
SUITE 2810  
MIAMI, FL 33128

**ELECTION TO PARTICIPATE IN  
SETTLEMENT WITH JP MORGAN CHASE & CO.**

MIAMI-DADE COUNTY, hereby elects to participate in the Settlement Agreement Among the Attorneys General of the States and Commonwealths of Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee and Wisconsin and JP Morgan Chase & Co., dated July 7, 2011.

By signing below, I am confirming that: (1) I have authority to act on behalf of the Participating Counterparty; (2) the Participating Counterparty was the counterparty to each of the Covered Derivatives listed in the Release; and (3) the Participating Counterparty has not assigned, sold, or otherwise transferred its rights to any of the Covered Derivatives (or did not assign, sell, or transfer its rights prior to termination of any of the transactions).

\_\_\_\_\_  
Print or Type Name of Counterparty

\_\_\_\_\_  
Tax Identification Number

\_\_\_\_\_  
Counterparty Address

\_\_\_\_\_  
City, State and Zip

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name of Person Signing

\_\_\_\_\_  
Title and Capacity of Person Signing

\_\_\_\_\_  
Phone Number

\_\_\_\_\_  
Email Address

This Page Intentionally Left Blank

**Exhibit C**

**Release by Participating Counterparties**

JPMC Muni Bond Derivative Settlement  
c/o GCG  
Claims Administrator  
P.O. Box 9864  
Dublin, OH 43017-5764  
(773) 311-1632

CMB



Claim No: CMB01000136

CMB0200013516



MIAMI-DADE COUNTY  
R. A. CUEVAS, JR.  
COUNTY ATTORNEY'S OFFICE  
11 NW FIRST STREET  
SUITE 2810  
MIAMI, FL 33128

RELEASE BY PARTICIPATING COUNTERPARTIES

This release executed this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by the Releasor (as defined below) in favor of the Releasee (as defined below).

DEFINITIONS

- A. "Releasor" shall mean MIAMI-DADE COUNTY and any of its divisions, affiliates, subsidiaries, groups, associates, general or limited partners or partnerships, predecessors, successors or assigns, including, without limitation, any of their respective present officers, trustees, employees, agents, attorneys, representatives and shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns or insurers acting on behalf of Releasor.
- B. "Releasee" refers to JPMorgan Chase & Co., and all of its successors, predecessors, assigns and their subsidiaries, divisions, groups, affiliates and partnerships, including without limitation, any of their respective past or current officers, directors, and employees (collectively, "JPMC").
- C. "Relevant Conduct" shall mean, except as provided below, JPMC engaging in any of the following conduct from January 1, 1998 through December 31, 2006, whether by itself or in concert with Providers and Brokers: (i) rigging bids or fixing the prices or other terms and conditions of any Municipal Bond Derivatives; (ii) agreeing not to bid for any Municipal Bond Derivatives; or (iii) engaging in any other anticompetitive, deceptive, unfair or fraudulent conduct relating to any Municipal Bond Derivatives including, but not limited to, misrepresenting or omitting material facts whose primary purpose is to prevent the discovery of the anti-competitive conduct. Notwithstanding the foregoing, Relevant Conduct does not include conduct related to attempts to manipulate underlying interest rates used in the pricing of Municipal Bond Derivatives.
- D. "Municipal Bond Derivatives" shall mean: (i) contracts involving the reinvestment of the proceeds of tax-exempt bond issues and Qualified Zone Academy Bonds, or bonds issued by or on behalf of any governmental or quasi-governmental or non-profit entity in the United States of America, including but not limited to, states, cities, towns, counties, villages, parishes, school districts, clubs, or various economic development, redevelopment, financing, lottery, parking, housing, educational, medical, religious, public safety, building, water, sewer, hospital, transportation, public works, waste management, environmental, port, park, airport, telecommunications and power authorities, corporation or boards; and (ii) transactions involving the management or transfer of the interest rate risk associated with the bonds or bond issues described above including, but not limited to, guaranteed investment contracts, forward supply, purchase, or delivery agreements, repurchase agreements, swaps, options and swaptions. Notwithstanding the foregoing, Municipal Bond Derivatives does not include (i) contracts to underwrite the issuance of municipal bonds; (ii) credit default products, such as credit default swaps and credit default options; (iii) auction-rate securities; (iv) inter-dealer swaps; (v) swaps, or other agreements between providers to hedge, manage or otherwise share or transfer their risk on a Municipal Bond Derivative except to the extent used to facilitate any improper undisclosed payments to brokers or the rigging of bids for the reinvestment or management of bond proceeds.
- E. "Covered Derivatives" shall mean Municipal Bond Derivatives that meet the criteria set forth in Attachment A to the Settlement Agreement.
- F. "Settlement Agreement" shall mean the Settlement Agreement between JPMorgan Chase & Co. and the Attorneys General of the States and Commonwealths of Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee, Wisconsin, dated July 7, 2011.
- G. "Effective Date" shall mean the Effective Date of the Settlement Agreement.



RELEASE

1. In consideration of the receipt by Releasor of \$147,714.85 relating to the CPI PSA SWAP (approximate trade date 04/16/2004), payment of which is made by JPMC in accordance with the terms of the Settlement Agreement, Releasor hereby releases Releasee from all civil claims, counterclaims, cross-claims, set-offs, causes of action of any type (whether common law, equitable, statutory, regulatory or administrative, class, individual or otherwise in nature, and whether reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured) demands, disputes, damages, restitution, whenever incurred, and liabilities (including joint and several) of any nature whatsoever, including without limitation, costs, fines, debts, expenses, penalties and attorneys fees, known or unknown, that it has against the Releasee arising from the Relevant Conduct in relation to the marketing, sale or placement of Municipal Bond Derivatives, including any claims that have been or could be asserted *In re Municipal Derivatives Antitrust Litigation*, MDL No. 1950, Master Docket No. 08-2156, any actions pending in the United States District Court for the Southern District of New York captioned *In re Municipal Derivatives Antitrust Litigation*, or any related actions filed in or transferred to the United States District Court for the Southern District of New York that are coordinated with or consolidated into the preceding Civil Action docket.
2. In the event that the total payment referred to in Paragraph 1 is not made for any reason, then this Release shall be null and void, provided that any payments received by Releasor shall be credited to Releasee in connection with any claims that (i) Releasor may assert against Releasee; (ii) that are asserted against Releasee on behalf of Releasor by a class of which Releasor is a member; or (iii) that are asserted by any third party against Releasee as to which Releasee may assert a setoff under any applicable law.
3. The Releasor intends by this Release to settle with and release only Releasee and does not intend this Release, or any part hereof or any other aspect of the settlement or the releases, to extend to, to release or otherwise to affect in any way any rights that the Releasor has or may have against any other party or entity whatsoever, other than Releasee.
4. Releasor hereby waives the provisions of California Civil Code section 1542, which provides: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor." This provision shall not be deemed to turn a specific release into a general release.
5. The Releasor represents and warrants that the released claims have not been sold, assigned or hypothecated, in whole or in part.

Print or Type Name of Counterparty	Tax Identification Number
Counterparty Address	
City, State and Zip	
Signature	Date
Print Name of Person Signing	Title and Capacity of Person Signing
Phone Number	Email Address