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## ARIZONA CORPORATION COMMISSION

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### **Commission Approves JP Morgan Chase ARS Settlement**

Also Sanctions Promoters of Unregistered Jet Fuel Pump,  
Real Estate and Gold Mining Ventures

PHOENIX, AZ—The Arizona Corporation Commission today approved a consent order requiring JP Morgan Chase & Company to pay a \$348,779 administrative penalty in connection with its auction-rate securities (ARS) sales in Arizona.

The penalty amount levied against JP Morgan Chase represents Arizona's pro-rata share of a \$25 million global settlement negotiated by a multistate task force of state regulators formed by the North American Securities Administrators Association (NASAA). The agreement marks the seventh settlement of an ARS case in Arizona since the widespread market failure last year. In the past six months, the Commission sanctioned Deutsche Bank Securities, Inc., RBC Capital Markets, Merrill Lynch, Wachovia Securities, LLC, Wachovia Capital Markets, LLC, Citigroup Global Markets, Banc of America Securities, LLC, and Banc of America Investment Services, Inc. Among the principal components of the JP Morgan Chase settlement is the buyback of ARS from investors who purchased them from or through JP Morgan Chase. In Arizona, the JP Morgan Chase buyback involves 25 investors and over \$9.35 million in ARS.

The Commission found that JP Morgan Chase misled investors about ARS by marketing the securities as safe, highly liquid, cash-alternative investments when ARS are actually long-term investments subject to a complex auction process that, upon failure, can lead to illiquidity and financial loss. Additionally, the Commission found that JP Morgan Chase failed to reasonably supervise its employees by not providing them with adequate training and pertinent market information regarding ARS, by failing to ensure that all securities salesmen were providing adequate ARS information to their clients and by failing to review ARS transactions in the accounts of customers who needed liquidity.

For eligible customers, JP Morgan Chase agreed to buyback at par any ARS purchased from JP Morgan Chase prior to February 12, 2008. To each investor who sold ARS below par between February 12, 2008 and August 14, 2008, JP Morgan Chase agreed to reimburse any investor who sold at a financial loss. Additionally, JP Morgan Chase agreed to refund refinancing fees from specified municipal ARS issuers, make a best effort to provide liquidity solutions for institutional investors and other customers and arbitrate any claim for consequential damages. Any investor who purchased ARS from JP Morgan Chase during the specified time frame, but has not received notice from them, should contact their securities salesman or securities dealer to request a repurchase.

In settling this matter, JP Morgan Chase neither admits nor denies the Commission findings, but agrees to the entry of the consent order. This consent order is the final step in Arizona's ARS case against JP Morgan Chase. Penalties and settlements arising from securities law violations are directed by law to the Arizona General Fund and do not remain with the Arizona Corporation Commission. The Commission's funding is appropriated through the normal state budget process.

In a separate case, the Commission ordered Nicholas S. Ballard of Surprise and his company to pay \$38,315 in restitution and a \$15,000 administrative penalty for defrauding investors in a real estate and gold mining venture. While not registered to sell securities in Arizona, Ballard and his company, Oasis of Wealth, Inc., offered and sold unregistered investment contracts ranging from real estate investments in the Bahamas to gold mining ventures in Arizona and California. Through a web site, telephone and e-mail communications, Ballard did business as AZ Gold and Safaris and promised investors above-market returns. The Commission found, however, that Ballard misrepresented to investors that his company had secured four mining sites in Arizona with legitimate mining rights on state or federal land. Additionally, the Commission found that Ballard failed to inform investors of the material risks of the investment and that AZ Gold and Safaris was a defunct corporation. In settling this matter, Ballard neither admits nor denies the Commission's findings, but agrees to the entry of the consent order.

In another case, the Commission ordered Nevada resident Ferenc J. Csampai to pay a \$2,500 administrative penalty for promoting an unregistered investment opportunity called the "Boeing Fuel Pump Inventory Investment Program" in Arizona. Csampai worked as the Director of Maintenance for Nevada-based Global Aviation Fuel Systems, but neither was registered to sell securities in Arizona. An Internet search conducted by the Commission's Securities Division discovered the investment program from ads featured on Craigslist.com. In the ads, the company claimed that investors could earn above-market returns with no risk by purchasing commercial jet parts, having the parts sent to the company for refurbishment and then reselling them at a higher price. Last year, the Commission sanctioned Csampai's business associate, Robert N. Nekliewicz, who was ordered to pay a \$2,500 administrative penalty for promoting the same unregistered investment program while not registered to sell securities in Arizona. Due to early intervention by the Commission's Securities Division, no investments were made by any Arizona residents.

**More caution for investors:**

Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9. The Division's investor education web site also has helpful information at [www.azinvestor.gov](http://www.azinvestor.gov).

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