

WHEREAS, Respondents have advised regulators of their agreement to resolve the investigations relating to their practices in connection with the underwriting, marketing, and sale of ARS; and

WHEREAS, Respondents agree to make (or to have made on their behalf) certain payments as part of the resolution of the investigations; and

WHEREAS, Respondents elect to permanently waive any right to a hearing and appeal under Sections 58-13B-53 and 58-13B-56 of the Act with respect to this Consent Order (the "Order");

NOW, THEREFORE, Bruce R. Kohl, Director of the New Mexico Securities Division, as administrator of the Act, hereby enters the following:

I.

FINDINGS OF FACT

1. Respondents admit the jurisdiction of the New Mexico Securities Division, neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order, and consent to the entry of this Order by the New Mexico Securities Division.

2. Beginning in March 2008, the task force began its investigation of Respondents' underwriting, marketing, and sale of ARS.

3. In or about August and September 2007, some ARS auctions experienced failures. These failures were primarily based on credit quality concerns related to the ARS at issue, which often involved underlying assets of collateralized debt obligations.

4. During the fall of 2007 and into the beginning months of 2008, as the default rates on subprime mortgages soared and the market in general began experiencing significant credit

tightening, monoline insurers that insured many issuances of ARS were also becoming distressed and were at risk of ratings downgrades.

5. The result of the overall market conditions in the fall of 2007 and into the beginning of 2008 resulted in increasing concerns regarding market liquidity, as well as a declining demand for ARS.

6. The task force concluded that Respondents should have had knowledge that, during the fall of 2007 and winter of 2008, the auction markets were not functioning properly and were at increased risk for failure.

7. During that time period, significant numbers of buyers had been exiting the market and the continued success of the auctions was reliant upon the lead broker-dealers, such as BAS, making increased support bids. These support bids had the effect of artificially propping up the market and creating the illusion that the auction rate market was functioning as normal.

8. However, during that time, Respondents continued to market and sell ARS without informing customers of the heightened risks associated with holding these securities.

9. Instead, Respondents engaged in a concerted effort to market ARS underwritten by BAS towards its large retail customer accounts without advising the retail customers of any of the potential risks associated with a failed auction or market illiquidity.

10. On or about February 11, 2008, without notifying any of its customers, BAS stopped broadly supporting the auctions for which BAS was lead broker-dealer.

11. The decision left thousands of Respondents' customers stuck holding illiquid ARS.

12. On or about September 10, 2008, Respondents, Bank of America Corporation (“BAC”), and Blue Ridge Investments, L.L.C. (“Blue Ridge”) agreed, in principle, that BAC would cause Blue Ridge to buy back, at par plus accrued but unpaid interest or dividends, ARS for which auctions were in failed mode from “Eligible Investors,” which included all individual investors, all charitable organizations with account values up to \$25 million and small and medium sized businesses with account values up to \$10 million who purchased ARS from Respondents.

II.

CONCLUSIONS OF LAW

1. The New Mexico Securities Division has jurisdiction over this matter pursuant to the Act. The Act authorizes the Division to regulate: 1) the offers, sales, and purchases of securities; 2) those individuals and entities offering and/or selling securities; and 3) those individuals and entities transacting business as investment advisers within New Mexico.

A. Respondents Engaged in Dishonest and Unethical Practices.

2. As described in the Findings of Fact section above, Respondents inappropriately marketed and sold ARS without adequately informing their customers of the increased risks of illiquidity associated with the product for the time period August 1, 2007, through February 11, 2008.

3. As a result, Respondents violated Section 58-13B-16.A(2)(h) of the Act.

B. Respondents Failed to Supervise Their Agents.

4. As described in the Findings of Fact section above, Respondents failed to properly supervise their agents with respect to the marketing and sale of ARS from October 1, 2007, to February 11, 2008.

5. As a result, Respondents violated Section 58-13B-16.A(2)(k) of the Act.

6. This Order is necessary and appropriate in the public interest and for the protection of investors, and is consistent with the purposes fairly intended by the policy and provisions of the Act.

III.

ORDER

On the basis of the Findings of Fact, Conclusions of Law, and Respondents' consent to the entry of this Order,

IT IS HEREBY ORDERED:

1. This Order concludes the investigation by the New Mexico Securities Division and any other action that the New Mexico Securities Division could commence under applicable New Mexico law on behalf of New Mexico as it relates to Respondents' underwriting, marketing, and sales of ARS, provided however, that excluded from and not covered by this paragraph 1 are any claims by the New Mexico Securities Division arising from or relating to the "Order" provisions contained herein.

2. This Order is entered into solely for the purpose of resolving the referenced multistate investigation, and is not intended to be used for any other purpose.

3. Respondents will **CEASE AND DESIST** from violating the Act and will comply with the Act.

4. Within ten days after the date of this Order, Respondents shall pay ninety-two thousand seven-hundred ninety-two and 35/100 dollars (\$92,792.35) to the New Mexico Securities Division as a civil monetary penalty pursuant to Section 58-13B-37.B(4) of the Act for

failing to supervise Respondents' employees and engaging in dishonest or unethical conduct or practices in violation of Section 58-13B-16A(2)(h) and (k) of the Act.

5. Respondents shall comply with the following requirements:

a Eligible Investors

i No later than October 21, 2008, BAC shall have caused Blue Ridge to offer to buy back, at par plus accrued and unpaid interest or dividends, Eligible ARS (as such term is defined below) for which auctions are in failed mode from Eligible Investors (as such term is defined below) who purchased such Eligible ARS from Respondents prior to February 13, 2008 (the "Offer"). For purposes of the Offer, Eligible ARS means ARS purchased from Respondents on or before February 13, 2008, that were subject to an auction failure on or after February 11, 2008. The Offer shall remain open for a period between October 10, 2008, and December 1, 2009, unless extended by Blue Ridge.

ii. "Eligible Investors" shall mean:

(a) Natural persons (including their IRA accounts, testamentary trust and estate accounts, custodian IGMA and UTMA accounts, and guardianship accounts) who purchased Eligible ARS from Respondents;

(b) Charities, endowments, or foundations with Internal Revenue Code Section 501(c)(3) status that purchased Eligible ARS from Respondents and that had \$25 million or less in assets in their accounts with Respondents as determined by the customer's aggregate household position(s) at Respondents as of September 9, 2008; or

(c) Small Business that purchased Eligible ARS from Respondents. For purposes of this provision, “Small Business” shall mean Respondents’ customers not otherwise covered in paragraph III.6.a.ii(a) and ii(b) above that had \$15 million or less in assets in their accounts with Respondents as of September 9, 2008.

iii. Respondents will have provided prompt notice to customers of the settlement terms and Respondents will have established a dedicated telephone assistance line, with appropriate staffing, to respond to questions from customers concerning the terms of the settlement.

b. Relief for Eligible Investors Who Sold Below Par

No later than December 31, 2008, Respondents shall have promptly provided notice to any Eligible Investor that Respondents could reasonably identify who sold Eligible ARS below par between February 11, 2008, and September 22, 2008. Such investors will be paid the difference by Respondents between par and the price at which the Eligible Investor sold the Eligible ARS. Any such Eligible Investors identified after December 31, 2008, shall be promptly paid the difference between par and the price at which the Eligible Investors sold the Eligible ARS.

c. Consequential Damages Claims

No later than October 10, 2008, Respondents shall make reasonable efforts promptly to notify those Eligible Investors who own Eligible ARS that, pursuant to the terms of the settlement, an independent arbitrator, under the auspices of the Financial Industry Regulatory Authority (“FINRA”), will be available for the exclusive purpose of arbitrating any Eligible Investor’s consequential-damages claim.

Respondents shall consent to participate in the North American Securities Administrators Association (“NASAA”) Special Arbitration Procedure (the “SAP”) established specifically for arbitrating claims arising out of an Eligible Investor’s inability to sell Eligible ARS. Respondents shall notify Eligible Investors of the terms of the SAP. Nothing in this Order shall serve to limit or expand any party’s rights or obligations as provided under the SAP. Arbitration shall be conducted, at the customer’s election, by a single non-industry arbitrator and Respondents will pay all forum and filing fees.

Arbitrations asserting consequential damages of less than \$1 million will be decided through a single chair-qualified public arbitrator who will be appointed through the FINRA list selection process for single arbitrator cases. In arbitrations where the consequential damages claimed are greater than or equal to \$1 million, the parties can, by mutual agreement, expand the panel to include three public arbitrators who will be appointed through FINRA’s list procedure.

Any Eligible Investors who choose to pursue such claims through the SAP shall bear the burden of proving that they suffered consequential damages and that such damages were caused by their inability to access funds invested in Eligible ARS. In the SAP, Respondents shall be able to defend themselves against such claims; provided, however, that Respondents shall not contest liability for the illiquidity of the underlying ARS position or use as part of their defense any decision by an Eligible Investor not to borrow money from Respondents.

All customers, including but not limited to Eligible Investors who avail themselves of the relief provided pursuant to this Order, may pursue any remedies against Respondents available under the law. However, Eligible Investors that elect to utilize the SAP

are limited to the remedies available in that process and may not bring or pursue a claim relating to Eligible ARS in another forum.

d. Institutional Investors

Respondents shall endeavor to work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously and on a best efforts basis provide liquidity solutions for institutional investors that purchased Eligible ARS from Respondents and are not entitled to participate in the buyback under Section III (“Institutional Investors”).

Beginning on December 31, 2008, and then quarterly thereafter, Respondents shall submit a written report to a representative specified by NASAA outlining the efforts in which Respondents have engaged and the results of those efforts with respect to Institutional Investors’ holdings in Eligible ARS. The written reports will be submitted 20 days following the end of the quarter. Respondents shall confer with the representative no less frequently than quarterly to discuss Respondents’ progress to date. Such written reports and quarterly meetings shall continue until no later than December 31, 2009. Following every quarterly meeting, the representative shall advise Respondents of any concerns and, in response, Respondents shall detail the steps that Respondents plan to implement to address such concerns.

e. Relief for Municipal Issuers

Respondents shall refund refinancing fees to municipal auction rate issuers that issued such securities through Respondents in the initial primary market between August 1, 2007, and February 11, 2008, and refinanced those securities through Respondents after February 11, 2008. Refinancing fees are those fees paid to Respondents in connection with a refinancing

and are exclusive of legal fees and any other fees or costs not paid to Respondents in connection with the transaction.

f. Repayment of Interest on Loans Provided To Eligible Investors

To the extent that Respondents loaned money to Eligible Investors secured by Eligible ARS, after February 11, 2008, at an interest rate that was higher than that paid on such Eligible ARS, Respondents shall refund the difference to such Eligible Investors.

g. Penalties

Respondents shall pay a total civil penalty of fifty million dollars (\$50,000,000.00), which shall be allocated among and paid to the Commonwealth of Massachusetts, the state of New York, and such other states and territories that enter administrative or civil consent orders approving the terms of the NASAA settlement (together with the Commonwealth of Massachusetts and the state of New York, the "Approving States"). Any such allocation shall be made at the discretion of the Approving States.

h. In Consideration of the Settlement

The New Mexico Securities Division will:

- i. Terminate the investigation of Respondents' underwriting, marketing, and sale of ARS to Eligible Investors as defined herein; and
- ii. Refrain from taking legal action, if necessary, against Respondents with respect to their institutional investors until December 31, 2008; the New Mexico Securities Division shall issue continuances of that period as it deems appropriate; and

iii. The New Mexico Securities Division will not seek additional monetary penalties from Respondents in connection with all underlying conduct relating to Respondents' underwriting, marketing, and sale of ARS to investors.

i. If, after this Order is executed, Respondents fail to comply with any of the terms set forth herein, the New Mexico Securities Division may take appropriate remedial action.

6. Acknowledging the importance of providing education to the investing public designed to make them better informed investors, Respondents hereby agree and undertake to within ten days of entry of this Order donate the sum of twenty-thousand dollars (\$20,000.00) to the Investor Protection Trust (hereafter the "IPT") (Suite 300, 919 Eighteenth Street NW, Washington, DC 20006-5517), to be credited to the New Mexico individual state account, with such funds to be used by the IPT to support investor education programs designed to benefit the citizens of New Mexico. This payment shall be made by check payable to the IPT or by wire transfer to the IPT at SunTrust Bank NA, Washington, DC, for credit to the Investor Protection Trust Account, together with a cover letter identifying Respondents as respondents in this action and the payment designated for the New Mexico individual state account. Respondents shall simultaneously transmit photocopies of its payment and letter to the Director. By making this payment, Respondents relinquish all legal and equitable right, title and interest in such funds, and no part of such funds shall be returned to Respondents. Such funds shall be distributed by the IPT pursuant to agreements between the New Mexico Securities Division and the IPT.

7. In the event another state securities regulator determines not to accept Respondents' settlement offer, the total amount of the payments pursuant to paragraphs 4 and 6 shall not be affected.

8. If payment is not made by Respondents, or if Respondents default in any of their obligations set forth in this Order, the New Mexico Securities Division may vacate this Order, at its sole discretion, upon 10 days notice to Respondents and without opportunity for administrative hearing.

9. This Order as entered into by the New Mexico Securities Division waives any disqualification contained in the laws of the New Mexico, or rules or regulations thereunder, including any disqualifications from relying upon the registration exemptions or safe harbor provisions that MLPF&S, BAS, or any of their affiliates may be subject to as a result of the findings contained in this Order. This Order also is not intended to subject MLPF&S or BAS or any of their affiliates to any disqualifications contained in the federal securities laws, the rules and regulations thereunder, the rules and regulations of self regulatory organizations, or various states' or U.S. Territories' securities laws, including, without limitation, any disqualifications from relying upon the registration exemptions or safe harbor provisions. In addition, this Order is not intended to form the basis for any such disqualifications.

10. For any person or entity not a party to this Order, this Order does not limit or create any private rights or remedies against Respondents including, without limitation, the use of any e-mails or other documents of Respondents or of others for auction rate securities sales practices, limit or create liability of Respondents, or limit or create defenses of Respondents to any claims.

11. Nothing herein shall preclude New Mexico, its departments, agencies, boards, commissions, authorities, political subdivisions and corporations, other than the New Mexico Securities Division and only to the extent set forth in paragraph 1 above, (collectively, "State Entities") and the officers, agents or employees of State Entities from asserting any claims, causes of action, or applications for compensatory, nominal and/or punitive damages, administrative,

civil, criminal, or injunctive relief against Respondents in connection with certain auction rate securities sales practices at Respondents.

12. This Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the state of New Mexico without regard to any choice of law principles.

13. Respondents, through their execution of this Order, voluntarily waive their right to a hearing on this matter and to judicial review of this Order under Sections 58-13B-53 and 58-13B-56 of the Act.

14. Respondents enter into this Order voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the New Mexico Securities Division or any member, officer, employee, agent, or representative of the New Mexico Securities Division to induce Respondents to enter into this Order.

15. This Order shall be binding upon Respondents and each of their successors and assigns with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

Dated this 11th day of February, 2010.



A handwritten signature in black ink, appearing to read "Michael J. Vargon".

**Michael J. Vargon, Acting Director
Securities Division**

New Mexico Regulation and Licensing Department

