

DEPARTMENT OF CORPORATIONS
California's Investment and Financing Authority

Sacramento, California

MEDIA RELEASE**For Immediate Release**

June 8, 2009

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California Announces Settlement with Banc of America to Recover Billions for Investors in Auction Rate Securities

SACRAMENTO, CA (June 8, 2009) – The California Department of Corporations today announced a settlement agreement with Banc of America Securities LLC and Banc of America Investment Services, Inc., the investment banking and securities broker-dealer arm of Bank of America (“BOA”), to facilitate the return of over \$3 billion dollars to investors in California. Today’s agreement will settle an investigation alleging BOA with misrepresenting auction rate securities (ARS) to investors as safe, cash-equivalent products, even though the products faced increasing liquidity risk.

“This multi-billion dollar agreement represents significant relief for many individual and small business investors who lost access to funds in the collapse of the auction rate securities market,” Deputy Commissioner Alan Weinger said. “We are pleased that the outcome of these negotiations will result in the return of money to many investors who suffered by the freezing of their assets when the auctions failed.”

Under the settlement with BOA, the brokerage has made repurchase offers to all individual, small business and charitable institutional investors in auction rate securities from California. For other institutional investors, BOA is required to continue to use their “best efforts” to work with issuers of ARS, State and Federal regulators and other interested parties to attempt to provide liquidity solutions by December 31, 2009, at which point further action may be taken if no solution is provided.

Terms of the settlement also provide that BOA pay administrative penalties to the State and agree to abide by a Desist and Refrain order prohibiting violations of California's securities law including failure to supervise its employees in the sale of Auction Rate Securities.

The Department extends its gratitude to the North American Securities Administrators Association (NASAA) and its multi-state Auction Rate Securities Task Force, of which California has been an active participant. The Secretary of the Commonwealth of Massachusetts, Securities Division, acted as the lead State in the NASAA negotiations with BOA. Settlement negotiations continue with other broker-dealers nationwide who issued auction rate securities without adequate investor protections.

Anyone interested in having auction rate securities repurchased by BOA should contact the firm directly by calling **(866) 638-4183** or visiting <http://www.bankofamerica.com/> and selecting "investment services." Eligible investors must contact BOA no later than December 1, 2009.

To view the Department’s “Findings of Fact, Conclusion of Law, and Administrative Consent Order” for BOA, please go to: http://www.corp.ca.gov/ENF/pdf/b/bancOA_Findings.pdf.

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