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## ARIZONA CORPORATION COMMISSION

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### **Commission Approves Banc of America Auction Rate Securities Settlement, Arizona to Receive \$554,543**

PHOENIX, AZ— The Arizona Corporation Commission today approved a consent order that requires Banc of America Securities, LLC and Banc of America Investment Services, Inc. to pay a \$554,543 fine in connection with their auction-rate securities (ARS) sales in Arizona. The consent order is the final step in Arizona's ARS case against the two securities dealers, which was settled in principal in October 2008.

The Banc of America fine amount represents Arizona's pro-rata share of a \$50 million settlement negotiated by a multistate task force of state regulators formed by the North American Securities Administrators Association (NASAA). During the investigation, regulators discovered that Banc of America Securities, LLC and Banc of America Investment Services, Inc. failed to advise customers of the potential risks associated with a failed auction or market illiquidity and failed to reasonably supervise their salesmen with respect to the marketing and sale of auction rate securities. Although marketed and sold to investors as safe, liquid, and cash-like investments, auction-rate securities are actually long-term investments subject to a complex auction process that, upon failure, can lead to illiquidity and lower interest rates.

The agreement marks the third settlement of an auction-rate securities case in Arizona since the widespread market failure last year. In the past two months, the Commission sanctioned Wachovia Securities, LLC, Wachovia Capital Markets, LLC and Citigroup Global Markets. Among the principal components of the Banc of America settlement, the companies agreed to cause the buy back of the ARS from owners who purchased them from Banc of America Securities, LLC and Banc of America Investment Services, Inc. In Arizona, the Banc of America buyback involves over \$51.3 million worth of auction-rate securities from 100 investors.

To each investor who sold auction rate securities below par between February 11, 2008 and September 22, 2008, Banc of America Securities, LLC and Banc of America Investment Services, Inc. agreed to reimburse any investor who sold at a financial loss, plus unpaid dividends or interest. Additionally, Banc of America Securities, LLC and Banc of America Investment Services, Inc. agreed to refund refinancing fees from specified municipal auction rate issuers and would make a best effort to provide liquidity solutions for institutional investors and other customers. Any investor who purchased auction-rate securities from Banc of America Securities, LLC and Banc of America Investment Services, Inc. during the specified time frame, but has not received notice from them, can call Banc of America's ARS assistance line at 1-866-638-4183 to request a repurchase.

In settling this matter, Banc of America Securities, LLC and Banc of America Investment Services, Inc. neither admit nor deny the Commission findings, but agree to the entry of the consent order. Settlements or penalty payments 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.

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