

**An Agreement Among
the Attorneys General of the States and Commonwealths of Alabama, California,
Connecticut, Florida, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri,
Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania,
South Carolina and Texas and Bank of America Corporation dated December 7, 2010**

This Settlement Agreement is made and entered into this 7th day of December, 2010 (hereinafter, "Effective Date"), by and between the Attorneys General of States and Commonwealths of Alabama, California, Connecticut, Florida, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina and Texas (hereinafter, Attorneys General) and Bank of America Corporation (hereinafter, "BAC").

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, which allegations BAC neither admits nor denies:

ALLEGATIONS¹

The Market for Municipal Bonds

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 such 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 satisfying ongoing cash flow and debt service requirements.

¹ Any defined terms in the Allegations section of this document apply only to the 43 paragraphs in the Allegations section. The defined terms in the Definitions section control the remainder of the Agreement after the last paragraph of the Allegations on page 8.

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 typically is 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 vehicle in order 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 Investment Products”).

6. Apart from Municipal Investment 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, caps, and floors (collectively, “Municipal Risk Management Products”).

7. Municipal 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. A Municipal 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 invest in Municipal Investment Products and enter into Municipal Risk Management Products (collectively, as “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. BAC is one of several such providers.

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 limit tax arbitrage by restricting the yield on certain types of investments. Should the Issuer’s return on these types of investments exceed the interest paid by the Issuer on the bond, the federal regulations may require the Issuer to rebate certain excess to the government. The Internal Revenue Service (“IRS”) is authorized to ensure compliance with the regulations.

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 “fair market” value.

11. With respect to Municipal Investment 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*:

- All material terms of the bid, including all terms that may directly or indirectly affect the yield;
- 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);
- A written statement that no bidder received an unfair bidding advantage such as an opportunity to review other bids or was otherwise given a “last look” (an opportunity to review other bids before providing a bid);
- A written statement that at least three (3) disinterested and “reasonably competitive providers” were solicited; and
- At least three written bids were obtained.

12. In order for an Issuer to meet the fair market value “safe harbor” requirements, Municipal Investment Products are 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 Investment Product, at the conclusion of the bidding and prior to the award of the Municipal Investment Product, the broker must certify in writing to the Issuer compliance with a number of requirements identified in paragraph 11, as well as additional requirements, principal among them being:

- At least three (3) disinterested bidders with an established industry reputation as “competitive providers” of the types of Municipal Investment Products 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 Investment Products, Municipal 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 the Municipal Risk Management Products, in many instances they choose or are required by local procurement regulations to do so.

15. Regardless of whether the Issuer chooses a competitive bid for the Municipal Risk Management Product or instead elects to negotiate directly with one provider, the Issuer will often retain the services of a broker or financial or swap advisor who will be responsible for

assisting the Issuer in evaluating and selecting the most appropriate provider and assist the Issuer to obtain a fair and reasonable price on the execution of the Municipal Risk Management Products.

16. During the period 1998 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 were referred to in the industry as “market pricing letters” or “check-away prices”.

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. Often, a different broker or swap advisor than the one hired by the Issuer to oversee the transaction performs the evaluation, and considers, *inter alia*, the structure of the transaction, credit, cash flow payments and the date and time of the transaction. Sometimes brokers/swap advisors are paid for this service.

18. Check-away pricing is similar in most respects to 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 that 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.

BAC’s Municipal Reinvestment and Risk Management Group

19. BAC has been in the business of underwriting tax free bonds and selling and structuring Municipal Bond Derivatives since at least as early as mid-1998.

20. Between mid-1998 and 2003, responsibility for BAC’s Municipal Bond Derivative business was handled by the Municipal Derivatives Marketing Desk, which was located primarily in Charlotte, North Carolina, with additional personnel in New York for a portion of that time. BAC’s “desk” was created in mid-1998, when the company first hired a number of derivative professionals from First Union Bank. BAC’s desk personnel include marketers who maintain client and broker relationships, structure and sell the desk’s municipal bond derivative products to its clients, obtain credit and compliance approval for these products, and bid on behalf of the desk for competitively bid derivative transactions or negotiate for Municipal Risk Management Products that are not bid out competitively. BAC’s marketers are supported by a number of analysts, associates and administrative staff.

21. During the period mid-1998 through 2003, the number of BAC personnel on the desk ranged from four to nine.

22. BAC’s Municipal Bond Derivative marketers’ annual compensation was a combination of salary plus incentives, such as a bonus and stock options. Each marketer’s annual incentive compensation was based on a number of factors, including consideration of the amount of profit the desk earned on the date of a Municipal Bond Derivative transaction (internally referred to as the “marketing sales credit”) brought to BAC by the marketer. In short, the more deals a

marketer brought to the desk on an annual basis, and the more “day one” profit built into each deal, the greater chance for a larger bonus pool. Marketers who held the title of Managing Director, Principal or Vice-President were assigned marketing sales credit as well as annual targets for these credits, by the individual in charge of the desk.

The Relevant Conduct

23. The Municipal Bond Derivative industry is a relationship-driven business. Marketers know that their level of personal success -- opportunities for promotion and increased compensation -- are affected by the number of profitable transactions they bring to their financial institution. Access to these transactions is controlled, in significant part, by brokers and bidding agents, for it is these individuals who often 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 often influence the ultimate selection of a provider.

24. 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 had 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 BAC or other 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 ingratiate themselves with providers, not only as additional sources of business but also because, as discussed above, for competitive deals, bidding agents and brokers need to obtain a minimum of three quotes to meet the fair market safe harbor.

25. The broker/provider 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 engage in an illegal scheme intended to put their mutual pecuniary interests ahead of those of the Municipal Bond Derivative clients they represented.

26. Certain BAC employees’ participation in the scheme began at least as early as mid-1998 and continued through at least 2003. Other providers’ and brokers’ participation in the scheme began before mid-1998 and in some cases continued beyond 2003. At times providers had a classic “hub and spoke” relationship with the broker orchestrating bids and courtesy or other intentionally losing bids to foster the appearance of competition. At other times certain providers engaged in direct “horizontal” communications to fix prices for bids, rates or key terms of the transaction. And finally, in many instances, despite the brokers’ 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 occurred.

27. BAC and other providers and brokers were principal players in the conduct and obtained unjust profits as a result. The wrongful conduct caused Issuers in virtually every state, district

and territory in the United States to be paid artificially suppressed rates or yields on Municipal Bond Derivative transactions.

28. By and large the bid-rigging was directed by several powerful Municipal Bond Derivative brokers. For competitively bid transactions, a broker would identify in advance the provider it determined should win the bid and then arranged or “set up” the necessary additional bids to be less competitive than the winning provider’s bid.

29. For a competitive transaction that a provider sought to win, for example, the broker would either inform the other bidders where their less competitive quote needed to be, i.e., the rate or terms above or below the designated provider’s bid, or inform the designated provider of the other providers’ bids so that the designated provider could adjust its own bid to ensure it was the successful bidder. The designated provider understood that sometimes the broker would determine in advance that the designated provider would be the winning bidder; and that at other times, the designated provider 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.

30. Providers knew that their chances of winning a Municipal Bond Derivative contract were greatly enhanced if they referred their bank’s clients to certain brokers. In return for the business referral, it was understood that the broker would sometimes arrange to provide the referring provider with inside 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 the provider to be less aggressive with its bid and hence, adjust its bid just enough to win rather than providing 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 BAC or another provider to win a deal it might otherwise have lost to a more competitive provider. In some cases the last look resulted in the provider adjusting its bid to the detriment of the Issuer on a specific transaction. The long term effect of last looks is to artificially impact the market level of bids.

31. The plan to steer business to BAC and other providers for competitive Municipal Investment Products was hidden from the Issuer by means of false representations that the broker and conspiring providers made on the respective certifications mandated by the federal safe harbor regulations (respectively, the Bid Form and “Certificate of Bidding Agent”) and to which the broker and conspiring marketers attested. Moreover, the Certificate of Bidding Agent expressly stated that the Issuer can rely on the representations made in the certificate.

32. In addition, from 1998 through at least 2005, certain providers, including BAC, were well-positioned to provide certain types of Municipal Risk Management Products, particularly index-based swaps. These offerings are among the most straightforward in the derivatives market and the most profitable, leading to significant competition among the providers, including BAC.

33. As alleged in paragraph 14, above, Municipal 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 resorted to entering 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” or “check-away prices”.

34. Certain providers defeated the purpose of these market checks by agreeing with other providers to arrange and procure fictitious market rates in order to cause the Issuer to believe it was obtaining a fair and reasonable rate on its Municipal Risk Management Products when, in fact, the Issuer was not.

35. In some cases, BAC or another swap provider negotiating with an Issuer on a transaction would, either directly or indirectly through a swap advisor, direct a co-conspirator swap provider not involved in the transaction to give the negotiating swap provider a written valuation opinion that contained an inflated rate. The negotiating provider would give the “independent” valuation to the Issuer as “proof” of the reasonableness of its pricing. In exchange for the valuation, and unknown to the Issuer, the swap provider who executed the swap with the Issuer would pay a fee to the swap provider that provided the valuation opinion.

36. In other instances, rather than engaging a third-party swap advisor to provide it with a market pricing letter, the swap advisor engaged by the Issuer to handle the transaction and acting in concert with the negotiating swap provider would provide its own valuation to the Issuer. On many of these occasions, the purportedly objective valuation was false and intended to cover the negotiating provider’s pricing on the Municipal Derivative.

37. And, in other instances, the swap provider that was negotiating with the Issuer would learn that the swap advisor planned to contact other providers and use the check-away process to measure the fairness of the negotiating provider’s proposed rates. The negotiating provider would contact these other providers and ensure that the providers gave the advisor “shadow prices” that were higher (or lower, depending on the type of swap) than the negotiating provider in order to make it appear as if the negotiating provider’s proposed rates were competitive, when they were not. On those occasions, it was either understood based on a prior course of dealing - - or expressly communicated - - that the negotiating provider would reciprocate the favor when necessary.

38. The illegal bidding practices related to Municipal Bond Derivatives were profitable for many providers. As a result of their secret arrangements, marketers were able to secure Municipal Bond Derivatives for their companies that, absent collusive conduct, may have been awarded to other providers, or awarded on better terms for the Issuer. In either case, the wrongful conduct injured Issuers and enabled BAC and other providers to earn more profit than they would have otherwise.

39. The conduct also enriched the brokers with whom providers conspired through the increased referrals and business steered to them as a result of the *quid pro quo* arrangement. In addition to the increased business and accompanying disclosed fees brokers receive for their role in a competitive or negotiated Municipal Bond Derivative transaction, on numerous occasions providers made undisclosed gratuitous payments to certain select brokers in exchange for their assistance in ensuring that the provider making the payment won certain Municipal Bond Derivative transactions.

40. In some instances, the undisclosed gratuitous payments that BAC and other providers made to brokers were disguised as “fees” for false market pricing letters, other times as “commissions” for interdealer or “back-to-back” swaps -- swaps between these providers that invariably did not require the services of a broker but would not unduly raise suspicions, and certain times these providers just made payments to brokers to reward past deals and encourage future business.

41. Brokers, bidding agents and swap advisors all owe a fiduciary duty to Issuers that engage them to assist in a Municipal Bond Derivative transaction and, as such, are required to act for the benefit of the Issuer. As a fiduciary, the broker has a duty to disclose to its principal, the Issuer, all material information, including the fees and compensation it received pursuant to the transaction. BAC and other providers understood that undisclosed payments to brokers, and the brokers’ acceptance of such payments was a breach of that duty and, equally as important, compromised the broker’s duty to act in the best interest of its principal.

BAC Uncovers Evidence of the Relevant Conduct, Self-Reports to Regulators and Seeks Leniency

42. BAC uncovered evidence of improper bidding practices and BAC voluntarily self-reported this evidence to, among others, the Antitrust Division of the United States Department of Justice, the Securities and Exchange Commission, the Federal Reserve Bank and the Office of the Comptroller of the Currency. At the same time, BAC applied to the United States Department of Justice’s Antitrust Division’s Corporate Leniency Program. Subsequently, BAC provided substantial cooperation to the Antitrust Division’s investigation into bid rigging and other wrongdoing in the Municipal Bond Derivatives industry. As a result of its decision to voluntarily disclose evidence of wrongdoing and its agreement to cooperate and pay restitution to parties injured by the improper conduct, the Antitrust Division accorded BAC Conditional Leniency on January 8, 2007. BAC’s conditional leniency was granted pursuant to Part A of the Antitrust Division’s Leniency Policy, which is the highest form of leniency the Antitrust Division can provide.

43. In addition to its cooperation with the Antitrust Division, BAC provided substantial cooperation to the Attorneys General’s Investigation and other regulatory bodies conducting parallel investigations. BAC’s cooperation has been valuable to the Attorneys General’s Investigation.

WHEREAS, based on this information, the Attorneys General are prepared to allege that BAC and other providers: (a) engaged in a scheme to unreasonably restrain competition in the marketing, sale and placement of Municipal Bond Derivatives, by, among other means, rigging bids, and fixing prices and other terms and conditions of Municipal Bond Derivatives; (b) agreed with certain other providers and brokers in a scheme to engage in unfair and deceptive trade practices in the marketing, sale and placement of Municipal Bond Derivatives; and/or (c) engaged in unfair and deceptive trade practices in the marketing, sale and placement of Municipal Bond Derivatives, including, but not limited to, making false statements and omitting material facts;

WHEREAS, BAC was the only entity voluntarily to self-report conduct to the Antitrust Division of the United States Department of Justice (“Antitrust Division”) that included the Relevant Conduct (as defined below) and on January 8, 2007, the Antitrust Division signed a Corporate Conditional Leniency Letter which requires, *inter alia*, that BAC cooperate with the Antitrust Division and make all reasonable efforts, to the satisfaction of the Antitrust Division, to pay restitution to any entity injured as a result of the conduct in which BAC was a participant;

WHEREAS, Banc of America Securities, LLC (“BAS”) has agreed to an administrative cease and desist order issued by the Securities Exchange Commission (“SEC Resolution”), whereby BAS has agreed, without admitting or denying any wrongdoing, to pay disgorgement to certain Municipal Bond Derivative Counterparties identified as having been injured as a result of conduct by BAS alleged in the SEC Resolution to have violated Section 15(c)(1)(A) of the Securities Act, 15 U.S.C. section 78o(c)(1)(A);

WHEREAS, Bank of America, N.A. (“BANA”) has entered into a formal agreement with the Office of the Comptroller of the Currency (“OCC Resolution”), whereby BANA has agreed, without admitting or denying any wrongdoing, to pay certain Municipal Bond Derivative Counterparties identified as having been injured as a result of conduct by BANA;

WHEREAS, BAC has executed a Closing Agreement with the Internal Revenue Service (“IRS”) pursuant to which BAC will 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 BAC’s conduct in connection with the Municipal Bond Derivatives that are the subject of this Agreement;

WHEREAS, pursuant to this Settlement Agreement, BAC agrees to make payments to certain Eligible Counterparties injured as a result of the Relevant Conduct (as those terms are defined below) to resolve the claims against it;

WHEREAS, BAC 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 Attorneys General recognize that BAC has received a conditional grant of leniency from the Antitrust Division and has provided substantial cooperation to the Attorneys General and that this cooperation has been valuable to the Attorneys General’s Investigation;

WHEREAS, BAC 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, BAC 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, Connecticut, California, Florida, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, and Texas.
- 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 investment or reinvestment of the proceeds of tax-exempt bond issues, Qualified Zone Academy Bonds, or bonds issued by or on behalf of any governmental or quasi-governmental or non-profit entity, including, but not limited to, states, cities, towns, counties, villages, parishes, school districts, clubs, or various economic development, redevelopment, development, financing, lottery, parking, housing, educational, medical, religious, public safety, building, water, sewer, hospital, transportation, public works, waste management, environmental, port, airport, telecommunications, and power authorities, corporations or boards; and (ii) related transactions involving the management or transferral of the interest rate risk associated with those bond issues including, but not limited to, guaranteed investment contracts, forward supply, purchase, or delivery agreements, repurchase agreements, escrow agreements, security sales, swaps, caps, 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) inter-dealer swaps or (iv) swaps or other agreements between Providers to hedge, manage or otherwise share or transfer their risk on a Municipal Bond Derivative.
- 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 BAC.

- G. "Additional Eligible Counterparties" shall mean Eligible Counterparties identified within 120 days after the date the notice is sent to Eligible Counterparties.
- H. "Participating Counterparties" shall mean Eligible Counterparties or Additional Eligible Counterparties that entered into one or more Covered Derivatives with BAC and that submit timely and complete claims pursuant to this Settlement Agreement.
- I. "Non-Eligible Counterparty" shall mean Municipal Bond Derivative Counterparty that is not an Eligible Counterparty or Additional Eligible Counterparty.
- J. "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.
- K. "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 on Municipal Bond Derivatives.
- L. "Relevant Conduct" shall mean engaging in the conduct set forth in the Allegations above from 1998 through December 31, 2007, thereby unreasonably restraining competition in the marketing, sale and placement of any Municipal Bond Derivatives, or in the offer to market, sell or place any Municipal Bond Derivatives by, among other means, (i) rigging bids and fixing prices and other terms and conditions of any Municipal Bond Derivatives; (ii) conspiring with certain other Providers and/or Brokers in a scheme to engage in unfair and deceptive trade practices in the marketing, sale and/or placement of any Municipal Bond Derivatives or in the offer to market, sell or place any Municipal Bond Derivatives; (iii) engaging in unfair and deceptive trade practices, including making misrepresentations or omitting material facts in the marketing, sale and/or placement of any Municipal Bond Derivatives or in the offer to market, sell or place any Municipal Bond Derivatives; and/or (iv) any anticompetitive, deceptive, unfair or fraudulent conduct between and among Providers and or Brokers related to the bidding or negotiating for any Municipal Bond Derivatives including agreements not to bid on or otherwise not to market, sell or place any Municipal Bond Derivative.

PARTIES

1. BAC shall include Bank of America Corporation, a corporation existing and organized under the laws of the State of Delaware, with its headquarters in Charlotte, North Carolina, and, its current and former successors, assigns, subsidiaries, divisions, groups, affiliates and partnerships.
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 PAYMENT

3. BAC has agreed to pay a total of \$67 million to the Attorneys General to resolve the matters covered by this Settlement Agreement. BAC shall pay this \$67 million as set forth in Paragraphs 4 and 18 below.
4. BAC has agreed to pay \$62.5 million to the Attorneys General to resolve the matters covered by this Settlement Agreement, exclusive of the Additional Payment defined in Paragraph 18. BAC shall pay \$62.5 million into an escrow fund ("Fund") within 10 calendar days of executing the contract with the escrow agent. Subject to Paragraphs 13-15, the monies in the Fund and interest earned thereon will be used to make payments to Participating Counterparties. Any interest earned by this Fund will 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. The remainder of the amount paid by BAC pursuant to Paragraph 3 shall comprise the Additional Payment described in Paragraph 18 below and shall be paid into a separate account pursuant to the Attorneys General's instructions.
5. It is acknowledged by BAC and the Attorneys General that the identification of Eligible Counterparties who entered into Municipal Bond Derivative transactions with BAC during the relevant time period (as defined in Attachment A) is based on the Attorneys General's Investigation and information provided by BAC in a database of Municipal Bond Derivative transactions. If, within 120 days of notice to Eligible Counterparties, it is determined by the Attorneys General after consultation with the claims administrator that Eligible Counterparties could not be identified due to errors or omissions in the BAC database, then BAC shall pay a supplemental amount into the Fund. The amount shall be equal to the amount a similarly situated Eligible Counterparty with a similar Covered Derivative would have received from the Fund, based on the initial payment into the Fund and the information in the database on the Effective Date of this Settlement Agreement. Notwithstanding the provisions of this Paragraph 5, BAC shall have no obligation to make any supplemental payment into the Fund if the amount of the Residue in the Fund

(after the payments called for by Paragraph 10) is sufficient to cover the amount that BAC would otherwise be required to pay into the Fund pursuant to this Paragraph 5.

6. BAC warrants that, as of the Effective Date of this Settlement Agreement, neither it nor any of its affiliates are insolvent, nor will payment(s) into the Fund or payment of the Additional Payment 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 BAC 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 BAC, any of its affiliates, or the trustee, receiver or conservator appointed by a court in any proceedings relating to BAC or any of its affiliates, then this Settlement Agreement shall be terminated and cancelled.
7. An escrow agent, which may not be BAC or an alleged participant in the Relevant Conduct as identified by the Attorneys General, shall be selected by BAC 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 escrow agent's contract. Any amendment of the contract must also be approved by the Attorneys General or their designated representative. BAC 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, BAC makes no representations or warranties about the escrow agent, and neither the Attorneys General nor BAC shall bear any risk or liability related to the investment of the Fund. The escrow agent shall bear all risks related to the investments of the Fund. Any instructions from BAC relating to the administration of or disbursement from the Fund to Participating Counterparties must be countersigned by the Attorneys General or their designated representative, and 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 BAC and shall not be paid from the proceeds of the Fund.

8. 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 BAC. 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)).
9. 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 claims administrator shall be selected by BAC; however, the Attorneys General or their designated representative shall approve, in advance of engagement, the selection of the claims administrator and the terms of the administrator's contract. Any amendment of the contract must also be approved by the Attorneys General or their designated representative. BAC and the Attorneys General agree to cooperate in good faith to resolve on a timely basis any objections by the Attorneys General or the designated representative 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 BAC and the Attorneys General, no less than every thirty (30) days or as otherwise requested by the Attorneys General or BAC, that shall include an itemization of all payments made from the Fund or the Residue (as defined in Paragraph 13 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, a release form and a "question and answer" pamphlet ("Notice Packet"); (iii) the Notice Packet shall be mailed to Eligible Counterparties and Additional Eligible Counterparties

first-class mail, postage prepaid and by electronic delivery if addresses are available; (iv) the claims administrator shall maintain a settlement website (which shall not be identified with BAC) 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; (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, BAC makes 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 BAC 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 BAC and shall not be paid from the Fund.

10. Payments from the Fund shall be made to Participating Counterparties, pursuant to a formula developed by the Attorneys General in consultation with BAC. Notwithstanding the foregoing, the Attorneys General shall have the right to adopt a formula they deem appropriate for payments from the Fund.
11. In order to ensure that payments are made to the Participating Counterparties on a timely basis, BAC 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.
12. 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.
13. 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 the claims or causes of action for damages, disgorgement or restitution that such Non-Participating Counterparty may have against BAC for the Relevant Conduct. In the event that any of the principal of BAC’s \$62.5 million 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"), BAC, upon 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 made by Municipal Bond Derivatives Counterparties related to the Relevant Conduct.

14. In addition to what is provided for in Paragraph 13, at any time between the Effective Date of this Settlement Agreement and the date that the last distribution is made to a Participating Counterparty, BAC may, upon 10 days notice to the Attorneys General, instruct the claims administrator to disburse a specific sum from the Fund to Non-Eligible Counterparties for payment of claims made by Non-Eligible Counterparties related to the Relevant Conduct, *provided, however*, that BAC must replenish the Fund (including interest that would have been earned on the amounts distributed had those amounts remained in the Fund) as needed to ensure that the balance of the Fund is sufficient to make full distribution to all Participating Counterparties as of the time that such distributions are due to be made from the Fund to the Participating Counterparties (see Attachment B, Paragraph 13).
15. Notwithstanding anything in this Settlement Agreement to the contrary: (i) BAC 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 Eligible Counterparty or Additional Eligible Counterparty from the Fund or the Residue exceed the amount that the Attorneys General have allocated to it as part of this Settlement Agreement; (iii) any of the Residue remaining in the Fund as of the date the last case that is part of MDL No. 1950, Master Docket No. 08-2516 (*In re Municipal Derivatives Antitrust Litigation*) is dismissed with prejudice as to BAC and the time for appeal has expired shall be paid to a multistate fund for additional disbursement to Participating Counterparties, for the antitrust training of deputy and assistant attorneys general, or as 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 BAC.
16. The claims administrator and the escrow agent shall provide BAC and the Attorneys General or their designated representative 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 BAC and the Attorneys General or their designated representative with reports accounting for payments made to all other Municipal Bond Derivatives Counterparties (other than Participating Counterparties) pursuant to Paragraphs 13-15. Such reports shall be

provided monthly or as otherwise requested by BAC 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 attorney's fees incurred in satisfying payments pursuant to pending or other claims asserted by Municipal Bond 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 payouts, issuing checks and preparing any accounting, return(s) or other reports.

ADDITIONAL PAYMENT

18. Within thirty (30) business days of the date of this Settlement Agreement, BAC 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 \$4.5 million.
19. This payment shall be apportioned and used for any one or more of following purposes, as the Attorneys General, in their sole discretion, see fit: (a) payment of attorney's 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; (f) for such other purpose as the Attorneys General deem appropriate, consistent with the various states' laws.
20. This payment is not intended to constitute a penalty or fine.

PROHIBITED CONDUCT

21. BAC, its directors, officers, managers, agents, employees and any other person or company acting on its behalf or at its direction, will not directly or indirectly, maintain, solicit, suggest, advocate, discuss or carry out any combination, conspiracy, agreement, understanding, plan or program with any actual or potential competitor, financial advisor, bidding agent or broker to (a) submit courtesy or otherwise non-competitive or intentionally losing bids for Municipal Bond Derivatives, (b) refrain from bidding on or negotiating for Municipal Bond Derivatives, (c) unlawfully or fraudulently coordinate the preparation, submission, content, price and other terms of competitors' bids for

competitively-bid Municipal Bond Derivatives or (d) engage in the Relevant Conduct as defined above.

22. BAC, its directors, officers, managers, agents, employees and any other person or company acting on its behalf or at its direction, will not, in conjunction with the marketing, sale or placement of Municipal Bond Derivatives make misrepresentations or omit material facts to potential counterparties, their agents, brokers or advisors.

POLICIES AND PROCEDURES

23. Within ninety (90) days of the Effective Date of this Agreement, BAC shall provide the Attorneys General with its written standards of conduct with respect to antitrust and unfair trade practices.
24. BAC represents that, within one hundred and twenty (120) days of the Effective Date of this Agreement, BAC will provide a copy of its written standards of conduct with respect to antitrust and unfair trade practices to all persons who engage in the marketing, sale and/or placement of Municipal Bond Derivatives on behalf of BAC. BAC further represents that it will provide such standards to new employees who engage in the marketing, sale and/or placement of Municipal Bond Derivatives on behalf of BAC within thirty (30) days of commencing employment.
25. BAC represents that it has taken prompt and effective action to terminate its part in the Relevant Conduct upon discovery.

COOPERATION WITH THE ATTORNEYS GENERAL'S INVESTIGATION

26. BAC 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 BAC's former employees who are not otherwise covered by the release provided by Paragraph 35 of this Agreement. BAC 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.
27. Cooperation shall include, but not be limited to: (a) producing, voluntarily, without service of subpoena, all information, documents or other tangible evidence reasonably requested by the Attorneys General that relates to the Attorneys General's Investigation; (b) preparing, without service of subpoena, any compilations or summaries of information or data that the Attorneys General reasonably request that relates to the Attorneys General's Investigation; (c) providing to the Attorneys General or their designated representative all facts related to the Relevant Conduct learned by or known to BAC; and

- (d) if requested by the Attorneys General, working to ensure that BAC'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 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.
28. In the event any BAC document or information is withheld or redacted on grounds of privilege, work-product or other legal doctrine, upon the request of the Attorneys General or their designated representative, BAC shall submit a statement in writing 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 state or federal court where jurisdiction is appropriate and may, subject only to the following sentence, rely on all documents or communications theretofore produced or the contents of which have been described by BAC, its officers, directors, employees, or agents. Notwithstanding the foregoing sentence, the Attorneys General or their designated representative may not rely on the fact that BAC may have previously produced materials that may be covered by the attorney-client privilege, work-product or other legal doctrine as a basis for challenging BAC's claim on other materials.
29. It is agreed that any confidential information provided pursuant to the preceding Paragraphs 26-27 shall be covered by the Confidentiality Agreement, dated June 30, 2008, signed by Kevin Sullivan, Esq. of King and Spalding and Barbara M. Motz, Supervising Deputy Attorney General of the California Attorney General's Office as well as the Supplemental Agreement dated December 23, 2008, between BAC's counsel and the Office of the Connecticut Attorney General.
30. BAC 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 Investigation, by sharing or disclosing evidence, documents, or other information provided to BAC by the Attorneys General or their designated representative with others without the consent of the Attorneys General or their designated representative. Nothing herein shall prevent BAC from providing such evidence to other government regulators, law enforcement agencies or as otherwise required by law.
31. BAC shall maintain custody of, or make arrangements to have maintained, all available documents and records of current and former BAC employees that were on the Municipal

Derivatives Marketing Desk (and the associated traders) from 1998 through 2005, including emails and personal and shared electronic files, as well as any other hard copy documents related to the pricing and/or bidding of Municipal Bond Derivatives from 1998 through 2005 (including, but not limited to deal files and trade tickets), until the completion of the investigation and any related litigation, including appeals. The Attorneys General or their designated representatives shall consider reasonable requests to destroy categories of documents before such time has expired.

ENFORCEMENT

32. 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. BAC consents to the jurisdiction of the courts of the States of Alabama, Connecticut, California, Florida, Illinois, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, and Texas, 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 Agreement, except to the extent that the issue concerns the Confidentiality Agreement described in Paragraph 29 above, in which case the law of the relevant state will apply. The parties recognize that 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.
33. This Settlement Agreement may be modified by the mutual agreement of BAC and the Attorneys General. Any such modification shall be in writing and signed by all parties to this Settlement Agreement.
34. 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: (i) Participating Counterparties; or (ii), Municipal Bond Derivatives Counterparties pursuant to Paragraphs 13-15, BAC and the Attorneys General agree to use their best efforts to eliminate or otherwise resolve these impediments in order to ensure that timely compensation is made to Participating Counterparties for the harm caused by the Relevant Conduct.

RELEASE BY ATTORNEYS GENERAL AND
PARTICIPATING ATTORNEYS GENERAL

35. By his or her execution of this Settlement Agreement or by submission of an Election by Attorney General to Participate in Settlement with BAC (Exhibit 2 attached hereto), each Attorney General and Participating Attorney General releases BAC, all of BAC's current officers, directors and employees, and any individual who was an officer, director or employee of BAC as of January 8, 2007 (the date that the Antitrust Division signed BAC's Corporate Conditional Leniency Letter) from all civil claims, counterclaims, cross claims, setoffs, 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 through December 31, 2007 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. Notwithstanding anything in this Paragraph 35, the release for any individual current BAC officer, director or employee, or any individual who was an officer, director or employee of BAC as of January 8, 2007 shall be void as to that individual if that individual fails to cooperate with the Attorney Generals' investigation. Any such non-cooperation by any individual shall have no effect on the release provided to BAC.

36. The Attorneys General and Participating Attorneys General intend by this Settlement Agreement to settle with and release only BAC and all of BAC's current officers, directors and employees, along with any individual who was an officer, director or employee of BAC as of January 8, 2007 (the date that the Antitrust Division signed BAC's Corporate Conditional Leniency Letter) for the claims and other matters described in paragraph 35 above arising out of the Relevant Conduct, 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 party or entity whatsoever, other than BAC and all of BAC's current officers, directors and employees, along with any individual who was an officer, director or employee of BAC as of January 8, 2007.

Notwithstanding Paragraph 35 of this Settlement Agreement, specifically reserved and excluded from the release provided for in Paragraph 35 of this Settlement Agreement are 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 the Eligible Counterparties or Additional Eligible Counterparties may have against BAC. However, nothing in this Paragraph 36, or in Attachment B, shall in any way limit the releases provided by the Attorneys General in Paragraph 35.

RELEASE BY PARTICIPATING COUNTERPARTIES

37. In order to recover from the Fund established pursuant to Paragraphs 4, 10 and 12 of this Settlement Agreement, each Participating Counterparty shall be required to execute a release in the form of Exhibit I 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 required to be provided shall be sent electronically or by first-class mail, postage pre-paid as follows:

For BAC: David Futterman, Esq.
Associate General Counsel
Bank of America|Merrill Lynch
4 World Financial Center
NY3-004-12-06
New York, NY 10281
David.Futterman@bankofamerica.com

Copy to: Kevin R. Sullivan, Esq.
King & Spalding LLP
1700 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
krsullivan@kslaw.com

For Attorneys General:

Michael E. Cole
Chief, Antitrust Department
Office of the Connecticut Attorney General
55 Elm Street
Hartford, Connecticut 06141
Michael.cole@ct.gov

Elinor R. Hoffmann
Assistant Attorney General, Antitrust Bureau
Office of the New York State Attorney General
120 Broadway, Suite 26C44
New York, NY 10271
Elinor.hoffmann@ag.ny.gov

OTHER PROVISIONS


40. This Settlement Agreement is entered into voluntarily and solely for the purpose of resolving the claims and causes of action against BAC. This Settlement Agreement and any and all negotiations, documents 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 BAC.
41. Nothing in this Settlement Agreement shall relieve BAC of any obligations imposed by any applicable laws or regulations relating to the marketing, sale or placement of Municipal Bond Derivatives.
42. BAC represents that, pursuant to a Closing Agreement it has entered into with the Internal Revenue Service, BAC will make payments to the Internal Revenue Service that satisfy any outstanding liability that Eligible Counterparties and Additional Eligible Counterparties may have as a result of any of BAC's conduct in connection with the Municipal Bond Derivatives that are the subject of this Settlement Agreement. BAC agrees to indemnify and hold harmless the Attorneys General and all Eligible Counterparties and Additional Eligible Counterparties for any claims, demands or penalties of any nature whatsoever attributable to, arising out of or related to any liability that they may have to the Internal Revenue Service under the Internal Revenue Code as a result of any of BAC's conduct that is the subject of this Settlement Agreement that is not satisfied by BAC pursuant to the IRS Closing Agreement.

43. BAC understands that suspension and debarment of commercial entities and individuals may be determined by an independent suspension and/or debarment authority in each state and that each state has different laws and regulations that govern suspension and debarment. Nothing contained in this Settlement Agreement shall be construed as mandating or recommending that BAC or any of its current employees be disqualified, suspended or debarred from engaging in the provision of financial services, including the marketing, sale or placement of Municipal Bonds or Municipal Bond Derivatives or any other state business, by reason of the Relevant Conduct. Moreover, the Attorneys General agree that: (a) no Attorney General who is or who becomes a party to this Agreement shall, to the extent he or she has authority to do so, seek to disqualify, suspend or debar BAC from engaging in the provision of financial services, including the marketing, sale or placement of Municipal Bonds or Municipal Bond Derivatives or any other state business by reason of the Relevant Conduct; and (b) if it is requested by BAC for a specific state suspension and/or debarment proceeding instituted against BAC (or any other proceeding in which a state or local entity is considering not doing business with BAC), the Attorney General of the state shall make known to the suspending and/or debarring authority (or other relevant state or local entity) that BAC has cooperated fully and truthfully 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. BAC or any Attorney General may provide the Statement attached hereto as Exhibit 3 to any state or local suspension or debarment authority or any state or local entity that is considering not doing business with BAC.
44. Except as expressly provided paragraph 4, 10, 12 and 37, this Settlement Agreement shall not confer any rights upon any persons or entities besides the Attorneys General and BAC.

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 December, 2010.

BANK OF AMERICA CORPORATION

BY:  _____

David Futterman, Esq.
Associate General Counsel
4 World Financial Center
NY3-004-12-06
New York, NY 10281
David.Futterman@bankofamerica.com

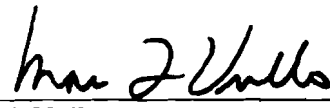
STATE OF CONNECTICUT
RICHARD BLUMENTHAL
ATTORNEY GENERAL

BY: 
RICHARD BLUMENTHAL

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On Behalf of States

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ANDREW M. CUOMO
ATTORNEY GENERAL

By: 
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Executive Deputy Attorney General for Economic Justice

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On Behalf of States

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ERIC WITKOSKI
Consumer Advocate and Chief Deputy Attorney General

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ATTACHMENT A

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

- A. For Municipal Bond Derivatives that were awarded through a competitive bidding process:
 1. The Provider of the Municipal Bond Derivative is BAC.
 2. BAC and the counterparty entered into the Municipal Bond Derivative transaction between January 1, 1998 and December 31, 2003, inclusive; and
 3. The Municipal Bond Derivative has been identified by the Attorneys General as having been impacted by the Relevant Conduct, based upon evidence developed by the Attorneys General's Investigation.
- B. For Municipal Bond Derivatives that were entered into through a negotiated process:
 1. The Provider of the Municipal Bond Derivative is BAC;
 2. BAC and the counterparty entered into the Municipal Bond Derivative transaction between January 1, 1998 and December 31, 2003, inclusive; and
 3. The Municipal Bond Derivative has been identified by the Attorneys General as having been impacted by the Relevant Conduct, based upon evidence developed by the Attorneys General's Investigation.
- 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 disgorgement payment through the SEC or OCC Resolutions that is equal to or greater than the amount the Municipal Bond Derivative Counterparty would receive for each such Covered Derivative through this Settlement Agreement, or has otherwise already settled with BAC as of the Effective Date of this Agreement and received an amount as part of that settlement that is equal to or greater than the amount the Municipal Bond Derivative Counterparty would receive for each such Covered Derivative through this Settlement.

ATTACHMENT B

1. Within 10 days of the Effective Date of this Agreement, BAC will propose a claims administrator and submit a draft contract to the Attorneys General or their designated representative.
2. Within 10 business days of submission, the Attorneys General or their designated representative shall, in writing, either approve the claims administrator and the contract or provide objections.
3. BAC shall have 10 business days to resolve the objections of the Attorneys General. If BAC fails to resolve the objections of the Attorneys General on a timely basis, then the Attorneys General may select a claims administrator, the cost of which shall be paid by BAC.
4. Within 20 days of approval of the claims administrator, BAC will deliver to the Attorneys General or their designated representative the names and most current addresses of the Eligible Counterparties, along with any other requested information.
5. Within 20 days of approval of the claims administrator, the claims administrator shall provide to the Attorneys General or their designated representative drafts of the Notice Packet.
6. Within 14 business days of receipt of the list identified in paragraph 4 above from BAC, the Attorneys General or their designated representative shall identify all Eligible Counterparties and provide the claims administrator with (a) the Eligible Counterparty's name and address; (b) the description of the Covered Derivative, including the notional amount; (c) the amount of money the Eligible Counterparty is eligible to receive for injuries relating to the Covered Derivatives or the formula for determining such amount.
7. Within 14 business days of receipt of the draft Notice Packet from the claims administrator, the Attorneys General or their designated representative shall approve or amend its content and provide such amendments to the claims administrator.
8. Within 30 days of receiving the information set forth in Paragraphs 6 and 7 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 6 and 7 above, whichever is later, for any Additional Eligible Counterparty.

9. 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-prepaid, to request a distribution (“the Election Period”). However, the Attorneys General or their designated representative, in consultation with BAC, 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.
10. The claims administrator shall provide BAC 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.
11. The Attorneys General or their designated representative shall provide the claims administrator with a template for the letters to accompany the payments made to Participating Counterparties prior to the end of the Election Period.
12. During the Election Period, the claims administrator shall issue weekly 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 that these 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.
13. Within thirty (30) days after receipt of approval of the claims administrator’s distribution report, the claims administrator shall make arrangements to make payments, accompanied by a letter(s) provided by the Attorneys General, to each Participating Counterparty that has submitted a proper request and fully-executed release, of its share of the Fund. These payments shall be sent in a manner to insure 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.
14. BAC 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.
15. In the event an Eligible Counterparty or Additional Eligible Counterparty has reached a separate settlement with BAC, such Counterparty may submit a copy of its Settlement Agreement with BAC in lieu of the Release that is otherwise required by this Attachment

B and may receive distribution of its allocated share of the Fund at the time it submits the Settlement Agreement.

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 _____ [if we are including non-profit corporations, add: "and any of its affiliates, subsidiaries, associates, general or limited partners or partnerships, predecessors, successors, or assigns, including any of its present or former directors or officers"]
- B. "Releasee" shall mean Bank of America Corporation, a corporation existing and organized under the laws of the State of Delaware, with its headquarters in Charlotte, North Carolina, and its successors, assigns, subsidiaries, divisions, groups, affiliates and partnerships, and all current officers, directors and employees of the foregoing, along with any individual who was an officer, director or employee of the foregoing as of January 8, 2007, the date that the Antitrust Division signed BAC's Corporate Conditional Leniency Letter.
- C. "Relevant Conduct" shall mean engaging in the conduct set forth in the Allegations above from 1998 through December 31, 2007, thereby unreasonably restraining competition in the marketing, sale and placement of any Municipal Bond Derivatives, or in the offer to market, sell or place any Municipal Bond Derivatives by, among other means, (i) rigging bids and fixing prices and other terms and conditions of any Municipal Bond Derivatives; (ii) conspiring with certain other Providers and/or Brokers in a scheme to engage in unfair and deceptive trade practices in the marketing, sale and/or placement of any Municipal Bond Derivatives or in the offer to market, sell or place any Municipal Bond Derivatives; (iii) engaging in unfair and deceptive trade practices, including making misrepresentations or omitting material facts in the marketing, sale and/or placement of any Municipal Bond Derivatives or in the offer to market, sell or place any Municipal Bond Derivatives; and/or (iv) any anticompetitive, deceptive, unfair or fraudulent conduct between and among Providers and or Brokers related to the bidding or negotiating for any Municipal Bond Derivatives including agreements not to bid on or otherwise not to market, sell or place any Municipal Bond Derivative.

- D. "Municipal Bond Derivatives" shall mean contracts involving the investment or reinvestment of the proceeds of tax-exempt bond issues, Qualified Zone Academy Bonds, or bonds issued by or on behalf of any governmental or quasi-governmental or non-profit entity, including, but not limited to, states, cities, towns, counties, villages, parishes, school districts, clubs, or various economic development, redevelopment, development, financing, lottery, parking, housing, educational, medical, religious, public safety, building, water, sewer, hospital, transportation, public works, waste management, environmental, port, airport, telecommunications, and power authorities, corporations or boards; and (ii) related transactions involving the management or transferral of the interest rate risk associated with those bond issues including, but not limited to, guaranteed investment contracts, forward supply, purchase, or delivery agreements, repurchase agreements, escrow agreements, security sales, swaps, caps, 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) inter-dealer swaps or (iv) swaps or other agreements between Providers to hedge, manage or otherwise share or transfer their risk on a Municipal Bond Derivative.
- 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 Bank of America Corporation and the Attorneys General of the States and Commonwealths of _____, dated ____.
- G. "Effective Date" shall mean the Effective Date of the Settlement Agreement.

RELEASE

- I. In consideration of the receipt by Releasor of \$_____ for damages relating to the [list of specific Covered Derivatives], payment of which is made by BAC 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 through December 31, 2007, in relation to the marketing, sale or placement of Municipal Bond Derivatives.

2. The Releasor intends by this Release to settle with and release only BAC 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 Participating Counterparties have or may have against any other party or entity whatsoever, other than BAC.
3. In the event that the total payment referenced in Paragraph 1 above is not made, regardless of the reason for such non-payment, then this Release shall be null and void; provided however, that any payments made by the Releasee may be credited against any settlement, judgment, or penalties arising out of the Relevant Conduct.
4. The 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 BANK OF AMERICA

The Attorney General of _____ hereby elects to participate in the Settlement Agreement Among the Attorneys General of the States and Commonwealths of _____ and Bank of America Corporation, dated _____, as a Participating Attorney General.

EXHIBIT 3

THE ATTORNEY GENERALS' STATEMENT REGARDING THE SETTLEMENT AGREEMENT WITH BANK OF AMERICA, RECIPIENT OF CONDITIONAL LENIENCY FROM THE U.S. DEPARTMENT OF JUSTICE'S ANTITRUST DIVISION

On December __, 2010, Bank of America entered into a Settlement Agreement with various State Attorneys General. Pursuant to the Settlement Agreement, Bank of America will pay a total of \$67 million, and has agreed to make restitution to entities that entered into municipal derivative agreements with Bank of America between 1998 and 2003. In January, 2007, the Department of Justice granted Bank of America conditional leniency pursuant to the Antitrust Division's Corporate Leniency Program as a result of Bank of America's status as the first (and only) entity to voluntarily self-report the conduct described in the Settlement Agreement to the Department of Justice, and its agreement to provide full cooperation in connection with the investigation of the municipal derivatives markets. BAC also promptly agreed to cooperate with the Attorneys General in their investigation and has provided substantial cooperation to the Attorneys General in this matter. Its cooperation will continue pursuant to the Settlement Agreement. The Attorneys General benefit from the information and evidence provided by corporations, like Bank of America, that are granted leniency and that elect to cooperate with the Attorneys General's investigations. Such cooperation can facilitate civil antitrust enforcement efforts, including restitution for those victims of the offense.

In recognition of BAC's agreement to make restitution pursuant to the Settlement Agreement, its truthful cooperation with the Attorneys General's investigation and its receipt of conditional leniency from the Antitrust Division, the Attorneys General state the following:

Suspension and debarment of commercial entities and individuals is determined by an independent suspension and/or debarment authority in each state that is a signatory to the Settlement Agreement and each such state has different laws and regulations that govern suspension and debarment. No provision contained in the Settlement Agreement is intended to be construed as a mandate or recommendation to any independent suspension and/or debarment authority regarding a decision to disqualify, suspend or debar Bank of America or any of its current employees from engaging in the provision of any financial services including, but not limited to, the marketing, sale or placement of municipal bonds or municipal bond derivatives or any other state business by reason of the conduct that is the subject of the Settlement Agreement.

As expressly provided for in the Settlement Agreement and in recognition of Bank of America's substantial cooperation with the Attorneys General's investigation and its payment of restitution to victims (a) no Attorney General who is or who becomes a party to the Settlement Agreement shall, to the extent he or she has authority to do so, seek to disqualify, suspend or debar Bank of America from engaging in the provision of any financial services including, but not limited to, the marketing, sale or placement of municipal bonds or municipal bond derivatives or any other state business by reason of the conduct that is the subject of the Settlement Agreement; and (b) if it is requested by Bank of America for a specific state or local suspension and/or debarment proceeding instituted against Bank of America (or any other proceeding in which a state or local entity is considering not doing business with BAC), the Attorney General of the state shall make known to the suspending and/or debarment authority (or other relevant state or local entity) that Bank of America has cooperated fully and truthfully 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.

