

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

In the matter of

BANC OF AMERICA SECURITIES LLC and
BANC OF AMERICA INVESTMENT
SERVICES, INC.,

Respondent.

File #: 08-0204

NOTICE OF HEARING

You are hereby notified that, pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K (the "Rules"), a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 1st day of March, 2012, at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before George P. Berbas, or another duly designated Hearing Officer of the Secretary of State.

This hearing will be held to determine whether an Order shall be entered against the Respondent in the State of Illinois and/or grant such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

FACTS COMMON TO ALL COUNTS

1. Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") as successor by merger to Banc of America Securities LLC (in such capacity, "BAS") and Banc of America Investment Services, Inc. (in such capacity, "BAI" and collectively with BAS and MLPF&S, hereinafter "Respondents") are broker-dealers registered in the state of Illinois.

2. Coordinated investigations into Respondents' activities in connection with certain of their sales practices regarding the underwriting, marketing, and sale of Auction Rate Securities ("ARS") during the period of approximately August 1, 2007, through February 11, 2008, have been conducted by a multistate task force.

3. Respondents have cooperated with regulators conducting the investigations by responding to inquiries, providing documentary evidence and other materials, and providing regulators with access to facts relating to the investigations.

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

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

6. During the fall of 2007 and into the beginning months of 2008, as the default rates on subprime mortgages soared and the market in general began experiencing significant credit tightening, monoline insurers that insured many issuances of ARS were also becoming distressed and were at risk of ratings downgrades.

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

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

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

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

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

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

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

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

ALLEGATIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to the Act.
2. As described in the Facts section above, Respondents inappropriately marketed and sold ARS without adequately informing their customers of the increased risks of illiquidity associated with the product for the time period August 1, 2007, through February 11, 2008.
3. As a result, Respondents engaged in unethical practices in the offer and sale of securities in violation of 8.E.(1)(b) of the Act.
4. Respondents also failed to properly supervise their agents with respect to the marketing and sale of ARS from October 1, 2007, to February 11, 2008.
5. As a result, Respondents failed to supervise in violation of 8E.(1)(e)(iv) of the Act.

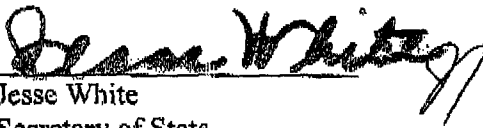
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130)(the "Rules"), to file an answer, special appearance, or other responsive pleadings to the allegations above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to appear shall constitute a default by you.

A copy of the Rules and Regulations promulgated under the Illinois Securities Law and pertaining to hearings held by the Office of the Secretary of State, Illinois Securities Department, are available at <http://www.ilga.gov/commission/jcar/admincode/014/01400130sections.html>, or upon request.

Delivery of Notice to the designated representative of the Respondent constitutes service upon such Respondent.

Dated: This 10th day of January, 2012.


Jesse White
Secretary of State
State of Illinois

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