

those trades with traders on a Merrill Lynch securities proprietary trading desk. The 2011 Order found that, at times, Merrill Lynch's securities proprietary traders used that information to place trades for Merrill Lynch after execution of the institutional customer order. The 2011 Order found that this disclosure and use of institutional customer order information by Merrill Lynch's traders was improper and contrary to Merrill Lynch's confidentiality representations to its customers. The 2011 Order also found instances between 2002 and 2007 when Merrill Lynch charged institutional and high net worth customers undisclosed mark-ups and mark-downs on riskless securities principal trades for which Merrill Lynch had agreed to charge the customer only a commission equivalent fee. The 2011 Order found that, in doing so, Merrill Lynch acted improperly and contrary to its agreement with its customers. The 2011 Order also found that from 2002 through 2007 Merrill Lynch failed in many instances to make records of its agreements with institutional customers to guarantee an execution price, which agreements were part of the terms and conditions of the institutional customer orders. The 2011 Order found that, as a result of its conduct, Merrill Lynch willfully violated Section 15(c)(1)(A) of the Exchange Act by effecting transactions in securities by means of manipulative, deceptive or other fraudulent devices or contrivances, and willfully violated Section 15(g) of the Exchange Act by failing to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material, nonpublic information. The 2011 Order also found that under section 15(b)(4)(E) of the Exchange Act, Merrill Lynch failed reasonably to supervise its traders with a view towards preventing them from violating the federal securities laws. The 2011 Order also found that Merrill Lynch willfully violated section 17(a) of the Exchange Act and Rule 17a-3(A)(6) thereunder by failing to record certain terms and conditions of customer orders. Merrill Lynch neither admitted nor denied the findings in the order. The findings in the 2011 Order are not binding on any person or entity other than Merrill Lynch.

The 2011 Order (1) required that Merrill Lynch cease and desist from committing or causing any violations and any future violations of Sections 15(c)(1)(A), 15(g) and 17(a) of the Exchange Act and Rule 17a-3(A)(6) thereunder; (2) censured Merrill Lynch pursuant to Section 15(b)(4) of the Exchange Act; and (3) required pursuant to Section 15(b)(4) and Section 21B of the Exchange Act that Merrill Lynch pay a civil monetary penalty in the amount of \$10 million.

4. The Massachusetts Securities Division of the Office of the Secretary of the Commonwealth ("MSD") alleged violations of the Massachusetts Uniform Securities Act, which, in part, prohibits unethical or dishonest conduct or practices in the securities business, concerning Merrill Lynch sale of auction rate securities issued by collateral debt obligations ("ARS CDOs") to the city of Springfield, Massachusetts. Without admitting or denying the MSD's allegations, Merrill Lynch agreed to certain undertakings, to cease and desist from violations of the Massachusetts Uniform Securities Act and to the MSD entering an order censuring Merrill Lynch for its actions associated with the matter. On or about January 31, 2008, Merrill Lynch purchased from the City of Springfield the ARS CDOs at the par value of \$13.9 million for losses associated with the inappropriate sale of ARS CDOs to the city of Springfield.

5. Merrill Lynch entered into consent orders with numerous state securities regulators concerning Merrill Lynch's conduct in connection with the marketing and sale of auction rate securities ("ARS") to retail and other customers. Without admitting or denying the allegations, Merrill Lynch agreed to cease and desist from violations of certain state securities laws, and to certain undertakings, including to buy back eligible ARS from eligible investors. Merrill Lynch also paid civil penalties and fines allocated at the discretion of the states to resolve all underlying conduct relating to the sale of ARS.

Under the terms of the settlement, Merrill Lynch agreed to undertakings designed to provide liquidity to eligible investors. Merrill Lynch offered to purchase at par from eligible investors certain ARS that failed at auction. Merrill Lynch also agreed to pay certain eligible investors who sold certain ARS below par the difference between par and the price at which the ARS were sold. Merrill Lynch agreed to participate in a special arbitration process for the purpose of arbitrating any eligible investor's consequential damages claim arising from their inability to sell certain ARS. Furthermore, Merrill Lynch agreed to refund to municipal issuers certain refinancing fees received by Merrill Lynch for the issuance or refinancing of such issuers' ARS. Merrill Lynch agreed to endeavor to work with issuers and other interested parties to provide liquidity solutions for institutional investors that purchased certain ARS from Merrill Lynch but are