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3. 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.

4. 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 not considered eligible investors and are not entitled to participate in the ARS buyback under the terms of the settlement. Merrill Lynch’s control affiliate BAS entered into similar consent orders with state securities regulators.