

NEUBERGER BERMAN CALIFORNIA INTERMEDIATE MUNICIPAL FUND INC  
Form SC 13D  
January 11, 2011

SCHEDULE 13D

CUSIP No. 64123C

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 13D**

**Under the Securities Exchange Act of 1934**

**Neuberger Berman California Intermediate Municipal Fund Inc**

(Name of issuer)

**AUCTION RATE PREFERRED**

(Title of class of securities)

**64123C**

(CUSIP number)

**David Lavan, Esq.**

**O Melveny & Myers LLP**

**1625 Eye Street, NW**

**Washington, DC 20006**

(202) 383-5191

(Name, address and telephone number of person authorized to receive notices and communications)

January 1, 2011

(Date of event which requires filing of this statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box x.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page. The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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1. Names of reporting persons

Bank of America Corporation

56-0906609

2. Check the appropriate box if a member of a group (see instructions)

a.  b.

3. SEC use only

4. Source of funds (see instructions):

WC

5. Check box if disclosure of legal proceedings is required pursuant to Items 2(d) or 2(e).

6. Citizenship or place of organization

Delaware

Number of 7. Sole voting power:

shares

beneficially 8. Shared voting power:

owned by

each 1,132 9. Sole dispositive power:

reporting

person 10. Shared dispositive power:

with:

1,132

11. Aggregate amount beneficially owned by each reporting person:

1,132

12. Check if the aggregate amount in Row (11) excludes certain shares (see instructions)

13. Percent of class represented by amount in Row (11):

48.0%

14. Type of reporting person (see instructions)

HC

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1. Names of reporting persons

Bank of America, N.A.

94-1687665

2. Check the appropriate box if a member of a group (see instructions)

a.  b.

3. SEC use only

4. Source of funds (see instructions):

WC

5. Check box if disclosure of legal proceedings is required pursuant to Items 2(d) or 2(e).

6. Citizenship or place of organization

Delaware

Number of 7. Sole voting power:

shares

8. Shared voting power:

beneficially

owned by

each 152

9. Sole dispositive power:

reporting

person 10. Shared dispositive power:

with:

152

11. Aggregate amount beneficially owned by each reporting person:

152

12. Check if the aggregate amount in Row (11) excludes certain shares (see instructions)

13. Percent of class represented by amount in Row (11):

6.4%

14. Type of reporting person (see instructions)

BK

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1. Names of reporting persons

Blue Ridge Investments, L.L.C

56-1970824

2. Check the appropriate box if a member of a group (see instructions)

a.  b.

3. SEC use only

4. Source of funds (see instructions):

WC

5. Check box if disclosure of legal proceedings is required pursuant to Items 2(d) or 2(e).

6. Citizenship or place of organization

Delaware

Number of 7. Sole voting power:

shares

beneficially 8. Shared voting power:

owned by

each 980 9. Sole dispositive power:

reporting

person 10. Shared dispositive power:

with:

980

11. Aggregate amount beneficially owned by each reporting person:

980

12. Check if the aggregate amount in Row (11) excludes certain shares (see instructions)

13. Percent of class represented by amount in Row (11):

41.5%

14. Type of reporting person (see instructions)

OO



**Item 1 Security and Issuer**

This Statement on Schedule 13D (this **Statement** ) relates to shares of auction rate preferred securities ( **ARPS** ) of Neuberger Berman California Intermediate Municipal Fund Inc (the **Issuer** ). Certain of the securities reported herein were previously reported on Schedule 13G, which was last amended on March 12, 2010 ( **Schedule 13G** ). This Statement is being filed by the Reporting Persons (as defined below) as a result of the December 31, 2010 termination of the Global Exemptive Relief heretofore relied upon by the Reporting Persons. The Issuer's principal executive offices are located at 605 Third Avenue, 2<sup>nd</sup> Floor, New York, NY 10158.

All series of ARPS issued by the Issuer that vote together as a single class are treated as one class. As closed-end funds that issue auction rate preferred securities do not provide publicly the amount of such securities outstanding, we established the amount of such securities outstanding by canvassing the issuers and the managers of the various auctions for such securities.

**Item 2 Identity and Background**

This Statement is being filed on behalf of each of the following persons (collectively, the **Reporting Persons** ):

i. Bank of America Corporation ( **BAC** )

ii. Bank of America, N.A. ( **BANA** )

iii. Blue Ridge Investments, L.L.C. ( **Blue Ridge** )

This Statement relates to the ARPS held for the account of BANA and Blue Ridge.

The address of the principal business office of BAC is:

Bank of America Corporate Center

100 North Tryon Street

Charlotte, North Carolina 28255

The address of the principal business office of BANA is:

101 South Tryon Street

Charlotte, North Carolina 28255

The address of the principal business office of Blue Ridge is:

214 North Tryon Street

Charlotte, North Carolina 28255

BAC, through its wholly-owned subsidiaries, BANA, Merrill Lynch, Pierce, Fenner & Smith Incorporated ( **Merrill Lynch** ) and Blue Ridge, is engaged in providing a diverse range of financial services and products. Since settlements with the Securities and Exchange Commission and certain state agencies in 2008, Merrill Lynch and certain predecessors have worked with their customers and issuers of auction rate preferred securities to provide liquidity to the auction rate preferred securities market. This has included purchasing auction rate preferred securities from their customers and working with issuers so that they are able to redeem outstanding auction rate preferred securities. BAC's efforts to work with issuers continue and may include working with the Issuer in the future.

Information concerning each executive officer, director and controlling person (the **Listed Persons** ) of the Reporting Persons is listed on Schedule I attached hereto, and is incorporated by reference herein. To the knowledge of the Reporting Persons, all of the Listed Persons are citizens of the United States, other than as otherwise specified on Schedule I hereto.

Other than as set forth on Schedule II, during the last five years, none of the Reporting Persons, and to the best knowledge of the Reporting Persons, none of the Listed Persons, have been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws, or finding any violation with respect to such laws.

**Item 3 Source and Amount of Funds or Other Consideration**

The aggregate amount of funds used by the Reporting Persons to purchase the securities reported herein was approximately \$28,300,000. The source of funds was the working capital of the Reporting Persons.

The Reporting Persons declare that neither the filing of this Statement nor anything herein shall be construed as an admission that such person is, for the purposes of Section 13(d) of the Exchange Act or any other purpose, (i) acting (or has agreed or is agreeing to act together with any other person) as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding or disposing of securities of the Company or otherwise with respect to the Company or any securities of the Company or (ii) a member of any group with respect to the Company or any securities of the Company.

**Item 4 Purpose of the Transaction**

Since settlements with the Securities and Exchange Commission and certain state agencies in 2008, the Reporting Persons have worked with their customers and issuers of auction rate preferred securities to provide liquidity to the auction rate preferred securities market. This has included purchasing auction rate preferred securities, including those reported on herein, from customers and working with issuers so that they are able to redeem outstanding auction rate preferred securities. The Reporting Persons efforts to work with issuers continue and may include working with the Issuer in the future. The Reporting Persons have not acquired the subject securities with any purpose, or with the effect of, changing or influencing control of the issuer, or in connection with or as a participant in any transaction having that purpose or effect.

**Item 5 Interest in Securities of the Issuer**

(a) - (b) The responses of the Reporting Persons to Rows (7) through (11) of the cover pages of this Statement are incorporated herein by reference.

(c) No transactions in the Issuer's ARPS have been effected in the past sixty days.

(d) No other person is known by the Reporting Persons to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, ARPS that may be deemed to be beneficially owned by the Reporting Persons.

(e) Not applicable.

**Item 6 Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer**

The responses of the Reporting Persons under Item 4 hereof are incorporated herein by reference.

**Item 7 Material to be Filed as Exhibits**

<b>Exhibit</b>	<b>Description of Exhibit</b>
99.1	Joint Filing Agreement.
99.2	Power of Attorney.

**SIGNATURES**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: January 11, 2011

**BANK OF AMERICA CORPORATION**

By: /s/ MICHAEL DIDOVIC  
Name: **Michael Didovic**  
Title: **Attorney-in-fact**

**BANK OF AMERICA, N.A.**

By: /s/ MICHAEL DIDOVIC  
Name: **Michael Didovic**  
Title: **Director**

**BLUE RIDGE INVESTMENTS, L.L.C.**

By: /s/ JOHN HIEBENDAHL  
Name: **John Hiebendahl**  
Title: **Senior Vice President and Controller**

**LIST OF EXHIBITS**

<b>Exhibit</b>	<b>Description of Exhibit</b>
99.1	Joint Filing Agreement.
99.2	Power of Attorney.

**SCHEDULE I****EXECUTIVE OFFICERS AND DIRECTORS OF****REPORTING PERSONS**

The following sets forth the name and present principal occupation of each executive officer and director of Bank of America Corporation and Bank of America, N.A. The business address of each of the executive officers and directors of Bank of America Corporation is Bank of America Corporate Center, 100 North Tryon Street, Charlotte, North Carolina 28255. The business address of each of the executive officers and directors of Bank of America, N.A. is 101 South Tryon Street, Charlotte, North Carolina 28255.

<b>Name</b>	<b>Position with Bank of America Corporation</b>	<b>Principal Occupation</b>
Brian T. Moynihan	Chief Executive Officer, President and Director	Chief Executive Officer and President of Bank of America Corporation
David C. Darnell	President, Global Commercial Banking	President, Global Commercial Banking of Bank of America Corporation
Barbara J. Desoer	President, Home Loans and Insurance	President, Home Loans and Insurance of Bank of America Corporation
Sallie L. Krawcheck	President, Global Wealth and Investment Management	President, Global Wealth and Investment Management of Bank of America Corporation
Thomas K. Montag	President, Global Banking and Markets	President, Global Banking and Markets of Bank of America Corporation
Joe L. Price	President, Consumer and Small Business Banking	President, Consumer and Small Business Banking of Bank of America Corporation
Charles H. Noski	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer of Bank of America Corporation
Edward P. O Keefe	General Counsel	General Counsel of Bank of America Corporation
Bruce R. Thompson	Chief Risk Officer	Chief Risk Officer of Bank of America Corporation
Susan S. Bies	Director	Former Member, Board of Governors of the Federal Reserve System
William P. Boardman	Director	Former Vice Chairman, Banc One Corporation and Retired Chairman of the Board, Visa International
Frank P. Bramble, Sr.	Director	Former Executive Officer, MBNA Corporation
Virgis W. Colbert	Director	Senior Advisor, MillerCoors Company
Charles K. Gifford	Director	Former Chairman of Bank of America Corporation
Charles O. Holliday, Jr.	Chairman of the Board	Chairman of the Board of Bank of America Corporation

D. Paul Jones, Jr.	Director	Former Chairman, Chief Executive Officer and President, Compass Bancshares, Inc.
Monica C. Lozano	Director	Chief Executive Officer of ImpreMedia, LLC
Thomas J. May	Director	Chairman, President and Chief Executive Officer of NSTAR
Donald E. Powell	Director	Former Chairman, Federal Deposit Insurance Corporation
Robert W. Scully	Director	Former Member, Office of the Chairman of Morgan Stanley

The following sets forth the name and present principal occupation of each executive officer and director of Blue Ridge Investments, L.L.C. The business address of each of the executive officers and directors of Blue Ridge Investments, L.L.C. is 214 North Tryon Street, Charlotte, North Carolina 28255.

Name	Position with Blue Ridge Investments, L.L.C.	Principal Occupation
Keith T. Banks	Manager and Executive Vice President	President US Trust and Co-Head Private Wealth Management of Bank of America, National Association
Alastair Borthwick	Manager and Executive Vice President	Managing Director, Global Capital Markets Product Head of Merrill Lynch, Pierce, Fenner & Smith Incorporated
George C. Carp	Manager and Executive Vice President	Managing Director, Capital Markets Finance Executive of Bank of America Corporation
Neil A. Cotty	Executive Vice President	Chief Accounting Officer of Bank of America Corporation
Marlene B. Debel	Manager and Executive Vice President	Managing Director, Risk Management Executive of Merrill Lynch & Co., Inc.
David J. Flannery	Executive Vice President	Managing Director, Leveraged Finance Product Head of Merrill Lynch, Pierce, Fenner & Smith Incorporated
Lawrence Forte	Manager and Executive Vice President	Managing Director, Business Support Executive of Merrill Lynch, Pierce, Fenner & Smith Incorporated
Kris A. Gagnon	Manager and Executive Vice President	Senior Vice President, Risk Management Executive of Bank of America, National Association
Graham C. Goldsmith	Executive Vice President	Managing Director, Head of Distressed of Merrill Lynch, Pierce, Fenner & Smith Incorporated
Wendy J. Gorman	Executive Vice President	Managing Director, Risk Management Executive of Bank of America, National Association
Geoffrey Greener	Executive Vice President	Managing Director, Global Markets Portfolio Management for Merrill Lynch, Pierce, Fenner & Smith Incorporated
Mark D. Linsz	Executive Vice President	Managing Director, Treasurer of Bank of America, National Association
Walter J. Muller	Executive Vice President	Managing Director, Chief Investment Officer of Bank of America, National Association



Gregory Mulligan <sup>1</sup>	Executive Vice President	Managing Director, Global Bank Funding Executive of Bank of America, National Association/London Branch
Alice Jane Murphy	Executive Vice President	Managing Director, Head of Capital Raising Product for Merrill Lynch, Pierce, Fenner & Smith Incorporated
Michael B. Nierenberg	Executive Vice President	Managing Director, Head of Mortgages of Merrill Lynch, Pierce, Fenner & Smith Incorporated
Gerhard Seebacher <sup>2</sup>	Executive Vice President	Managing Director, Head of Credit Products of Merrill Lynch, Pierce, Fenner & Smith Incorporated
Richard S. Seitz	Executive Vice President	Managing Director, Bank Funding Manager of Merrill Lynch, Pierce, Fenner & Smith Incorporated
Bradley M. Taylor	Executive Vice President	Managing Director, Bank Funding Manager of Merrill Lynch & Co., Inc.
Peter D. Taube	Executive Vice President	Managing Director, Capital Markets Finance Executive of Bank of America, National Association
Robert J. Voreyer	Executive Vice President	Managing Director, Head of Trading of Merrill Lynch, Pierce, Fenner & Smith Incorporated

<sup>1</sup> Mr. Mulligan is a citizen of the United Kingdom.

<sup>2</sup> Mr. Seebacher is a citizen of Austria.

## SCHEDULE II

### **BAC Muni Derivative Settlement**

The Board of Governors of the Federal Reserve System (the **Board**) reviewed certain activities related to various types of anti-competitive activity by certain employees of Bank of America Corporation (**BAC**) in conjunction with the sale of certain derivative financial products to municipalities and non-profit organizations variously between 1998 and 2003. Following the review, BAC and the Board entered into a Formal Written Agreement on December 6, 2010, to ensure that BAC proactively and appropriately manages its compliance risk related to certain competitively bid transactions. In addition, BAC agreed to submit a written plan to strengthen BAC's compliance risk management program regarding those same competitively bid transactions, and to promptly implement that plan once it is approved by the Federal Reserve Bank of Richmond.

### **BANA Muni Derivative Settlement**

The Comptroller of the Currency (the **Comptroller**) reviewed certain activities related to the participation of certain employees of Bank of America, N.A. (**BANA**) in the sale of certain derivative financial products to municipalities and non-profit organizations, and found information indicating that certain BANA employees engaged in illegal bidding activity related to the sale of those derivative financial products variously between 1998 and January 2004. Following the review, BANA and the Comptroller entered into a Formal Written Agreement on December 7, 2010, to ensure that BANA proactively and appropriately manages its compliance risk related to various competitively bid transactions, including those related to derivative financial products to municipalities and non-profit organizations.

In addition, BANA agreed to do a formal assessment of all business lines that engage in certain types of competitively bid transactions, to complete a formal evaluation of the operational policies and procedures applicable to such businesses to ensure that adequate policies and procedures exist to ensure compliance with safe and sound banking practices, law, and regulations related to the competitively bid transactions, and to develop an internal training program to ensure compliance with all laws and regulations related to competitively bid transactions. Upon approval by the Comptroller, BANA must immediately begin to implement the policies, procedures and programs called for by the Agreement. Finally, BANA agreed to pay unjust enrichment in the amount of \$9,217,218 to certain counterparties identified by the Comptroller.

### **Merrill Lynch (as successor to BAS) Muni Derivative Settlement**

On December 7, 2010, the Securities and Exchange Commission (**SEC**) issued an administrative and cease-and-desist order (the **Order**) finding that Banc of America Securities LLC (**BAS**) (which was merged with and into Merrill Lynch, Pierce, Fenner & Smith Incorporated (**Merrill Lynch**) on 11/01/2010) willfully violated Section 15(c)(1)(A) of the Securities Exchange Act of 1934 when certain employees participated in improper bidding practices involving the temporary investment of proceeds of tax-exempt municipal securities in

reinvestment products during the period 1998-2002. The Order censured BAS, ordered BAS to cease and desist from committing or causing such violations and future violations, and ordered BAS to pay disgorgement plus prejudgment interest in the amount of \$36,096,442.00. BAS consented to the Order without admitting or denying the SEC's findings.

#### **Merrill Lynch 529 Plan AWC**

On November 23, 2010, the Financial Industry Regulatory Authority ( **FINRA** ) alleged that Merrill Lynch violated MSRB Rule G-27 in that during the period January 2002 to February 2007, Merrill Lynch required registered representatives to consider potential state tax benefits offered by a state in which a client resides as a factor when recommending a client invest in a 529 plan. But Merrill Lynch's written supervisory procedures did not require supervisors to document reviews to determine if registered representatives had in fact considered potential state tax benefits when recommending a client invest in a 529 plan. As a result, Merrill Lynch did not have effective procedures relating to documenting its suitability determinations in connection with the sale of 529 plans. Without admitting or denying the findings, Merrill Lynch consented to the described sanctions and to the entry of findings; therefore, Merrill Lynch is censured, fined \$500,000 and required within 60 days of execution of this Acceptance, Waiver and Consent ( **AWC** ) to distribute a stand-alone letter acceptable to FINRA to each current customer who resided in a state that offered 529-related state tax benefits at the time the customer opened an advisor-sold specific 529 plan account at Merrill Lynch from June 2002 through February 2007; the letter will instruct the customers to call a designated Merrill Lynch phone number with inquiries, concerns or complaints regarding their 529 investment. The designated number will be available for 120 days after which the number will contain a recorded message to contact Merrill Lynch's college plan services area. If requested within 180 days of mailing of the 529 letter, Merrill Lynch will assist in transferring or rolling-over any customer's investment in the specific plan into a 529 plan of the customer's choice within his/her home state, regardless of whether Merrill Lynch currently offers such 529 plan, with Merrill Lynch waiving any and all client fees, costs in connection with the sale, transfer, or roll-over of the specific plan; and/or any and all client fees, costs due to Merrill Lynch in connection with the initial purchase of a 529 plan within the customer's home state using the proceeds of the specific plan. Merrill Lynch shall provide FINRA semi-annually or upon FINRA's request, until December 31, 2011, a report describing each oral/written inquiry, concern or complaint received through the designated number or any written complaint otherwise received by Merrill Lynch concerning the specific plan from the 529 letter recipients, along with a description of how Merrill Lynch addressed or resolved the inquiries, concerns or complaints of each such customer.

#### **Merrill Lynch (as successor to BAI) Massachusetts Consent**

On November 17, 2010, the Commonwealth of Massachusetts Securities Division alleged that two employees of Banc of America Investment Services, Inc. ( **BAI** ) (which merged with and into Merrill Lynch on 10/23/2009) sold Fannie Mae and Freddie Mac federal agency step-up bonds to an investor and that they did not describe the bonds accurately. The state regulator alleged that BAI failed to supervise the conduct in violation of M.G.L. C.110a § 204(a)(2)(g). Only BAI was named as a respondent in the consent order. On November 16, 2010, BAI submitted an offer of settlement, without admitting or denying the facts and without an

adjudication of any issue of law or fact, and consented to the entry of the consent order. BAI agreed to a fine of \$100,000, to cease and desist, and to an undertaking to retain an independent compliance consultant and impose heightened supervision on a representative.

#### **Merrill Lynch FINRA UIT AWC**

On August 18, 2010, FINRA alleged that Merrill Lynch violated NASD Rules 2110, 2210, 3010 in that Merrill Lynch failed to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed to achieve compliance with its obligations to apply sales charge discounts to all eligible Unit Investment Trust (UIT) purchases. Merrill Lynch relied on its brokers to ensure that customers received appropriate UIT sales charge discounts, despite the fact that Merrill Lynch failed to appropriately inform and train brokers and their supervisors about such discounts. Merrill Lynch's written supervisory procedures had little or no information or guidance regarding UIT sales charge discounts. Once Merrill Lynch established procedures addressing UIT sales charges discounts, they were inaccurate and conflicting. Merrill Lynch's written supervisory procedures incorrectly stated that a discount would not apply when a client liquidates an existing UIT position and uses the proceeds to purchase a different UIT. Merrill Lynch's procedures lacked substantive guidelines, instructions, policies, or steps for brokers or their supervisors to follow to determine if a customer's UIT purchase qualified for and received a sales charge discount. As a result of the defective procedures, Merrill Lynch failed to provide eligible customers with appropriate discounts on both UIT rollover and breakpoint purchases. Merrill Lynch failed to identify and appropriately apply sales charge discounts in transactions reviewed in a sample of customer purchases in certain top selling UITs. As a result, Merrill Lynch overcharged customers in this sample approximately \$123,000. Following FINRA's publication of a settlement with another firm concerning UIT transactions and independent of FINRA's pending inquiry, Merrill Lynch analyzed its application of sales charge discounts to UIT transactions. As a result of the review, Merrill Lynch identified customers that were overcharged when purchasing UITs through Merrill Lynch and in accordance with the undertakings set forth below, will remediate those customers more than \$2 million in overcharges. Merrill Lynch approved for distribution inaccurate and misleading UIT sales literature and provided this UIT presentation for brokers to use with clients. This presentation was subject to the content standards set forth in NASD Rule 2210(d) and violated those standards. Without admitting or denying the findings, Merrill Lynch consented to the described sanctions and to the entry of findings; therefore, Merrill Lynch is censured, fined \$500,000 and agrees to provide remediation to customers who, during the relevant period, purchased UITs and qualified for, but did not receive, the applicable sales charge discount. Within 90 days of the effective date of this AWC, Merrill Lynch submitted to FINRA a proposed plan of how it will identify and compensate customers who qualified for, but did not receive, the applicable UIT sales charge discounts. The date that FINRA notifies Merrill Lynch that it does not object to the plan shall be called the notice date. In the event FINRA does object to the plan, Merrill Lynch will have an opportunity to address FINRA's objections and resubmit the plan within 30 days. A failure to resubmit to FINRA a plan that is reasonably designed to meet the specific requirements and general purpose of the undertaking will be a violation of the terms of the AWC. Merrill Lynch shall complete the remediation process within 180 days from the notice date. Within 210 days of the notice date, Merrill Lynch will submit to FINRA a schedule of all customers identified during Merrill Lynch's review as not having received an appropriate sales charge

discount. The schedule shall include details of the qualifying purchases and the appropriate discount and total dollar amounts of restitution provided to each customer. Also within 210 days from the notice date, Merrill Lynch will submit to FINRA a report that explains how Merrill Lynch corrected its UIT systems and procedures and the results of Merrill Lynch's implementation of its plan to identify and compensate qualifying customers including the amounts and manner of all restitution paid.

#### **Merrill Lynch NASDAQ Settlement**

On June 29, 2010, the NASDAQ Stock Market ( **NASDAQ** ) alleged that Merrill Lynch violated NASDAQ RULES 2110, 3010 in that Merrill Lynch's supervisory system and written supervisory procedures were not reasonably designed to achieve compliance with applicable securities laws and regulations (including NASD notice to members 04-66) and NASDAQ rules concerning the prevention of erroneous orders and transactions and frivolous clearly erroneous transaction complaints. Without admitting or denying the findings, Merrill Lynch consented to the described sanctions and to the entry of findings; therefore, Merrill Lynch is censured, fined \$10,000 and required to revise its written supervisory procedures regarding compliance with NASD Notice to Members 04-66 within 30 business days of acceptance of this AWC by the NASDAQ review council.

#### **BAC ML&Co. Proxy Rule Settlement**

The SEC alleged that BAC violated the federal proxy rules by failing to disclose information concerning Merrill Lynch & Co., Inc. ( **ML&Co.** ) known and estimated losses in the fourth quarter of 2008 prior to the shareholder vote on December 5, 2008 to approve the merger between the two companies. In addition, the SEC alleged that Bank of America Corporation (the **Corporation** ) violated Section 14(a) of the Securities Exchange Act of 1934 (the **Exchange Act** ) and Rule 14a-9 thereunder by failing to disclose in the Corporation's joint proxy statement filed on November 3, 2008 the incentive compensation that Merrill Lynch & Co., Inc. could, in its discretion, award to its employees prior to completion of its merger with the Corporation. On February 24, 2010, a final judgment (the **Final Judgment** ) was entered by the U.S. District Court for the Southern District of New York in both matters. Under the terms of the Final Judgment, BAC agreed to pay \$1 in disgorgement and a \$150 million civil penalty to be distributed to shareholders as part of the SEC's Fair Funds Program at a later date in accordance with further order of the court. In addition, as part of the Final Judgment, BAC agreed, for a period of three years, to comply with and maintain certain requirements related to BAC's corporate governance and disclosure practices.

#### **Merrill Lynch CBOE Decision and Order of Offer of Settlement**

On April 13, 2010, the Chicago Board of Options Exchange ( **CBOE** ) censured and fined Merrill Lynch \$150,000. In addition, the CBOE ordered an undertaking requiring Merrill Lynch to provide the Exchange with a certification within thirty (30) days of the issuance of the decision in this matter that Merrill Lynch has corrected the systems problems leading to this case, that all information reported to the Exchange in accordance with Rule 4.13(a) is accurate and is being submitted on a timely basis, and that respondent immediately notify the Exchange of

any inaccuracies in any reports submitted pursuant to rule 4.13(a). During all relevant periods herein, Exchange members were required to submit to the large options position report all customer positions, which numbered 200 contracts or more in any single option class listed on the Exchange on the same side of the market along with their customer's name, address, and social security number or tax identification number. Merrill Lynch failed to properly submit all required account information for approximately 1,346 accounts to the large options position report. (CBOE Rule 4.13(a) - reports related to position limits.)

#### **Merrill Lynch Client Associate Registration Settlement**

In September 2009, Merrill Lynch reached agreements in principle and final administrative settlements with the Texas State Securities Board and various state securities regulators relating to the state registration of sales assistants known as Client Associates. Without admitting or denying wrongdoing, Merrill Lynch agreed to certain undertakings and regulatory sanctions including reprimand or censure, agreement to cease and desist sales of securities through persons not registered with the states, payments of fines, penalties and other monetary sanctions (including past registration fees) of \$26,563,094.50 to be divided amongst the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, and payment of \$25,000 to the North American Securities Administrators Association.

#### **Merrill Lynch, BAI and BAS Auction Rate Securities Settlements**

In August 2008, Merrill Lynch, BAS and BAI each reached certain agreements in principal and final settlements with the Office of the New York State Attorney General, the Massachusetts Securities Division, various state securities regulators, and the staff of the SEC (the **ARS Settlements**) relating to auction rate securities (**ARS**). As the result of the mergers of BAI with and into Merrill Lynch on October 23, 2009 and BAS with and into Merrill Lynch on November 1, 2010, Merrill Lynch assumed the liabilities of BAI and BAS in this matter. Without admitting or denying wrongdoing, each of the aforementioned entities has agreed to, pursuant to the terms of each settlement to which it is a party, among others, repurchase ARS at par value (plus any accrued but unpaid interest or dividends) from certain eligible customers, use best efforts to provide liquidity solutions for institutional holders of ARS, participate in a special arbitration process to the extent that eligible customers believe they have a claim for consequential damages, refund certain refinancing fees related to ARS, pay a civil money penalty and compensate other eligible customers who purchased ARS and sold them at a loss. Each of Merrill Lynch, BAS and BAI has substantially completed the purchase of those ARS. BAI and BAS also agreed to pay a total civil penalty of \$50,000,000 that will be distributed among the states and U.S. territories that enter into administrative or civil consent orders related to ARS. Merrill Lynch agreed to pay a \$125,000,000.00 civil penalty that will be distributed similarly.

#### **BAI Representative Supervision Settlement**

On October 22, 2009, the SEC alleged that BAI failed reasonably to supervise a former registered representative who converted certain customer funds, with a view to preventing and detecting violations of Federal securities laws, as required under Section 15(B)(4)(E) of the

Securities Exchange Act of 1934 (the **Exchange Act** ). Without admitting or denying the allegations, BAI agreed to enter into a settlement with the SEC, paid a civil money penalty in the amount of \$150,000, and to comply with certain undertakings. Such undertakings include retaining an independent consultant to review and evaluate the effectiveness of BAI's supervisory and compliance systems, policies, and procedures concerning the following: (1) review of customer accounts and securities transactions; and (2) periodic compliance inspections. BAI has undertaken to adopt, implement, and maintain all policies, procedures, and practices recommended by the independent consultant. Notwithstanding the settlement with the SEC, BAI has identified the customers whose funds were converted by the former BAI registered representative, and has reimbursed them in full.

#### **Merrill Lynch Squawk Box Settlement**

On March 11, 2009, without admitting or denying the SEC's findings, Merrill Lynch consented to the entry of an administrative SEC order that (1) finds violations of Section 15(f) of the Exchange Act and Section 204A of the Investment Advisers Act of 1940 (the **Advisers Act** ) for allegedly failing to maintain written policies and procedures reasonably designed to prevent the misuse of customer order information, (2) requires that Merrill Lynch cease and desist from committing or causing any future violations of the provisions charged, (3) censures Merrill Lynch, (4) imposes a \$7,000,000 civil money penalty and (5) requires Merrill Lynch to comply with certain undertakings.

#### **Merrill Lynch Consulting Services Settlement**

On January 30, 2009, Merrill Lynch, without admitting or denying any findings of misconduct by the SEC, consented to the entry of an administrative order by the SEC (the **Order** ) that (i) finds that Merrill Lynch violated Advisers Act Sections 204 and 206(2), and Rule 204-2(a)(14) thereunder; (ii) requires that Merrill Lynch cease and desist from committing or causing any violation or further violations of the provisions charged; (iii) censures Merrill Lynch pursuant to Advisers Act Section 203(e); and (iv) requires Merrill Lynch to pay a civil money penalty of \$1 million. The Order finds that Merrill Lynch, through its pension consulting services advisory program, breached its fiduciary duty to certain current and prospective pension fund clients by misrepresenting and omitting to disclose material information.