

AGREEMENT BY AND BETWEEN  
Bank of America, N.A  
Charlotte, North Carolina  
and  
The Office of the Comptroller of the Currency

Whereas, the Bank of America, NA, Charlotte, NC (“Bank”) and the Comptroller of the Currency of the United States of America (hereinafter “Comptroller”) wish to protect the interests of the depositors, customers, and shareholders of the Bank, and toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules, and regulations; and

Whereas, the Comptroller, through his National Bank Examiners, has conducted ongoing examinations of the Bank and reviewed available information indicating that certain Bank employees engaged in illegal conduct in connection with the marketing and sale of certain derivative financial products to municipalities and other non-profit organizations ("counterparties") variously during the period 1998 through January 2004; and

Whereas, the Bank self-reported its employees’ misconduct to the Department of Justice, has cooperated with the investigations conducted by the OCC and other federal agencies, and is taking steps to enhance and strengthen its policies, procedures, systems, and controls related to the sale of certain derivative financial products to its counterparties; and

Whereas, the Bank agrees to make payments of the Bank’s profits derived from the sale of certain derivative financial products, plus prejudgment interest thereon, to the counterparties and in the amounts identified in **Appendix A** hereto; and

Whereas, the Bank and the Comptroller also further wish to proactively ensure policies, procedures, systems, and controls on an enterprise basis to effectively manage all businesses that involve competitive bidding; and

Whereas, in consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

## **ARTICLE I**

### **JURISDICTION**

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall not be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Deputy Comptroller, Large Bank Supervision pursuant to this Agreement shall be forwarded to:

Deputy Comptroller, Large Bank Supervision  
Office of the Comptroller of the Currency  
250 E. Street, S.W.  
Washington, DC 20219

With a copy to be hand-delivered to:

Examiner-in-Charge, Large Bank Supervision  
Office of the Comptroller of the Currency  
101 S. Tryon Street  
Charlotte, NC 28255

## **ARTICLE II**

### **POLICIES AND PROCEDURES**

(1) Within sixty (60) days of the date of this Agreement, the Bank shall develop detailed written policies and procedures to ensure compliance with safe and sound banking practices, and laws and regulations governing the marketing and sale of competitively bid derivative financial products to municipalities and other non-profit organizations that are intended to invest or re-invest the proceeds of bonds issued by these organizations or to manage or transfer the interest rates of bonds issued by the organizations (hereinafter "competitively bid municipal transactions"). The policies and procedures shall include processes designed to detect and prevent potential collusion, bid-rigging, price fixing, or other improper activity, and to ensure the accuracy of books and records related to these transactions. The policies and procedures shall include those already developed and implemented by the Bank and previously submitted to the OCC. Additionally, the policies and procedures shall include the following:

- (a) Specify responsibility related to sales/marketing, trading, desk supervision, risk management, trade accounting, reporting, financial control, and training.
- (b) Require development and maintenance of appropriate management information systems ("MIS") to capture bid records that include, at a minimum, the following information:
  - (i) Identification of the broker(s);

- (ii) A description of the broker's services performed for which fees are paid by the Bank;
  - (iii) The transaction type and description of the transaction, including investment amount and other terms;
  - (iv) The bid price and rationale for that price;
  - (v) The name of the trader supporting the transaction;
  - (vi) The price (and rationale) established by the trading desk, as well explanation of the difference between the bid price and the trading desk price;
  - (vii) Whether the bid was won or lost; and
  - (viii) If won: the final transaction price; the amount recorded on the general ledger; the amount of sales credit attributed to the marketer(s); and the methodology for determining the sales credit to the marketer(s).
- (c) Require a supervisor review process, with reporting requirements that include, at a minimum, an analysis of the following:
- (i) For each sales person/marketer, the number of bids won or lost relative to the total number of bids placed with each broker and in aggregate.
  - (ii) The bid price for each transaction won, including an analysis of how the bid price was established. The analysis of the bid price shall include relevant market factors, other transactions conducted by the Bank, and other relevant information, including a comparison of competitor bids.
  - (iii) The price (and rationale) established by the trading desk, as well as the difference between the bid price and the trading desk price.

(iv) The amount recorded on the general ledger, including the revenue/profit, the amount of sales credit attributed to the marketer(s), and the methodology for determining the sales credit to the marketer(s).

(2) Upon completion of these policies and procedures, the Bank shall submit the policies and procedures to the Examiner-in-Charge for review. In the event the Examiner-in-Charge recommends changes to the policies and procedures, the Bank shall incorporate those changes or suggest alternatives acceptable to the Examiner-in Charge. The Bank shall immediately begin to implement and adhere to the policies and procedures following receipt of the Examiner-in-Charge's no objection or recommended changes.

### **ARTICLE III**

#### **COMPLIANCE, TRAINING, AND AUDIT**

(1) Within sixty (60) days of this Agreement, the Bank shall develop a written program to test the Bank's compliance with all applicable laws and regulations relating to competitively bid municipal transactions. The written program shall be designed to test the adequacy of policies and procedures intended to identify and prevent potential collusion, bid-rigging, price fixing, or other improper activity related to competitively bid municipal transactions. The program shall, at a minimum, include periodic and regular reviews, sample transactions testing, and transaction telephone and email surveillance.

(2) Within sixty (60) days of the date of this Agreement, the Bank shall develop a training program to ensure awareness of and compliance with the requirements of all applicable laws and regulations for employees with duties and responsibilities relating to competitively bid municipal transactions.

(3) Within sixty (60) days of the date of this Agreement, the Bank shall develop an internal audit program designed to test the Bank's compliance and training programs required in paragraphs (1) and (2) of this Article.

(4) Within sixty (60) days of the date of this Agreement, the Bank shall submit the programs required by this Article to the Examiner-in-Charge for review. In the event that the Examiner-in-Charge recommends changes to the programs, the Bank shall incorporate those changes or suggest alternatives acceptable to the Examiner-in Charge. The Bank shall immediately begin to implement and adhere to the programs following receipt of the Examiner-in-Charge's no objection or recommended changes.

#### **ARTICLE IV**

##### **POLICIES, PROCEDURES, AND INTERNAL CONTROLS** **FOR ALL COMPETITIVELY BID TRANSACTIONS**

(1) Within ninety (90) days of the date of this Agreement, the Bank shall complete a formal assessment that identifies all business lines within the Bank that engage in business activities that involve competitively bid transactions. For the purposes of this Agreement, a “competitively bid transaction” means a transaction in which the Bank submits a binding bid to provide or purchase a financial product in a competitive process that is intended to result in the selection of one or more winning bids, free from any collusion. The assessment shall identify the business unit and describe the type of financial products and services provided in competitively bid transactions. The Bank shall report the findings of the assessment to the Board and the Examiner-in-Charge.

(2) Within one hundred and twenty (120) days of the date of this Agreement, the Bank shall complete a formal evaluation of the operational policies and procedures applicable to each business unit that engages in competitively bid transactions. The Bank shall ensure that

detailed written policies and procedures exist to ensure compliance with safe and sound banking practices, laws, and regulations related to competitively bid transactions. Upon completion, the Bank shall submit the formal evaluation to the Board and the Examiner-in-Charge. In the event the Examiner-in-Charge recommends changes to the policies and procedures, the Bank shall incorporate those changes or suggest alternatives acceptable to the Examiner-in Charge, and the Bank shall immediately begin to implement and adhere to the amended policies and procedures.

(3) Within one hundred and twenty (120) days of the date of this Agreement, the Bank shall develop a comprehensive internal training program to ensure compliance with all laws and regulations related to competitively bid transactions. At a minimum, the training program shall require annual training for all employees participating in competitively bid transactions. Upon request of the Examiner-in-Charge, the Bank shall provide a list of such employees

(4) Upon development and finalization of the training program, the Bank shall submit the training program to the Examiner-in-Charge for review. In the event the Examiner-in-Charge recommends changes to the training program, the Bank shall incorporate those changes into the program or suggest alternatives acceptable to the Examiner-in Charge. The Bank shall immediately begin to implement and adhere to the training program upon receipt of the Examiner-in-Charge's no objection or recommended changes.

(5) The Bank shall provide training materials, including a list of all staff that received training and the date of the most recent session attended, to the Examiner-in-Charge at least annually.

## **ARTICLE V**

### **REPORTING**

(1) Prior to December 1, 2011, and annually thereafter, the Bank shall prepare and submit an annual report to senior management, the Board and the OCC that details its supervisory control policies and procedures, identifies significant weaknesses, summarizes the results of testing, and discusses additional or amended procedures implemented in response to such testing pursuant to this Agreement.

## ARTICLE VI

### PAYMENT OF UNJUST ENRICHMENT TO HARMED MUNICIPALITIES AND OTHER NON-PROFIT ORGANIZATIONS

(1) Within ten (10) days, the Bank shall deposit into a segregated deposit account at the Bank an amount not less than nine million two hundred seventeen thousand two hundred and eighteen dollars (\$9,217,218), which represents the total profit recorded by the Bank for certain collateralized certificates of deposit transactions engaged in with the municipalities and other counterparties identified in **Appendix A** of this Agreement, plus prejudgment interest thereon calculated from the date of each transaction to November 30, 2009 (less a two year period of cooperation recognized by the U.S. Department of Justice).

(2) Within thirty (30) days, the Bank shall pay each listed counterparty the amount identified in **Appendix A**.

(3) Within sixty (60) days, the Bank shall submit a written report to the Examiner-in-Charge confirming that all payments required by this Article have been made consistent with **Appendix A**. If any payments are still outstanding, the report shall detail the reasons, the amount of funds still to be paid, and the expected time frame in which the required payments will be made to the remaining recipients.

## ARTICLE VII

### OTHER PROVISIONS



(1) Although the Board has agreed that the Bank shall submit certain programs and reports to the Deputy Comptroller or Examiner-in-Charge for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her by the several laws of the United States of America to undertake any action affecting the Bank, nothing in the Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by the Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Deputy Comptroller.

(5) In such instance in this Agreement in which the Board is required to ensure adherence to, and undertake to have the Bank perform certain obligations, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of the Agreement;

- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action of any non-compliance with such actions be taken in a timely manner.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities. The terms of the Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.



s/  
Thomas J. May

12/03/2010  
Date

s/  
Brian T. Moynihan

12/03/2010  
Date

s/  
Donald E. Powell

\_\_\_\_\_  
Date

s/  
Charles O. Rossotti

\_\_\_\_\_  
Date

s/  
Robert W. Scully

\_\_\_\_\_  
Date

**Exhibit A**

<b>Counterparty Name</b>	<b>Trade Date</b>	<b>Marketer's Profit</b>	<b>Prejudgment interest through 11/30/09</b>	<b>Total Payments</b>
Downington Area School District, PA	11/18/1998	\$ 23,000.00	\$ 18,181.58	\$ 41,181.58
Fort LeBoeuf School District, PA	1/26/1999	\$ 25,000.00	\$ 19,211.68	\$ 44,211.68
North Penn School District	5/10/1999	\$ 20,000.00	\$ 14,504.09	\$ 34,504.09
Niagara Tobacco Asset Securitization Corp.	10/19/2000	\$ 225,000.00	\$ 119,991.30	\$ 344,991.30
Cameron County School District	1/22/2001	\$ 107,000.00	\$ 53,452.35	\$ 160,452.35
Ulster Tobacco Asset Securitization Corporation	1/25/2001	\$ 268,000.00	\$ 133,880.66	\$ 401,880.66
County of Northumberland	3/2/2001	\$ 21,000.00	\$ 10,026.97	\$ 31,026.97
Avonworth School District	3/9/2001	\$ 62,000.00	\$ 29,603.44	\$ 91,603.44
Downington Area School District	3/19/2001	\$ 715,000.00	\$ 341,394.52	\$ 1,056,394.52
Carnegie Borough	3/20/2001	\$ 10,000.00	\$ 4,774.75	\$ 14,774.75
Carnegie Borough	3/20/2001	\$ 72,400.00	\$ 34,569.18	\$ 106,969.18
Pine-Richland School District	3/21/2001	\$ 197,000.00	\$ 94,062.55	\$ 291,062.55
Norwin School District	4/3/2001	\$ 135,000.00	\$ 63,146.84	\$ 198,146.84
Upper Dauphin School District (Escrow CD)	4/12/2001	\$ 111,000.00	\$ 51,920.73	\$ 162,920.73
Sto-Rox School District	4/19/2001	\$ 414,840.00	\$ 194,043.21	\$ 608,883.21
St. Mary's Area School District (1993 Escrow)	4/19/2001	\$ 12,000.00	\$ 5,613.05	\$ 17,613.05
St. Mary's Area School District (1997 Escrow)	4/19/2001	\$ 12,000.00	\$ 5,613.05	\$ 17,613.05
Springfield Township, York County, Sewer Authority	5/15/2001	\$ 25,000.00	\$ 11,452.44	\$ 36,452.44
Springfield Township Sewer 2001	5/17/2001	\$ 38,500.00	\$ 17,636.76	\$ 56,136.76
Millville Area School District, SRSA-2001	6/21/2001	\$ 19,500.00	\$ 8,745.84	\$ 28,245.84
County of Montgomery 2001 (Escrow)	6/28/2001	\$ 1,375,000.00	\$ 616,694.04	\$ 1,991,694.04
Pittston Area School District	7/24/2001	\$ 130,000.00	\$ 57,219.81	\$ 187,219.81
School District of the City of Scranton	7/27/2001	\$ 1,000,000.00	\$ 440,152.40	\$ 1,440,152.40
Township of Moon	8/7/2001	\$ 23,250.00	\$ 10,040.47	\$ 33,290.47
Hempfield School District Series 2001	8/14/2001	\$ 80,000.00	\$ 34,547.86	\$ 114,547.86

Slippery Rock School District (Series 2001)	8/20/2001	\$ 103,000.00	\$ 44,480.37	\$ 147,480.37
Millcreek Township School District	9/19/2001	\$ 103,300.00	\$ 43,757.04	\$ 147,057.04
City of Allentown Lehigh County, PA, Series 1995	9/25/2001	\$ 82,250.00	\$ 34,840.43	\$ 117,090.43
County of Chester	10/12/2001	\$ 226,600.00	\$ 94,125.83	\$ 320,725.83
Harbor Creek School District, Series 2001	10/25/2001	\$ 28,000.00	\$ 11,630.73	\$ 39,630.73
Lehigh County Series 1996 C	11/8/2001	\$ 110,500.00	\$ 44,998.01	\$ 155,498.01
Lehigh County Series 1996 A	11/8/2001	\$ 137,500.00	\$ 55,993.00	\$ 193,493.00
Lehigh County Series 1996 B	11/8/2001	\$ 79,500.00	\$ 32,374.14	\$ 111,874.14
Township of Ross	1/25/2002	\$ 74,245.00	\$ 29,117.49	\$ 103,362.49
Penns Valley school District CD Escrow	9/25/2002	\$ 34,000.00	\$ 11,491.67	\$ 45,491.67
Hamburg Area School District GO Series 2003	3/5/2003	\$ 30,000.00	\$ 9,058.28	\$ 39,058.28
County of Luzerne Escrow CD	5/13/2003	\$ 99,000.00	\$ 28,829.30	\$ 127,829.30
Erie County New York	1/23/2004	\$ 125,000.00	\$ 31,657.07	\$ 156,657.07
	<b>Total</b>	<b>\$ 6,354,385.00</b>	<b>\$ 2,862,832.95</b>	<b>\$ 9,217,217.95</b>