

Unaudited Statement of Financial Condition

Banc of America Securities LLC
(a subsidiary of Bank of America Corporation)

June 30, 2009

Banc of America Securities LLC
Unaudited Statement of Financial Condition
June 30, 2009

(in millions, except common units)

Assets	
Cash	\$ 255
Cash and securities segregated under federal regulations	256
Securities purchased under agreements to resell	94,968
Securities borrowed and securities received as collateral	34,359
Securities owned, at fair value (includes \$19,803 pledged as collateral)	56,675
Receivable from brokers, dealers and others	12,473
Receivable from customers	1,150
Accrued interest receivable	704
Investment banking fees receivable	73
Goodwill	985
Other assets	198
Total assets	<u>\$ 202,096</u>
Liabilities and Member's Equity	
Short-term borrowings	\$ 13,332
Securities sold under agreements to repurchase	156,115
Securities loaned and obligation to return securities received as collateral	7,824
Securities sold, not yet purchased, at fair value	11,289
Payable to brokers, dealers and others	1,990
Payable to customers	1,228
Accrued interest payable	473
Accrued expenses, compensation and other liabilities	1,707
	<u>193,958</u>
Commitments and contingencies (Notes 10 and 11)	-
Liabilities subordinated to claims of general creditors	4,028
Member's equity:	
Common units, 10,000 authorized, issued and outstanding	2,099
Undistributed income	2,011
	<u>4,110</u>
Total member's equity	<u>4,110</u>
Total liabilities and member's equity	<u>\$ 202,096</u>

The accompanying notes are an integral part of this financial statement.

Banc of America Securities LLC
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1. Organization

Banc of America Securities LLC (the Company), a Delaware limited liability company, is 100% owned by Banc of America Securities Holdings Corporation, a wholly owned subsidiary of NB Holdings Corporation. NB Holdings Corporation is wholly owned by Bank of America Corporation (the Corporation). The Company is registered as a broker-dealer and as an investment advisor with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA) and various exchanges. The Company is registered as a futures commission merchant with the Commodity Futures Trading Commission (CFTC), is a member of the National Futures Association (NFA), and is a clearing member of principal commodity exchanges in the United States. The Company is not a bank. Securities sold by the Company are not bank deposits and, accordingly, are not insured by the Federal Deposit Insurance Corporation.

The Company is a primary dealer in U.S. Government securities and underwrites and deals in U.S. Government agency obligations, corporate debt securities, state securities, mortgage and other asset-backed securities, money market instruments and other financial instruments including collateralized debt obligations and collateralized mortgage obligations. The Company offers various investment banking and financial advisory services in connection with public offerings, mergers and acquisitions, restructurings, private placements, loan syndications, loan trading, derivative product arrangements, project financings, and futures and options on futures. The Company provides these services to corporate clients, institutional investors and individuals. Certain products and services may be provided through affiliates.

On January 11, 2008, the Corporation announced an agreement to purchase Countrywide Financial Corporation in an all-stock transaction. The deal closed on July 1, 2008. The merger did not have a material impact on the operations of the Company.

During 2008, the Company received two separate capital contributions totaling \$790,814,000 from the Corporation.

On June 10, 2008, the Corporation reached a definitive agreement to sell its equity prime brokerage business to BNP Paribas. The deal closed on September 30, 2008.

On January 1, 2009, the Corporation acquired Merrill Lynch & Co., Inc. through its merger with a subsidiary of the Corporation in exchange for common and preferred stock with a value of \$29.1 billion. The merger had no impact on the 2008 results for the Company. Products are currently being evaluated and realigned between various legal entities. During the first half of 2009, the Company sold the majority of the trading assets of the equities and futures businesses to Merrill Lynch Pierce Fenner and Smith (MLPFS) and purchased a majority of MLPFS's fixed income trading assets. The Company has service agreements with Merrill Lynch & Co., Inc and MLPFS. Management is still evaluating the future impact to the Company.

On June 17, 2009, the Company made a \$700,000,000 dividend payment to Banc of America Securities Holdings Corporation.

Banc of America Securities LLC**Notes to Unaudited Statement of Financial Condition (cont.)****June 30, 2009****Regulatory Initiatives**

In order to improve the ability of primary dealers to provide financing to participants in the securitization markets in exchange for any tri-party-eligible collateral, the Federal Reserve established the Primary Dealer Credit Facility (PDCF). Through the PDCF, primary dealers are able to obtain discount window loans that settle on the same business day and mature on the following business day. The rate charged is the same as the primary credit rate at the Federal Reserve Bank of New York. In addition, primary dealers are subject to a frequency-based fee after they exceed 45 days of use. The frequency-based fee is based on an escalating scale, which is communicated to the primary dealers in advance. The PDCF has been extended to February 1, 2010.

The Federal Reserve has also established the Term Securities Lending Facility (TSLF), to promote liquidity in U.S. Treasury and other collateral markets and further assist the functioning of financial markets. The Open Market Trading Desk of the Federal Reserve Bank of New York auctions U.S. Treasury securities held by the System Open Market Account for loan over a one-month term against other program-eligible general collateral (i.e. investment grade corporate securities, municipal securities, mortgage-backed securities and asset backed securities). Loans are awarded to primary dealers based on competitive bidding, subject to a minimum fee requirement.

During 2008 and 2009, the Company utilized both the PDCF and TSLF. The Company discontinued its use of the PDCF and TSLF during the second quarter of 2009.

2. Summary of Significant Accounting Policies

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on judgment and available information and, consequently, actual results could be materially different from these estimates. Significant estimates made by management are discussed in these footnotes, as applicable.

Financial instruments are either carried at estimated fair value or are short-term or replaceable on demand and thus have carrying amounts that approximate fair value.

Securities purchased under agreements to resell (resale agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralized financing transactions and are recorded at their contractual amounts plus accrued interest or at fair value under the fair value option election in Statement of Financial Accounting Standards (SFAS) No. 159. Resale and repurchase agreements recorded at fair value are generally valued based on pricing models that use inputs with observable levels of price transparency. Repurchase and resale agreements having the same counterparty and the same maturity date, executed under master netting agreements and having common clearing facilities, are presented in the Statement of Financial Condition on a net basis. Interest income and expense are recorded on an accrual

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basis. It is the Company's policy to obtain the use of securities relating to resale agreements and to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. Collateral for resale agreements and repurchase agreements is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

Securities borrowed, securities received as collateral, securities loaned, and obligation to return securities received as collateral for cash collateral are reported as collateralized financings and included in the Statement of Financial Condition at the amount of cash advanced in connection with the transactions. In non-cash loan versus pledge securities transactions, the Company records the collateral received as both an asset and as a liability, recognizing the obligation to return the collateral. Interest income and interest expense are recorded on an accrual basis. The Company measures the market value of the securities borrowed and loaned against the collateral on a daily basis and additional collateral is obtained or excess is returned to ensure that such transactions are appropriately collateralized.

Securities owned and securities sold, not yet purchased are valued at estimated fair value with the resulting net gains or losses on principal transactions reflected in earnings. Net unrealized gains or losses on open contractual commitments, including when-issued and to-be-announced (TBA) securities, are also reflected in earnings based on estimated fair value. Quoted market prices are generally used as a basis to determine the estimated fair values of trading instruments. If quoted prices are not available, fair values are estimated on the basis of dealer quotes, pricing models, discounted cash flow methodologies or similar techniques, or quoted market prices for instruments with similar characteristics. Securities transactions of the Company in regular way trades are recorded on a trade date basis. Amounts receivable and payable for regular way securities transactions that have not yet reached settlement are recorded net in the Statement of Financial Condition.

Financial futures, options and other derivative contracts are valued at estimated fair value with the resulting net gains and losses on principal transactions reflected in earnings. Valuations for exchange traded derivative assets and liabilities are obtained from quoted market prices or observed transactions. Valuations for derivative assets and liabilities not traded on an exchange (over-the-counter) are obtained using mathematical models that require inputs of rates and prices to generate continuous yield or pricing curves used to value the position. The estimated fair value requires significant management judgment where these inputs to the models are not observable in the markets. The estimated fair value of these contracts are included in Securities owned and Securities sold, not yet purchased in the Statement of Financial Condition.

Customer securities transactions are recorded on a settlement date basis with related commission income and expenses recorded on a trade date basis. Customer securities transacted on a margin basis are collateralized by cash or securities. The Company monitors the market value of collateral held and the market value of securities receivable from others. It is the Company's policy to request and obtain additional collateral when appropriate.

Banc of America Securities LLC**Notes to Unaudited Statement of Financial Condition (cont.)****June 30, 2009**

Customer commodity futures and options transactions for commission income and related expenses are recognized on a half turn basis. Receivable from and Payable to customers include balances arising in connection with futures and options commodity transactions, including gains and losses on open commodity futures and options contracts. Marketable customer owned securities, consisting primarily of U.S. Government securities are held by the Company as collateral for receivables from customers and may be used to meet margin requirements. Customer owned securities held by the Company in safekeeping under the Commodity Exchange Act are not included in the Statement of Financial Condition. A portion of these securities has been deposited as margin with exchange clearing organizations. Also, the long and short values of customers' options on futures are not reflected in the Statement of Financial Condition.

Non-customer securities transactions are recorded on a settlement date basis with related commission income and expenses recorded on a trade date basis. Non-customer securities transactions include transactions executed for the proprietary accounts of introducing brokers and transactions executed for affiliated entities, which have signed non-conforming subordination agreements with the Company. Receivables from and payables to non-customers are included in Receivable from and Payable to brokers, dealers and others in the Statement of Financial Condition.

Non-customer commodity futures and options transactions for commission income and related expenses are recognized on a half turn basis. Receivables from and payables to non-customers are included in Receivable from and Payable to brokers, dealers and others in the Statement of Financial Condition and represent balances arising in connection with futures and options commodity transactions, including gains and losses on open commodity futures and options contracts.

Investment banking fees include underwriting revenue, merger and acquisition, private placement, advisory, loan syndication and derivative product arrangement fees. Underwriting revenue is reflected net of syndicate expenses and arises from securities offerings in which the Company acts as an underwriter and is recorded at the time the underwriting is complete and the income reasonably determinable. Merger and acquisition, private placement, advisory, loan syndication and derivative product arrangement fees are recorded when the contracted services are complete.

Goodwill primarily includes the excess of purchase price over the fair value of the net assets of Montgomery Securities, which the Company acquired on October 1, 1997. In accordance with the SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142), goodwill is no longer amortized but is subject to an annual impairment test. The impairment test is performed in two phases. The first phase compares the fair value of the reporting unit (i.e. the Company) to its carrying amount including goodwill. If the carrying amount exceeds fair value then an additional process compares the implied fair value of the goodwill, as defined by SFAS 142, with the carrying value of the goodwill. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. The recoverability of goodwill is also evaluated if events or circumstances indicate a possible impairment. The Company has not recorded any impairment to date, but there can be no assurance that future goodwill impairment tests will not result in a charge to earnings.

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Depreciation of equipment is provided on a straight-line basis using estimated useful lives of 3 to 10 years. Leasehold improvements are amortized over the lesser of the useful life of the improvement or the lease life.

Income taxes – The Company accounts for income taxes in accordance with SFAS No. 109, “Accounting for Income Taxes” (SFAS 109) as interpreted by the Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109” (FIN 48), resulting in two components of income tax expense: current and deferred. Current income tax expense approximates taxes to be paid or refunded for the current period. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. These gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences in the bases of assets and liabilities as measured by tax laws and their bases as reported in the financial statements. Deferred tax assets are also recognized for tax attributes such as net operating loss carryforwards and tax credit carryforwards. Valuation allowances are then recorded to reduce deferred tax assets to the amounts management concludes are more-likely-than-not to be realized.

Under FIN 48, income tax benefits are recognized and measured based upon a two-step model: 1) a tax position must be more-likely-than-not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more-likely-than-not to be sustained upon settlement. The difference between the benefit recognized for a position in accordance with this FIN 48 model and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit (UTB). The Company accrues income-tax-related interest and penalties (if applicable) within income tax expense. The Company’s policy is to recognize any U.S. federal, and certain U.S. state and foreign UTBs within the Company’s Statement of Financial Condition. In certain other U.S. state jurisdictions, the Company’s operating results are included in the income tax returns of the Corporation or other subsidiaries of the Corporation (state combined returns). Pursuant to the Corporation’s policy, the initial recognition, and any subsequent change of a UTB related to a state combined return, will not be reflected in the Company’s Statement of Financial Condition. Upon the Corporation’s resolution of a UTB related to a state combined return with the taxing authorities, any potential impact deemed to be attributable to the Company will be reflected in the Statement of Financial Condition of the Company.

The Company’s operating results are included in the consolidated federal income tax return and various state income tax returns of the Corporation or subsidiaries of the Corporation. The method of allocating income tax expense is determined under a tax allocation policy between the Company and the Corporation. This allocation policy specifies that income tax expense will be computed for all subsidiaries on a separate company method, taking into account income tax planning strategies and the tax position of the consolidated group. Under the policy, certain net operating losses (or other tax attributes) of the Company are characterized as realized by the Company when these tax attributes are utilized in the filing of the Corporation’s consolidated income tax return. To determine whether a valuation allowance is required against the Company’s net deferred tax assets, the Company considers whether the net deferred tax assets will ultimately be utilized in the filing of the Corporation’s consolidated income tax return.

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Translation of Foreign Currencies – Assets and liabilities denominated in foreign currencies are translated at period-end rates of exchange, while the income statement accounts are translated at the exchange rate on the transaction date. Gains and losses resulting from foreign currency transactions are included in net income.

Recently issued accounting pronouncements – On December 4, 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements” (SFAS 160). SFAS 160 requires all entities to report noncontrolling (i.e. minority) interests in subsidiaries as equity in the Consolidated Financial Statements and to account for transactions between an entity and noncontrolling owners as equity transactions if the parent retains its controlling financial interest in the subsidiary. SFAS 160 also requires expanded disclosure that distinguishes between the interests of the controlling owners and the interests of the noncontrolling owners of a subsidiary. SFAS 160 was effective for the Corporation’s financial statements for the year beginning on January 1, 2009. The adoption of SFAS 160 did not have a material impact on the Company’s financial condition and results of operations.

On February 20, 2008, the FASB issued FASB Staff Position (FSP) No. FAS 140-3, “Accounting for Transfers of Financial Assets and Repurchase Financing Transactions” (FSP 140-3). FSP 140-3 requires that an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously with, or in contemplation of, the initial transfer be evaluated together as a linked transaction under SFAS No. 140 “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities — a replacement of FASB Statement No. 125” (SFAS 140), unless certain criteria are met. FSP 140-3 was effective for the Corporation’s financial statements for the year beginning on January 1, 2009. The adoption of FSP 140-3 did not have a material impact on the Company’s financial condition and results of operations.

On March 19, 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (SFAS 161) which requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the Corporation’s financial position, financial performance and cash flows. SFAS 161 was effective for the Corporation’s financial statements for the year beginning on January 1, 2009. The adoption of SFAS 161 did not impact the Company’s financial condition and results of operations.

On September 12, 2008, the FASB issued FSP No. 133-1 and FIN 45-4, “Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161” (FSP 133-1). FSP 133-1 requires expanded disclosures about credit derivatives and guarantees. The expanded disclosure requirements for FSP 133-1 were effective for the Company’s financial statements for the year ending December 31, 2008. The adoption of FSP 133-1 did not impact the Company’s financial condition and results of operations.

On October 10, 2008 the FASB issued FSP No. 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active” (FSP 157-3). FSP 157-3 clarifies how SFAS No. 157 “Fair Value Measurements” (SFAS 157) should be applied when valuing securities in markets that are not active. The adoption of FSP 157-3, effective September 30, 2008, did not have a material impact on the Company’s financial condition and results of operations.

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On December 11, 2008 the FASB issued FSP No. FAS 140-4 and FIN 46(R)-8, “Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities” (FSP 140-4 and FIN 46(R)-8). FSP 140-4 and FIN 46(R)-8 amends SFAS 140 to require public entities to provide additional disclosures about transferors’ continuing involvements with transferred financial assets. It also amends FASB Interpretation (FIN) No. 46 (revised December 2003) “Consolidation of Variable Interest Entities — an interpretation of ARB No. 51” (FIN 46R) to require public enterprises, including sponsors that have a variable interest in a VIE, to provide additional disclosures about their involvement with VIEs. The expanded disclosure requirements for FSP 140-4 and FIN 46(R)-8 are effective for the Corporation’s financial statements for the year ending December 31, 2008. The adoption of FSP 140-4 and FIN 46(R)-8 did not impact on the Company’s financial condition and results of operations.

On April 9, 2009, the FASB issued FSP No. FAS 107-1 and APB Opinion 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (FSP FAS 107-1). FSP FAS 107-1 requires expanded disclosures for all financial instruments as defined by FAS 107 such as loans that are not measured at fair value through earnings. The expanded disclosure requirements for FSP FAS 107-1 are effective for the Corporation’s quarterly financial statements for the period ended June 30, 2009. The adoption of FSP FAS 107-1 did not impact the Company’s financial condition and results of operations.

On April 9, 2009, the FASB issued FSP No. FAS 115-2, FAS 124-2 and EITF 99-20-2, “Recognition and Presentation of Other-Than-Temporary Impairments” (FSP FAS 115-2). This FSP requires an entity to recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the noncredit component in other comprehensive income (OCI) when the entity does not intend to sell the security and it is more likely than not that the entity will not be required to sell the security prior to recovery. FSP FAS 115-2 also requires expanded disclosures. The Corporation elected to early adopt FSP FAS 115-2 effective January 1, 2009. FSP FAS 115-2 does not change the recognition of other-than-temporary impairment for equity securities. The adoption of FSP FAS 115-2 did not impact the Company’s financial condition and results of operations.

On April 9, 2009, the FASB issued FASB Staff Position (FSP) No. FAS 157-4 “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (FSP FAS 157-4). FSP FAS 157-4 provides guidance for determining whether a market is inactive and a transaction is distressed in order to apply the existing fair value measurement guidance in FASB SFAS No. 157, “Fair Value Measurements” (SFAS 157). In addition, FSP FAS 157-4 requires enhanced disclosures regarding financial assets and liabilities that are recorded at fair value. The Corporation elected to early adopt FSP FAS 157-4 effective January 1, 2009 and the adoption did not have a material impact on the Company’s financial condition and results of operations.

On May 28, 2009, the FASB issued SFAS No. 165, “Subsequent Events” (SFAS 165). SFAS 165 provides general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In addition, SFAS 165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The adoption of SFAS 165, effective June 30, 2009, did not impact the Company’s financial condition and results of operations.

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On June 12, 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140" (SFAS 166), and SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" (SFAS 167). The amendments will be effective January 1, 2010. SFAS 166 revises SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140), which establishes sale accounting criteria for transfers of financial assets. Among other things, SFAS 166 amends SFAS 140 to eliminate the concept of a QSPE. As a result, existing QSPEs will be subject to consolidation in accordance with the guidance provided in SFAS 167. The adoption of SFAS 166 will not impact the Company's financial condition and results of operations.

SFAS 167 amends FIN 46(R) "Consolidation of Variable Interest Entities" (FIN 46R) by significantly changing the criteria by which an enterprise determines whether it must consolidate a VIE. A VIE is an entity, typically an SPE, which has insufficient equity at risk or which is not controlled through voting rights held by equity investors. FIN 46R currently requires that a VIE be consolidated by the enterprise that will absorb a majority of the expected losses or expected residual returns created by the assets of the VIE. SFAS 167 amends FIN 46R to require that a VIE be consolidated by the enterprise that has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. SFAS 167 also requires that an enterprise continually reassess, based on current facts and circumstances, whether it should consolidate the VIEs with which it is involved. The adoption of SFAS 167 will not impact the Company's financial condition and results of operations.

On July 1, 2009, the FASB issued FASB Statement SFAS No. 168, "FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" (SFAS 168). SFAS 168 approved the FASB Accounting Standards Codification as the single source of authoritative nongovernmental GAAP. The FASB Accounting Standards Codification is effective for interim or annual periods ending after September 15, 2009. All existing accounting standards have been superseded and all other accounting literature not included in the FASB Accounting Standards Codification will be considered nonauthoritative. The adoption of SFAS 168 will not impact the Company's financial condition and results of operations.

3. Fair Value Disclosures

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its financial instruments based on the fair value hierarchy established in SFAS 157 which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. The Company carries trading account assets and liabilities at fair value. The Company has also elected to carry certain resale and repurchase agreements at fair value in accordance with SFAS 159. SFAS 159 provides a fair value option election that allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities on a contract-by-contract basis.

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Fair Value Measurement

Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

The Company also uses market indices for direct inputs to certain models, where the cash settlement is directly linked to appreciation or depreciation of that particular index (primarily in the context of structured credit products). In those cases, no material adjustments are made off of the index-based values. In other cases, market indices are also used as inputs to valuation, but are adjusted for trade specific factors such as rating, credit quality, vintage and other factors.

Assets and liabilities measured at fair value at June 30, 2009 on a recurring basis are summarized below:

<u>Fair Value Measurements Using</u>					
(in millions)	Level 1	Level 2	Level 3	Netting Adjustments ⁽¹⁾	Assets/ Liabilities at Fair Value
Assets					
Securities segregated	\$ -	\$ -	\$ -	\$ -	\$ - ⁽²⁾
Securities purchased under agreements to resell	\$ -	\$ 9,071	\$ -	\$ -	\$ 9,071
Securities owned	\$ 4,459	\$ 51,392	\$ 2,506	\$ (1,682)	\$ 56,675
Total assets	\$ 4,459	\$ 60,463	\$ 2,506	\$ (1,682)	\$ 65,746
Liabilities					
Securities sold under agreements to repurchase	\$ -	\$ 5,011	\$ -	\$ -	\$ 5,011
Securities sold, not yet purchased	\$ 4,201	\$ 8,763	\$ 7	\$ (1,682)	\$ 11,289
Total liabilities	\$ 4,201	\$ 13,774	\$ 7	\$ (1,682)	\$ 16,300

(1) Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions and also cash collateral held or placed with the same counterparties.

(2) Securities segregated presented in this disclosure are included in Cash and securities segregated under federal regulations on the Statement of Financial Condition.

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Fair Value Option Elections

Resale and repurchase agreements

The Company elected the fair value option for certain resale and repurchase agreements. The fair value option election was made based on the tenor of the resale and repurchase agreements, which reflects the magnitude of the interest rate risk. Resale and repurchase agreements collateralized by U.S. government securities were excluded from the fair value option election as these contracts are generally short-dated and therefore the interest rate risk is not considered significant. Amounts loaned under resale agreements require collateral with a market value equal to or in excess of the principal amount loaned resulting in minimal credit risk for such transactions.

At June 30, 2009, the difference between fair value and the aggregate contractual principal amount of receivables under resale agreements and payables under repurchase agreements, for which the fair value option has been elected, was not material to the Statement of Financial Condition.

4. Securities Owned and Securities Sold, Not Yet Purchased

Securities owned and securities sold, not yet purchased (excluding securities segregated under SEC Rule 15c3-3) at June 30, 2009 consisted of trading securities and derivatives reported at estimated fair value as presented below:

(in millions)	<u>Securities Owned</u>	<u>Securities Sold, Not Yet Purchased</u>
U.S. Government and agency obligations	\$ 34,888	\$ 6,423
Corporate obligations, including asset-backed securities	15,242	4,324
Commercial paper, bankers' acceptances and certificates of deposit	3,616	-
Equities	567	102
State and municipal obligations	1,866	-
Other securities and derivatives	496	440
	<u>\$ 56,675</u>	<u>\$ 11,289</u>

Included in securities owned above are \$19,803,000,000 representing assets pledged to counterparties under repurchase and securities lending transactions where the agreement gives the counterparty the right to sell or repledge the underlying assets.

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5. Cash and Securities Segregated Under Federal Regulations

At June 30, 2009, U.S. Government securities, money market demand accounts and cash accounts with a contract value of \$250,000,000 have been segregated in special reserve accounts for the exclusive benefit of customers under SEC Rule 15c3-3.

The Company performs the computation for assets in the proprietary accounts of its introducing brokers (PAIB) in accordance with the customer reserve computation set forth in SEC Rule 15c3-3 under the Securities Exchange Act of 1934, so as to enable introducing brokers to include PAIB assets as allowable assets in their net capital computations (to the extent allowable under the Net Capital Rule). At June 30, 2009, \$5,000,000 in money market demand accounts has been segregated in special reserve accounts for the exclusive benefit of PAIB.

The Company is required, under the Commodity Exchange Act, to segregate assets at least equivalent to balances due to customers trading in U.S. regulated futures and options on futures contracts and customers domiciled in the United States trading on foreign futures markets. At June 30, 2009, \$1,000,000 has been segregated in cash accounts as required by the Commodity Exchange Act. During 2009, the futures business was transferred to MLPFS. The Company no longer clears commodity futures activity.

6. Receivable from and Payable to Brokers, Dealers and Others

Amounts receivable from and payable to brokers, dealers and others at June 30, 2009, consisted of the following:

(in millions)	Receivable	Payable
Securities failed to deliver/receive	\$ 3,157	\$ 1,310
Receivable/payable from/to clearing organizations	47	6
Unsettled trades, net	9,126	-
Receivable/payable from/to omnibus accounts	-	-
Receivable/payable from/to brokers and dealers	143	208
Receivable/payable from/to non-customers	-	466
	<u>\$ 12,473</u>	<u>\$ 1,990</u>

7. Short-Term Borrowings

The Company funds its securities inventory, operating expenses and other working capital needs through its own capital base, short-term repurchase agreements, securities lending, lines of credit and the proceeds from master notes issued to institutional investors. Master notes are short-term obligations which are unsecured and unsubordinated, and offered on a continuous basis. As of June 30, 2009, the Company had outstanding master notes of \$11,474,000,000. As of June 30, 2009, the Company had secured borrowings of \$8,000,000 and no outstanding other unsecured borrowings with third parties. Interest on these borrowings is based on prevailing short-term market rates.

The Company enters into secured and unsecured borrowings with the Corporation and secured borrowings with affiliate banks. The Company has renewable lines of credit with the Corporation and affiliate banks. Interest on these lines of credit is based on prevailing short-term market rates. Secured amounts borrowed are collateralized by U.S. Treasury securities or other marketable securities. At June 30, 2009, the Company had no outstanding secured borrowings and \$1,850,000,000 in unsecured borrowings under these lines of credit.

8. Liabilities Subordinated to Claims of General Creditors

The Company has a subordinated loan agreement with the Corporation of \$1,458,000,000, which bears interest based on the London InterBank Offered Rate (LIBOR), and has a maturity date of December 31, 2009. The loan agreement contains a provision that automatically extends the loan's maturity by one year unless specified actions are taken. In addition, the Company has a revolving subordinated line of credit with the Corporation totaling \$7,000,000,000, which bears interest based on LIBOR, and has a maturity date of October 1, 2010. The revolving subordinated line of credit contains a provision that automatically extends the maturity by one year unless specified actions are taken. At June 30, 2009, \$2,570,000,000 was outstanding on the line of credit. During the first quarter, the Company repaid \$1,500,000,000 on the revolving subordinated line of credit.

The subordinated borrowings are extended pursuant to agreements approved by various regulatory agencies and qualify as capital in computing net capital under the SEC's Uniform Net Capital Rule 15c3-1. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

9. Net Capital Requirement

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by SEC Rule 15c3-1, which requires that the Company maintain net capital equal to the greater of 2% of aggregate debit items or \$50,000,000. The Company is also a futures commission merchant and is subject to the CFTC's minimum financial requirement (Regulation 1.17), which requires that the Company maintain net capital equal to the greater of its requirement under SEC Rule 15c3-1, or 8% of the total customer risk margin requirement plus 4% of the total non-customer risk margin requirement for futures and options on futures positions.

Banc of America Securities LLC
Notes to Unaudited Statement of Financial Condition (cont.)
June 30, 2009

In addition, the Company may not repay subordinated borrowings, pay cash dividends, or make any unsecured advances or loans to the Corporation or employees if net capital falls below 5% of aggregate debit items.

At June 30, 2009, the Company had net capital under SEC Rule 15c3-1 of \$2,365,000,000, which was \$2,296,000,000 in excess of its net capital requirement of \$69,000,000.

At July 31, 2009, the Company had net capital under SEC Rule 15c3-1 of \$2,554,000,000, which was \$2,457,000,000 in excess of its net capital requirement of \$97,000,000.

10. Financial Instruments with Off-Balance Sheet Risk

As a securities broker-dealer, the Company is engaged in various securities trading and brokerage activities that expose the Company to off-balance sheet credit and market risk. A substantial portion of the Company's transactions are collateralized and executed with and on behalf of institutional investors, including other brokers, dealers and commercial banks.

The Company's principal activities and exposure to credit risk, associated with customers not fulfilling their contractual obligations, can be directly impacted by volatile trading markets. Receivables from and payables to brokers, dealers, exchanges, clearing organizations, customers and non-customers include unsettled trades which may expose the Company to credit and market risk in the event the broker, dealer, customer or non-customer is unable to fulfill its contractual obligations. The Company also bears market risk for unfavorable changes in the price of securities sold but not yet purchased.

Customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements. The credit is collateralized by cash and securities in the customers' accounts. In connection with these activities, the Company executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis. Such transactions may expose the Company to significant off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. The Company monitors required margin levels daily and requires the customer to deposit additional collateral, or to reduce positions, when necessary. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customers' obligations.

Futures contracts transactions are conducted through regulated exchanges for which the Company, its customers and other counterparties are subject to margin requirements and are settled in cash on a daily basis, thereby minimizing credit risk. Credit losses could arise should counterparties fail to perform and the value of any collateral proves inadequate. The Company manages credit risk by monitoring net exposure to individual counterparties on a daily basis, monitoring credit limits and requiring additional collateral, where appropriate.

Banc of America Securities LLC
Notes to Unaudited Statement of Financial Condition (cont.)
June 30, 2009

In the normal course of business, the Company also enters into contractual commitments, including futures and forward contracts, options on financial futures and government securities and other securities transactions on a when-issued and TBA basis. The credit risk associated with these contracts is limited to the unrealized market valuation gains recorded in the Statement of Financial Condition.

The contractual or notional amounts of these contracts as of June 30, 2009 are presented below:

(in millions)	<u>Contractual or Notional Amounts</u>
<u>When-issued and TBA securities</u>	
Commitments to purchase	\$ 401,647
Commitments to sell	425,276
<u>Options (interest rate and equity options)</u>	
Purchased options	10,550
Written options	29,660
<u>Financial futures and forwards</u>	
Commitments to purchase	45,124
Commitments to sell	32,628
<u>Swaps</u>	
Interest rate swaps	33,962
Total return and credit default swaps	11,258

When-issued securities are commitments entered into to purchase or sell securities in the time period between the announcement of a securities offering and the issuance of those securities. TBA securities represent commitments to purchase or sell securities for delivery at an agreed-upon specific future date where the specific securities have not been identified. An option contract is an agreement that conveys to the purchaser the right, but not the obligation, to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined rate or price during a period or at a time in the future. Futures and forward contracts are agreements to buy or sell quantities of financial instruments or commodities at predetermined future dates and rates or prices. A swap is an agreement between two or more parties to exchange sets of cash flows over a period in the future. These agreements and commitments are transacted on an organized exchange or directly between parties. The estimated fair values of options, forwards and other derivatives at June 30, 2009 are included in Securities owned and Securities sold, not yet purchased in the Statement of Financial Condition.

The contractual or notional amounts of these transactions represent the extent of the Company's involvement in these products, but do not represent the potential for gain or loss associated with the market risk or credit risk of such transactions. Market risk arises from changes in securities

Banc of America Securities LLC
Notes to Unaudited Statement of Financial Condition (cont.)
June 30, 2009

prices, exchange rates and interest rates. To the extent these transactions are used to economically hedge other financial instruments, the market risk may be partially or fully mitigated. Credit risk on these contracts arises if counterparties are unable to fulfill their obligations. The credit risk varies based on many factors, including the value of collateral held and other security arrangements.

The Company has established credit policies for commitments involving financial instruments with off-balance sheet credit risk. Such policies include credit review, approvals, limits and monitoring procedures. Where possible, the Company limits credit risk by generally executing options and futures transactions through regulated exchanges, which are subject to more stringent policies and procedures than over-the-counter transactions.

The estimated fair value amounts set forth below represent the estimated fair value of contracts with all counterparties, after taking into consideration legally enforceable master netting agreements. The estimated fair values at June 30, 2009 are included in Securities owned and Securities sold, not yet purchased in the Statement of Financial Condition.

(in millions)	Period-End Fair Value
<u>Assets</u>	
Purchased options	\$ 1
When-issued and TBA securities	2,148
Financial futures and forwards	20
Interest rate swaps	5
Total return and credit default swaps	452
	<u>\$ 2,626</u>
<u>Liabilities</u>	
Written options	\$ 5
When-issued and TBA securities	2,476
Financial futures and forwards	5
Interest rate swaps	323
Total return and credit default swaps	1
	<u>\$ 2,810</u>

The Company enters into credit derivatives primarily to manage credit risk exposures. Credit derivatives derive value based on an underlying third party-referenced obligation or a portfolio of referenced obligations and generally require the Company as the seller of credit protection to make payments to a buyer upon the occurrence of a predefined credit event. Such credit events generally include bankruptcy of the referenced credit entity and failure to pay under the obligation, as well as acceleration of indebtedness and payment repudiation or moratorium. For credit derivatives based on a portfolio of referenced credits or credit indices, the Company may not be required to make payment until a specified amount of loss has occurred and/or may only be required to make payment up to a specified amount.

Banc of America Securities LLC
Notes to Unaudited Statement of Financial Condition (cont.)
June 30, 2009

Credit derivative instruments in which the Company is the seller of credit protection are comprised of credit default swaps. As of June 30, 2009 the notional value of these instruments was \$4,567,000,000 with a negative carrying value of \$640,000,000 of which 66% had a term less than ten years, the remaining 34% has a term exceeding thirty years. All of these instruments were executed with an affiliated company. For most credit derivatives, the notional value represents the maximum amount payable by the Company. However, the Company does not exclusively monitor its exposure to credit derivatives based on notional value because this measure does not take into consideration the probability of occurrence. As such, the notional value is not a reliable indicator of the Company's exposure to these contracts. Instead, a risk framework is used to define risk tolerances and establish limits to help to ensure that certain credit risk-related losses occur within acceptable, predefined limits.

The Company may economically hedge its exposure to credit derivatives by entering into a variety of offsetting derivative contracts. For example, in certain instances, the Company may purchase credit protection with identical underlying referenced names to offset its exposure. At June 30, 2009, notional value and negative carrying value of credit protection sold in which the Corporation held purchased protection with offsetting exposure was \$4,513,000,000 and \$638,000,000.

11. Commitments and Contingencies

The Company has sold securities that it does not currently own and will therefore be obligated to purchase at a future date. The Company has recorded this obligation in the Statement of Financial Condition at the estimated fair value of such securities. The Company will incur a loss if the market price of the securities increases subsequent to June 30, 2009. The Company may limit this risk by entering into financial options and futures contracts and other offsetting positions.

At June 30, 2009, the Company had receivables under securities borrowed transactions of \$34,325,000,000 and payables under securities loaned transactions of \$7,789,000,000 reflected in the Statement of Financial Condition. The securities underlying these transactions had a market value of \$33,224,000,000 and \$7,604,000,000, respectively.

At June 30, 2009, the Company had receivables under resale agreements of \$94,968,000,000 and payables under repurchase agreements of \$156,115,000,000 reflected in the Statement of Financial Condition. These agreements had underlying collateral with approximate market values of \$96,124,000,000 and \$157,850,000,000, respectively. At June 30, 2009, the Company had no commitments to enter into future resale agreements. The Company is contingently liable as of June 30, 2009, in the amount of \$250,000,000 under outstanding letter-of-credit agreements used in lieu of margin deposits.

Banc of America Securities LLC
Notes to Unaudited Statement of Financial Condition (cont.)
June 30, 2009

At June 30, 2009, approximate market values of gross collateral received that can be sold or repledged by the Company were:

(in millions)

<u>Sources of Collateral</u>	<u>Market Value</u>
Securities purchased under agreements to resell	\$ 169,497
Securities borrowed	33,223
Customer securities available under rehypothecation agreements	-
Collateral received in securities borrowed on balance sheet	35
Collateral received in securities borrowed off balance sheet	7,885
	<u>\$ 210,640</u>

At June 30, 2009, approximate market values of gross collateral received that were sold or repledged by the Company were:

(in millions)

<u>Uses of Collateral</u>	<u>Market Value</u>
Securities sold under agreements to repurchase	\$ 95,317
Securities sold, not yet purchased	8,074
Securities loaned	7,605
Collateral pledged to clearing organizations	1,075
Customer securities used under rehypothecation agreements	-
Collateral pledged out in securities borrowed on balance sheet	35
Collateral pledged out in securities borrowed off balance sheet	7,885
	<u>\$ 119,991</u>

In connection with its underwriting activities, the Company enters into firm commitments for the purchase of securities in return for a fee. These commitments require the Company to purchase securities at a specified price. The underwriting of securities exposes the Company to market and credit risk, primarily in the event that, for any reason, securities purchased by the Company cannot be distributed at anticipated price levels. To manage market risk exposure related to these commitments, the Company may implement appropriate hedging strategies. At June 30, 2009, the Company had no material open underwriting commitments.

Banc of America Securities LLC
Notes to Unaudited Statement of Financial Condition (cont.)
June 30, 2009

The Company is obligated under noncancelable operating leases, which contain escalation clauses, for office facilities and equipment expiring on various dates through 2015. At June 30, 2009, the Company had minimum lease obligations related to these and other noncancelable operating leases as follows:

(in millions)

For the years ending December 31:

2009	\$ 10
2010	18
2011	12
2012	12
2013	14
Thereafter	<u>7</u>
	<u>\$ 73</u>

12. Related Party Transactions

The Company contracts a variety of services from the Corporation and certain of its subsidiaries. Such services include accounting, legal, regulatory compliance, transaction processing, purchasing, building management and other services. The Company also clears certain derivative transactions through affiliated companies. The Company provides securities and underwriting, loan syndication, loan trading and investment advisory services to the Corporation and certain affiliate banks. The Company also acts as agent in selling assets originated by affiliate banks.

Included in Other assets and Accrued expenses, compensation and other liabilities in the Statement of Financial Condition are receivables and payables due from and to affiliated companies related to contracted services. These amounts are settled in the normal course of business. Receivables from and payables to affiliated companies related to contracted services at June 30, 2009 were \$32,000,000 and \$10,000,000, respectively. At June 30, 2009, the Company had \$3,000,000 in cash and \$210,000,000 in time deposits on deposit with affiliate banks.

The Company executes securities transactions on behalf of certain affiliated companies acting in a broker capacity, clears trades for certain introduced accounts and executes certain transactions with affiliated companies. The Company also provides clearance services for the Corporation and affiliated companies for commodity futures and options transactions. These activities generate receivable and payable balances, which are included in various line items in the Statement of Financial Condition. As of June 30, 2009, these balances were \$62,000,000 and \$795,000,000, respectively. Additionally, the Company had resale agreements of \$59,698,000,000, repurchase agreements of \$14,378,000,000, securities borrowed of \$10,825,000,000 and securities loaned of \$7,001,000,000 outstanding with affiliates at June 30, 2009.

Banc of America Securities LLC
Notes to Unaudited Statement of Financial Condition (cont.)
June 30, 2009

Pursuant to agency and services agreements, the Company provides affiliated companies certain services related to the execution of derivatives, securities and financing related activities. In connection with these agreements, the affiliated companies transfer 50 percent of their revenues or losses to the Company as compensation for the services provided. This is a life to date agreement with losses shared only to the extent of revenues previously recognized. In addition, certain operating costs are paid by the Company and billed to affiliates.

13. Benefits

The Corporation has established certain qualified retirement and defined contribution plans covering full-time, salaried employees and certain part-time employees. Expenses under these plans are accrued each year. The costs are charged to current operations and, for defined benefit plans, consist of several components of net pension cost based on various actuarial assumptions regarding future expectations under the plans. In addition to providing retirement pension benefits, full-time, salaried employees and certain part-time employees may become eligible to continue participation as retirees in health care and/or life insurance plans sponsored by the Corporation. Based on the other provisions of the individual plans, certain retirees may also have the cost of benefits partially paid by the Corporation. Disclosures required by SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)", are included in the June 30, 2009 Form 10-Q of the Corporation.

14. Income Taxes

Significant components of the Company's net deferred tax asset (liability) at June 30, 2009 are as follows:

(in millions)

Deferred tax assets:

Accrued expenses	\$ 113
Securities valuation	75
Investments	23
Employee compensation and benefits	7
Other	4
Gross deferred tax assets	<u>\$ 222</u>

Deferred tax liabilities:

Intangibles	\$ (217)
Employee retirement benefits	(31)
Other	(6)
Gross deferred tax liabilities	<u>\$ (254)</u>

Net deferred tax liabilities \$ (32)

Banc of America Securities LLC
Notes to Unaudited Statement of Financial Condition (cont.)
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Current federal and state taxes payable of \$751,000,000 are included in Accrued expenses, compensation and other liabilities in the accompanying Statement of Financial Condition at June 30, 2009.

As of June 30, 2009, none of the balance of the Company's UTBs would, if recognized, affect the Company's effective tax rate. Included in the UTB balance are some items the recognition of which would not affect the effective tax rate, such as the tax effect of certain temporary differences and the portion of the gross state UTBs that would be offset by the tax benefit of the associated federal deduction.

A reconciliation of the change in UTBs is as follows:

(in millions)	
Balance, December 31, 2008	\$ 82
Increases related to positions taken during prior years	-
Increases related to positions taken during the current year	-
Decreases related to position taken during prior years	-
Settlements	-
Expiration of statute of limitations	-
Balance, June 30, 2009	<u>\$ 82</u>

The Internal Revenue Service (IRS) has completed the examination phase of the Corporation's federal income tax returns for the years 2000 through 2002 and issued Revenue Agent's Reports (RAR) to the Corporation. The Company is included in the Corporation's federal income tax returns. Included in these RARs were several proposed adjustments that were protested to the Appeals Office of the IRS. Management expects conclusion of these examinations within the next twelve months. The resolution of the proposed adjustments is not expected to impact the Company's UTB balance. However, final determination of the audit or changes in the estimate may result in future income tax expense or benefit to the Company. The Corporation's federal income tax returns, which included the Company, for the years 2003 through 2005 remain under examination by the IRS. Management does not expect these examinations to be concluded within the next twelve months. All tax years subsequent to the above years remain open to examination.

During the period ended June 30, 2009, the Company recognized \$2,000,000, net of taxes, of interest and penalties within income tax expense. As of June 30, 2009, the Company's accrual for interest and penalties that related to income taxes, net of taxes and remittances, was \$21,000,000.

15. Litigation and Regulatory Matters

In the ordinary course of business, the Company is routinely a defendant in or a party to pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. Certain of these actions and proceedings are based on alleged violations of securities, employment and other laws. In certain of these actions and proceedings, claims for substantial monetary damages are asserted against the Company.

In the ordinary course of business, the Company is also subject to regulatory examinations, information gathering requests, inquiries and investigations. In connection with formal and informal inquiries by various agencies, including the SEC, FINRA, CFTC, NFA and state securities regulators, the Company receives numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of its regulated activities.

In view of the inherent difficulty of predicting the outcome of such litigation and regulatory matters, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, the Company cannot state with confidence what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

In accordance with SFAS No. 5, "Accounting for Contingencies", the Company establishes reserves for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, the Company does not establish reserves. In some of the matters described below, including but not limited to the Lehman Brothers Holdings, Inc. matters, loss contingencies are not both probable and estimable in the view of management, and, accordingly, reserves have not been established for those matters. Based on current knowledge, management does not believe that loss contingencies, if any, arising from pending litigation and regulatory matters, including the litigation and regulatory matters described below, will have a material adverse effect on the financial position or liquidity of the Company, but may be material to the Company's operating results for any particular reporting period.

Adelphia Communications Corporation

Adelphia Recovery Trust is the plaintiff in a lawsuit pending in the U.S. District Court for the Southern District of New York (SDNY). The lawsuit originally named over 700 defendants, including the Company, and asserted over 50 claims under federal statutes and state common law relating to loans and other services provided to various affiliates of Adelphia Communications Corporation (ACC) and entities owned by members of the founding family of ACC. The plaintiffs seek unspecified damages in an amount not less than \$5 billion. The District Court granted in part defendants' motions to dismiss, which resulted in the dismissal of approximately 650 defendants from the lawsuit. The plaintiffs have appealed the dismissal decision. The primary claims remaining against the Company include fraud, aiding and abetting fraud, and aiding and abetting breach of fiduciary duty. Trial is scheduled for April 2010.

Auction Rate Securities (ARS) Claims

On May 22, 2008, a putative class action, *Bondar v. Bank of America Corporation*, was filed in the U.S. District Court for the Northern District of California against the Company and other affiliated entities (collectively Bank of America) on behalf of persons who purchased auction rate securities (ARS) from the defendants. The amended complaint, which was filed on January 22, 2009, alleges, among other things, that Bank of America manipulated the market for, and failed to disclose material facts about, ARS and seeks to recover unspecified damages for losses in the market value of ARS allegedly caused by the decision of the Company and other broker-dealers to discontinue supporting auctions for the securities. On February 12, 2009, the Judicial Panel on Multidistrict Litigation consolidated *Bondar* and two related, individual federal actions into one proceeding in the U.S. District Court for the Northern District of California. Additionally, numerous separate FINRA arbitrations containing similar allegations have been filed against the Company. The arbitrations seek damages, attorneys' fees, and rescission.

On September 4, 2008, two civil antitrust putative class actions, *City of Baltimore v. Citigroup et al.*, and *Mayfield v. Citigroup et al.*, were filed in the U.S. District Court for the SDNY against the Corporation, Merrill Lynch, and other financial institutions alleging that the defendants conspired to restrain trade in ARS by artificially supporting auctions and later withdrawing that support. *City of Baltimore* is filed on behalf of a class of issuers of ARS underwritten by the defendants between May 12, 2003 and February 13, 2008 who seek to recover the alleged above-market interest payments they claim they were forced to make when the Corporation, Merrill Lynch and others allegedly discontinued supporting ARS. The plaintiffs who also purchased ARS also seek to recover claimed losses in the market value of those securities allegedly caused by the decision of the financial institutions to discontinue supporting auctions for the securities. Plaintiffs seek treble damages and to rescind at par their purchases of ARS. *Mayfield* is filed on behalf of a class of persons who acquired ARS directly from defendants and who held those securities as of February 13, 2008. Plaintiffs seek to recover alleged losses in the market value of ARS allegedly caused by the decision of the Corporation and Merrill Lynch and others to discontinue supporting auctions for the securities. Plaintiffs seek treble damages and to rescind at par their purchases of ARS. On January 15, 2009, defendants, including the Corporation and Merrill Lynch, filed a motion to dismiss the complaints.

On September 10, 2008, Bank of America announced an agreement in principle with the Massachusetts Securities Division, without admitting or denying allegations of wrongdoing, under which it will offer to purchase at par ARS held by certain customers. On October 8, 2008, Bank of America announced agreements in principle with the SEC, the Office of the New York State Attorney General (NYAG), and the North American Securities Administrators Association. The agreements are substantially similar except that the agreement with the NYAG requires the payment of a penalty to be allocated among and at the discretion of the settling states. In addition, the agreement with the SEC provides that the SEC reserves the right to seek an additional penalty in the event it concludes Bank of America has not satisfied its obligations under the agreement. The Company's share in the penalty was \$25 million.

Since October 2007, numerous arbitrations and individual lawsuits have been filed in various jurisdictions against the Company by parties who purchased ARS. The plaintiffs in these matters generally allege various causes of action arising out of their purchases, including fraud, negligence, and breach of fiduciary duty and other duties, and seek compensatory damages as well as rescission, among other relief.

Countrywide Equity and Debt Securities Matters

Countrywide Financial Corporation (CFC), certain other CFC-related entities, and certain former officers and directors of CFC, among others, have been named as defendants in two putative class actions filed in the U.S. District Court for the Central District of California relating to certain CFC equity and debt securities. One case, entitled *In re Countrywide Financial Corp. Securities Litigation*, was filed by certain New York state and municipal pension funds on behalf of purchasers of CFC's common stock and certain other equity and debt securities. The complaint alleges, among other things, that CFC made misstatements (including in certain SEC filings) concerning the nature and quality of its loan underwriting practices and its financial results, in violation of the antifraud provisions of the Securities Exchange Act of 1934 and Sections 11 and 12 of the Securities Act of 1933. Plaintiffs also assert claims against the Company and other underwriter defendants under Sections 11 and 12 of the Securities Act of 1933. Plaintiffs seek unspecified compensatory damages, among other remedies. On December 1, 2008, the District Court granted in part and denied in part the defendants' motions to dismiss the first consolidated amended complaint, with leave to amend certain claims. Plaintiffs filed a second consolidated amended complaint. On April 6, 2009, the District Court denied defendants' motion to dismiss the second consolidated amended complaint.

Countrywide Mortgage-Backed Securities Litigation

CFC, certain other Countrywide entities, certain former CFC officers and directors, as well as the Company, are named as defendants in a consolidated putative class action, entitled *Luther v. Countrywide Home Loans Servicing LP, et al.*, filed in the Superior Court of the State of California, County of Los Angeles, that relates to the public offering of various mortgage-backed securities. The consolidated complaint alleges, among other things, that the mortgage loans underlying these securities were improperly underwritten and failed to comply with the guidelines and processes described in the applicable registration statements and prospectus supplements, in violation of Sections 11 and 12 of the Securities Act of 1933 and seeks unspecified compensatory damages, among other relief. On June 15, 2009, the court ordered plaintiffs to file a new action in federal court and stayed the state court action pending such a filing.

Heilig-Meyers Litigation

In AIG Global Securities Lending Corp., et al. v. Banc of America Securities LLC, pending in the U.S. District Court for the SDNY, the plaintiffs purchased asset-backed securities issued by a trust formed by Heilig-Meyers Co., and allege that the Company, as underwriter, made misrepresentations in connection with the sale of those securities in violation of the federal securities laws and New York common law. The case was tried and a jury rendered a verdict against the Company in favor of the plaintiffs for violations of Section 10(b) of the Securities Exchange

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Act of 1934 and Rule 10b-5 and for common law fraud. The jury awarded aggregate compensatory damages of \$84.9 million plus prejudgment interest totaling approximately \$59 million. The Company filed motions to set aside the verdict in January 2009. On May 14, 2009, the District Court denied the Company's post trial motions to set aside the verdict. The Company has filed an appeal in the U.S. Court of Appeals for the Second Circuit.

IndyMac

On January 20, 2009, the Company, in its capacity as underwriter, along with IndyMac MBS, IndyMac ABS, and other underwriters and individuals, were named as defendants in a putative class action complaint, entitled *IBEW Local 103 v. Indymac MBS et al.*, filed in the Superior Court of the State of California, County of Los Angeles, by purchasers of IndyMac mortgage pass-through certificates. The complaint alleges, among other things, that the mortgage loans underlying these securities were improperly underwritten and failed to comply with the guidelines and processes described in the applicable registration statements and prospectus supplements, in violation of Sections 11 and 12 of the Securities Act of 1933, and seeks unspecified compensatory damages and rescission, among other relief. The *IBEW Local 103* case has been removed to the U.S. District Court for the Central District of California.

On May 14, 2009, the Company, IndyMac MBS, IndyMac ABS, and other underwriters and individuals, were named as defendants in a putative class action complaint, entitled *Police & Fire Retirement System of the City of Detroit v. IndyMac MBS, Inc., et al.*, filed in the U.S. District Court for the SDNY. The allegations, claims, and remedies sought in these cases are substantially similar to those in the *IBEW Local 103* case.

In re Initial Public Offering Securities Litigation

Beginning in 2001, the Company, other underwriters, and various issuers and others, were named as defendants in certain of the 309 putative class action lawsuits that have been consolidated in the U.S. District Court for the SDNY as *In re Initial Public Offering Securities Litigation*. Plaintiffs contend that the defendants failed to make certain required disclosures and manipulated prices of securities sold in initial public offerings through, among other things, alleged agreements with institutional investors receiving allocations to purchase additional shares in the aftermarket and seek unspecified damages. On December 5, 2006, the U.S. Court of Appeals for the Second Circuit reversed the District Court's order certifying the proposed classes. On September 27, 2007, plaintiffs filed a motion to certify modified classes, which defendants opposed. On October 10, 2008, the District Court granted plaintiffs' request to withdraw without prejudice their class certification motion. On April 2, 2009, the parties executed a settlement, subject to court approval, in which the Company would pay, in total, approximately \$9.4 million to the settlement classes. On June 9, 2009, the District Court for the SDNY entered an order preliminarily approving the settlement. If the District Court grants final approval to the settlement and the decision survives any appeals that may be brought, the settlement will resolve the claims of all settlement class members (as defined in the settlement agreement) who do not opt out.

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Lehman Brothers Holdings, Inc.

Beginning in September 2008, the Company, along with other underwriters and individuals, were named as defendants in several putative class action complaints filed in the U.S. District Court for the SDNY and state courts in Arkansas, California, New York and Texas. Plaintiffs allege that the underwriter defendants violated Sections 11 and 12 of the Securities Act of 1933 by making false or misleading disclosures in connection with various debt and convertible stock offerings of Lehman Brothers Holdings, Inc. and seek unspecified damages. On January 9, 2009, the U.S. District Court for the SDNY issued an order consolidating most of these cases under the caption *In re Lehman Brothers Securities and ERISA Litigation*. The Company and other defendants have moved to dismiss the consolidated amended complaint.

Municipal Derivatives Matters

The Antitrust Division of the U.S. Department of Justice (DOJ), the SEC, and the IRS are investigating possible anticompetitive bidding practices in the municipal derivatives industry involving various parties, including Bank of America, N.A. (BANA), from the early 1990s to date. The activities at issue in these industry-wide government investigations concern the bidding process for municipal derivatives that are offered to states, municipalities and other issuers of tax-exempt bonds. The Corporation has cooperated, and continues to cooperate, with the DOJ, the SEC and the IRS. On February 4, 2008, BANA received a Wells notice advising that the SEC staff is considering recommending that the SEC bring a civil injunctive action and/or an administrative proceeding “in connection with the bidding of various financial instruments associated with municipal securities.” An SEC action or proceeding could seek a permanent injunction, disgorgement plus prejudgment interest, civil penalties and other remedial relief.

On January 11, 2007, the Corporation entered into a Corporate Conditional Leniency Letter (the Letter) with DOJ. Under the Letter and subject to the Corporation’s continuing cooperation, DOJ will not bring any criminal antitrust prosecution against the Corporation in connection with the matters that the Corporation reported to DOJ. Subject to satisfying DOJ and the court presiding over any civil litigation of the Corporation’s cooperation, the Corporation is eligible for (i) a limit on liability to single, rather than treble, damages in certain types of related civil antitrust actions, and (ii) relief from joint and several antitrust liability with other civil defendants.

Beginning in March 2008, the Corporation, BANA and other financial institutions have been named as defendants in complaints filed in federal courts in the District of Columbia, New York and elsewhere. Plaintiffs purport to represent classes of government and private entities that purchased municipal derivatives from defendants. The complaints allege that defendants conspired to allocate customers and fix or stabilize the prices of certain municipal derivatives from 1992 through the present. The plaintiffs’ complaints seek unspecified damages, including treble damages. These lawsuits were consolidated for pre-trial proceedings in the *In re Municipal Derivatives Antitrust Litigation*, MDL No. 1950 (Master Docket No. 08-2516), pending in the U.S. District Court for the SDNY, and plaintiffs have filed a second consolidated class action complaint in this matter. BANA and the Company and other financial institutions were also named in several related individual suits filed in California state courts on behalf of a number of cities and counties

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in California. These complaints allege a substantially similar conspiracy and assert violations of California's Cartwright Act, as well as fraud and deceit claims. All of these state complaints have been removed to federal court and are now part of *In re Municipal Derivatives Antitrust Litigation*, MDL No. 1950 (Master Docket No. 08-2516). Motions to remand these cases to state court were denied.

Beginning in April 2008, the Corporation and BANA received subpoenas, interrogatories and/or civil investigative demands from a number of state attorneys general requesting documents and information regarding municipal derivatives transactions from 1992 through the present. The Corporation and BANA are cooperating with the state attorneys general.

Parmalat Finanziaria S.p.A.

On December 24, 2003, Parmalat Finanziaria S.p.A. was admitted into insolvency proceedings in Italy, known as "extraordinary administration." The Corporation, through certain of its subsidiaries, including BANA, provided financial services and extended credit to Parmalat and its related entities. On June 21, 2004, Extraordinary Commissioner Dr. Enrico Bondi filed with the Italian Ministry of Production Activities a plan of reorganization for the restructuring of the companies of the Parmalat group that are included in the Italian extraordinary administration proceeding. In July 2004, the Italian Ministry of Production Activities approved the Extraordinary Commissioner's restructuring plan, as amended, for the Parmalat group companies that are included in the Italian extraordinary administration proceeding. This plan was approved by the voting creditors and the Court of Parma, Italy in October 2005.

Litigation and investigations relating to Parmalat are pending in both Italy and the United States.

Proceedings in Italy

On May 26, 2004, The Public Prosecutor's Office for the Court of Milan, Italy filed criminal charges against Luca Sala, Luis Moncada, and Antonio Luzi, three former employees of the Corporation, alleging the crime of market manipulation in connection with a press release issued by Parmalat. On December 18, 2008, the Court of Milan, Italy fully acquitted each of the former employees of all charges. At this time, the acquittal has not been appealed. The Public Prosecutor's Office also filed a related charge in May 2004 against the Corporation asserting administrative liability based on an alleged failure to maintain an organizational model sufficient to prevent the alleged criminal activities of its former employees. The trial on this administrative charge is ongoing, with hearing dates scheduled in 2009.

Separately, on October 9, 2008, the Public Prosecutor of the Court of Parma, Italy filed a notice of intent to file criminal charges against twelve former and current employees of the Corporation in connection with the insolvency of Parmalat S.p.A. The notice of intent to file charges alleges that the Corporation's transactions with Parmalat contributed to the insolvency of Parmalat, that certain transactions violated the Italian usury laws, and that certain former employees of the Corporation wrongly diverted funds in connection with certain transactions.

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On June 17, 2009, the Public Prosecutor's Office for the Court of Milan, Italy filed an appeal of the decision dated December 18, 2008 by the Court of Milan, Italy. The latter decision fully acquitted each of the former employees of all criminal charges in the Milan proceedings.

On July 31, 2009, the Public Prosecutor's Office for the Court of Parma, Italy filed formal charges against 10 former employees and one current employee of the Corporation, alleging the commission of crimes of fraudulent bankruptcy, fraud, usury and embezzlement in connection with the insolvency of Parmalat S.p.A.

Proceedings in the United States

On March 5, 2004, a First Amended Complaint was filed in a securities action pending in the U.S. District Court for the SDNY entitled *Southern Alaska Carpenters Pension Fund et al. v. Bonlat Financing Corporation et al.* The action was brought as a putative class action on behalf of purchasers of Parmalat securities, alleged violations of the federal securities laws against the Corporation and certain affiliates, and sought unspecified damages. The action was subsequently consolidated as the *In re Parmalat Securities Litigation* before Judge Lewis A. Kaplan of the SDNY. On August 12, 2008, the District Court dismissed the putative class claims against the Corporation and its affiliates in their entirety and no appeal was taken.

On October 7, 2004, Enrico Bondi filed an action in the U.S. District Court for the Western District of North Carolina on behalf of Parmalat and its shareholders and creditors against the Corporation and various related entities, entitled *Dr. Enrico Bondi, Extraordinary Commissioner of Parmalat Finanziaria, S.p.A., et al. v. Bank of America Corporation, et al.* (the Bondi Action). The complaint alleged federal and state RICO claims and various state law claims, including fraud. The complaint seeks damages in excess of \$10 billion. The Bondi Action was transferred to the U.S. District Court for the SDNY for coordinated pre-trial purposes with putative class actions and other related cases against non-Bank of America defendants under the caption *In re Parmalat Securities Litigation*. Following orders on motions to dismiss, the remaining claims are federal and state RICO claims, a breach of fiduciary duty claim, and other state law claims with respect to three transactions entered into between the Corporation and Parmalat. The Corporation filed an answer and counterclaims seeking damages. The District Court granted in part a motion to dismiss certain of the counterclaims, leaving intact the counterclaims for fraud, negligent misrepresentation and civil conspiracy against Parmalat S.p.A., Parmalat Finanziaria S.p.A. and Parmalat Netherlands, B.V., as well as a claim for securities fraud against Parmalat S.p.A. and Parmalat Finanziaria S.p.A.

Certain purchasers of Parmalat-related private placement offerings have filed complaints against the Corporation and various related entities in the following actions: *Principal Global Investors, LLC, et al. v. Bank of America Corporation, et al.* in the U.S. District Court for the Southern District of Iowa; *Monumental Life Insurance Company, et al. v. Bank of America Corporation, et al.* in the U.S. District Court for the Northern District of Iowa; *Prudential Insurance Company of America and Hartford Life Insurance Company v. Bank of America Corporation, et al.* in the U.S. District Court for the Northern District of Illinois; *Allstate Life Insurance Company v. Bank of America Corporation, et al.* in the U.S. District Court for the Northern District of Illinois; *Hartford Life Insurance v. Bank of America Corporation, et al.* in the U.S. District Court for the SDNY; and *John Hancock Life Insurance Company, et al. v. Bank of America Corporation et al.* in the U.S. District Court for the District of Massachusetts.

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The actions variously allege violations of federal and state securities law and state common law, and seek rescission and unspecified damages based upon the Corporation's and related entities' alleged roles in certain private placement offerings issued by Parmalat-related companies. All cases have been transferred to the U.S. District Court for the SDNY for coordinated pre-trial purposes with the *In re Parmalat Securities Litigation* matter. The plaintiffs seek rescission and unspecified damages resulting from alleged purchases of approximately \$305 million in private placement instruments.

On July 28, 2009, the Corporation entered into settlement agreements (Settlement Agreements) with Parmalat Finanziaria S.p.A in Extraordinary Administration, Parmalat S.p.A. in Extraordinary Administration, Parmalat S.p.A. and related Parmalat entities in Extraordinary Administration (collectively, Parmalat). The Settlement Agreements resolve all claims of Parmalat and its subsidiaries and affiliates (as defined in the Settlement Agreements) against the Corporation and its former and current employees which were or could have been asserted in the Bondi Action, and any and all claims against the Corporation and its former and current employees in other jurisdictions. In addition to the release by the Corporation of its counterclaims in the Bondi Action, consideration for the Settlement Agreements is composed of cash and non-cash items equal to \$100 million in value. The Settlement Agreements will become final and binding on the parties, and consideration is payable, only upon the entry of a contribution bar order by the U.S. District Court for the SDNY. The Corporation intends to file its Request for Entry of a Contribution Bar Order with the District Court before the end of August 2009.

For More Information — The Company's annual report, prepared pursuant to Rule 17a-5 of the Securities and Exchange Commission (SEC), is available for examination and copying at our office located at 600 Montgomery Street, San Francisco, CA 94111, and at the Atlanta Regional Office of the SEC.

FINRA operates the Public Disclosure Program, which provides certain information regarding the disciplinary history of FINRA members and their associated persons. Investors may obtain a brochure that includes information describing the program by calling FINRA's Public Disclosure Hotline at 800.289.9999. Information regarding the program is also available on FINRA's Web site at <http://www.finra.org>.

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