UNITED STATES OF AMERICA BEFORE THE SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933 RELEASE NO. 8913 / MAY 1, 2008

SECURITIES EXCHANGE ACT OF 1934 RELEASE NO. 57748 / MAY 1, 2008

INVESTMENT ADVISERS ACT OF 1940 RELEASE NO. 2733 / MAY 1, 2008

INVESTMENT COMPANY ACT OF 1940 RELEASE NO. 28261 / May 1, 2008

ADMINISTRATIVE PROCEEDING FILE NO. 3-13030

In The Matter Of

BANC OF AMERICA INVESTMENT SERVICES, INC. and COLUMBIA MANAGEMENT ADVISORS, LLC, as successor in interest to Banc of America Capital Management, LLC,

Respondents.

: ORDER INSTITUTING

: PROCEEDINGS PURSUANT TO

: SECTION 8A OF THE

: SECURITIES ACT OF 1933,

: SECTIONS 15(b)(4) AND

: 21C OF THE SECURITIES

: EXCHANGE ACT OF 1934,

: SECTION 9(b) OF THE

: INVESTMENT COMPANY ACT

: OF 1940, and SECTIONS 203(e)

: AND 203(k) OF THE

: INVESTMENT ADVISERS

: ACT OF 1940, AND

: MAKING FINDINGS AND

: IMPOSING CEASE-AND-DESIST

: ORDERS, PENALTIES, AND

: OTHER RELIEF

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings pursuant to Section 8A of the Securities Act of 1933 ("Securities Act"), Sections 15(b)(4) and 21C of the Securities Exchange Act of 1934 ("Exchange Act"), Section 9(b) of the

Investment Company Act of 1940 ("Company Act"), and Sections 203(e) and (k) of the Investment Advisers Act of 1940 ("Advisers Act") be and hereby are instituted against Banc of America Investment Services, Inc., and that public administrative and cease-and-desist proceedings pursuant to Section 9(b) of the Company Act and Sections 203(e) and (k) of the Advisers Act be and hereby are instituted against Columbia Management Advisors, LLC, as successor in interest to Banc of America Capital Management, LLC.

II.

In anticipation of the institution of these proceedings, Banc of America Investment Services, Inc. and Columbia Management Advisors, LLC, as successor in interest to Banc of America Capital Management, LLC (collectively, "Respondents") have each submitted an Offer of Settlement ("Offers") to the Commission, which the Commission has determined to accept. Solely for the purpose of these proceedings, and any other proceedings brought by or on behalf of the Commission or to which the Commission is a party, the Respondents, without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and over the subject matter of these proceedings, consent to the entry of this Order Instituting Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b)(4) and 21C of the Securities Exchange Act of 1934, Section 9(b) of the Investment Company Act of 1940, and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, and Making Findings and Imposing Cease-and-Desist Orders, Penalties, And Other Relief ("Order").

III.

On the basis of this Order and the Respondents' Offers, the Commission finds that:

A. RESPONDENTS

- 1. **Banc of America Investment Services, Inc.**, a Florida corporation with its principal place of business in Boston, Massachusetts, is a wholly-owned subsidiary of Bank of America Corporation. Banc of America Investment Services is a broker-dealer and investment adviser registered with the Commission pursuant to Section 15(b) of the Exchange Act and Section 203(c) of the Advisers Act, respectively, and is a member of Financial Industry Regulatory Authority. Banc of America Investment Services engages in a nationwide securities business, in which it operates a wrap fee program, and is the principal retail brokerage unit of Bank of America Corporation.
- 2. Columbia Management Advisors, LLC, a Delaware limited liability corporation with its principal place of business in Boston, Massachusetts, is the successor in interest to Banc of America Capital Management, LLC. Columbia Management Advisors is an investment adviser registered with the Commission pursuant to Section 203(c) of the Advisers Act. At the time of the violations described in this Order, Banc of America Capital Management was a North Carolina limited liability company with its principal place of business in Charlotte, North Carolina, and was a wholly-owned

subsidiary of Bank of America Corporation. Banc of America Capital Management was an investment adviser registered with the Commission pursuant to Section 203(c) of the Advisers Act. Banc of America Capital Management acted as an investment adviser to Bank of America proprietary mutual funds sold under the brand "Nations Funds" and, through its research division, also researched and recommended mutual funds to be purchased for discretionary clients in the mutual fund wrap fee program operated by its affiliate, Banc of America Investment Services. In September 2005, Banc of America Capital Management merged with Colonial Advisory Services, Inc., and Columbia Management Advisers, Inc., to form a new entity named Columbia Management Advisors, LLC, which is a subsidiary of Columbia Management Group, LLC, which in turn is a subsidiary of Bank of America Corporation. In 2005, Banc of America Capital Management transferred its mutual fund research division and its business of researching and recommending mutual funds to Banc of America Investment Advisors, Inc., an affiliated adviser. The events discussed in this Order predate the formation of Columbia Management Advisors, LLC.

B. SUMMARY

This matter involves material misrepresentations and omissions by Banc of America Investment Services to its clients for whom it maintained discretionary mutual fund wrap fee accounts between July 2002 and December 2004 (the "relevant period"). Banc of America Investment Services selected at least two affiliated funds (Nations Funds), using a methodology that was contrary to prior statements to clients, for inclusion within Banc of America Investment Services' wrap fee accounts. Banc of America Investment Services' affiliate, Banc of America Capital Management, earned additional fees as a result because its management fees were based on Nations Funds' asset size.

During the relevant period, Banc of America Capital Management was both an investment adviser to Nations Funds, from which it derived asset-based fees, and the entity recommending model portfolios for Banc of America Investment Services' mutual fund wrap fee accounts. As an investment adviser to clients in its mutual fund wrap fee program, Banc of America Investment Services had a fiduciary duty to act in the best interests of its clients. This duty required Banc of America Investment Services to disclose all material information concerning potential or actual conflicts of interest, and precluded it from any undisclosed use of its clients' assets to benefit itself.

During the relevant period, Banc of America Capital Management made recommendations, which Banc of America Investment Services approved, of all mutual funds selected for wrap fee clients with discretionary accounts, including the Nations Funds that are the subject of this proceeding. The recommendations were supposed to be based upon an objective and unbiased research methodology that was outlined for clients and prospective clients in promotional literature and disclosures. However, in certain instances, Banc of America Investment Services and Banc of America Capital Management focused on subjective criteria in the research process, which favored Nations Funds, and resulted in increased assets under management for Banc of America Capital Management. The selection of affiliated funds gave rise to a conflict of interest

between Banc of America Investment Services' and Banc of America Capital Management's desire to increase the amount of advisory fees paid to Banc of America Capital Management, and Banc of America Investment Services' fiduciary duty to act in the best interest of its discretionary wrap fee clients by selecting the most appropriate mutual funds on their behalf, regardless of whether such funds were Nations Funds or non-affiliated.

In its disclosures, Banc of America Investment Services stated that 1) it utilized a rigorous and objective research process to identify the most appropriate mutual funds from a "vast universe" of funds; 2) it scrutinized performance, returns and consistency, and only considered funds or fund managers with established track records; and 3) funds managed by its affiliates were "selected based upon the same criteria" as funds managed by unaffiliated firms. Those procedures were not uniformly followed in selecting mutual funds for the model portfolios. Banc of America Investment Services also omitted to disclose the scope of its conflict of interests, and the bias in the recommendation and selection process.

As a result, Banc of America Investment Services violated Section 17(a)(2) and (3) of the Securities Act, Sections 206(2), 206(4), and 207 of the Advisers Act and Advisers Act Rule 206(4)-1(a)(5), and Banc of America Capital Management aided and abetted and caused violations of Sections 206(2) and 206(4) of the Advisers Act and Advisers Act Rule 206(4)-1(a)(5).

C. FACTS

1. Background

Since at least 2000, Banc of America Investment Services has managed a mutual fund wrap fee program under which clients, most of whom are individual investors, could choose to maintain discretionary accounts. In a mutual fund discretionary wrap fee program, a client gives its adviser, here Banc of America Investment Services, discretion to select the mutual funds that the client purchases, and, in lieu of separate transaction fees, is charged an asset-based fee for transactions and advisory services.

In 2002, Banc of America Investment Services delegated to its affiliate, Banc of America Capital Management, the research and evaluation functions of selecting mutual funds for a recommended list (called the "Fund Focus List") provided to non-discretionary mutual fund wrap fee clients. Banc of America Capital Management also assumed responsibility for creating model portfolios and selecting the most appropriate funds from the Fund Focus List for clients with discretionary mutual fund accounts. The research division of Banc of America Capital Management performed the evaluation and recommendation process for the Fund Focus List and the model portfolios. Banc of America Investment Services approved the research process developed by Banc of America Capital Management, which was supposed to provide unbiased recommendations. After conducting research and evaluation, Banc of America Capital Management relayed recommendations to a committee of Banc of America Investment

Services, which approved the recommendations for every mutual fund added or dropped from the Fund Focus List and the model portfolios.

2. <u>Banc of America Capital Management Did Not Uniformly Follow Its Stated Research Process</u>

When Banc of America Capital Management took over the research and recommendation functions in 2002, it developed a six-step research process. The Investment Policy Committee of Banc of America Investment Services approved this process in May 2002 and the process was implemented shortly thereafter. According to the approved process, which was summarized in promotional literature, Banc of America Capital Management did the following:

- Screened a "vast universe of available investment managers" based upon "competitive absolute performance" and "competitive risk-adjusted performance";
- Screened investment managers who made the first cut by evaluating certain "business thresholds," including "credible length of track record," which was "generally five years";
- Performed "more stringent quantitative analysis", including assessing competitive returns, rolling performance, consistency of performance, and trailing returns over one, three, and five-year periods;
- Performed a qualitative analysis, focusing on investment philosophy, investment process, business model, and other subjective factors;
- Made recommendations based on the screening and evaluations performed; and
- Performed ongoing research.

In materials distributed to clients and prospective clients, Banc of America Investment Services represented that the research process would provide unbiased recommendations of the most appropriate mutual funds based upon "continuous, disciplined screening." In practice, however, Banc of America Capital Management omitted the first two screening steps, discounted quantitative analysis, and emphasized subjective factors, which favored proprietary funds. Contrary to its stated research process, Banc of America Capital Management did not require track-record or absolute performance thresholds for screening, evaluating, or recommending its proprietary Nations Funds, but instead focused primarily on subjective factors in evaluating those funds.

Banc of America Capital Management developed a "positioning" presentation concerning mutual fund selection. In that presentation, the research division explained

that, by adopting this "positioning" work, Banc of America Capital Management could "more competitively position itself within [the asset-based fee] programs and beyond some of [Banc of America Capital Management's] current weaknesses (i.e. performance)." In an analysis prepared to show the potential market share of Banc of America Capital Management-advised funds within the asset-based fee programs, a research employee noted that, with respect to one program, "[f]rom a 5-year return perspective, [Banc of America Capital Management] either doesn't have or has the worst 5-year absolute return within each respective asset class." The presentation set forth a "positioning" strategy that would favor Nations Funds by relying "more on qualitative issues and away from performance." Ultimately, pursuant to that strategy Banc of America Capital Management recommended -- and Banc of America Investment Services approved -- the use of two Nations Funds in the model portfolios for mutual fund wrap fee clients: the Nations Large Cap Value Fund and the Nations Small Company Fund.

a. <u>Nations Large Cap Value Fund</u>

In or around November 2001, Banc of America Capital Management launched the Nations Large Cap Value Fund. To manage that fund, Banc of America Capital Management hired a new investment manager who its executives believed would be able to achieve positive results for the fund. To promote the fund, a Banc of America Capital Management executive looked for opportunities to give "exposure" to the new manager.

In mid-2002, a co-president of Banc of America Capital Management directed the research division to evaluate the Nations Large Cap Value Fund for inclusion in the mutual fund wrap fee program. The research division assessed the new manager's investment style and methodology, but could not evaluate the fund's long-term performance because the fund had been in operation for less than nine months (the research process required at least a three-year performance history). In addition, although the new manager had substantial experience with a previous employer, her track record was not portable under industry standards because the other investment decision makers with whom she had worked at her previous employer did not move with her to Banc of America Capital Management. Moreover, during its limited existence, the Large Cap Value Fund had underperformed its benchmark and was below the industry average return for its asset class. When it first appeared in the Fund Focus List for September 30, 2002, the Nations Large Cap Value Fund had the lowest return for the prior quarter – and the highest expense ratio -- of the seven large cap value funds on the Fund Focus List.

In a 2002 memorandum, a research division employee suggested that the Large Cap Value Fund be placed on the Fund Focus List as a "special consideration" (for clients with non-discretionary accounts), and not be considered for discretionary accounts until it developed an appropriate track record. The employee noted that, while the new manager was intelligent and had a sound investment philosophy, she did not have "a pattern of repeatable success driven by a repeatable process." In the memorandum, the employee also expressed concern that recommending the Large Cap Value Fund for the discretionary models might undercut the credibility of the research division. Despite such concern within the research division, and the fact that the Large Cap Value Fund did

not meet the stated criteria for consideration, Banc of America Capital Management recommended the Fund for discretionary accounts.

Banc of America Capital Management derived management and other fees as a result of the increased assets in the Large Cap Value Fund attributable to its recommendation -- and Banc of America Investment Services' approval -- of the Large Cap Value Fund for inclusion in the discretionary mutual fund wrap fee accounts. Shortly after implementation, approximately eight percent (8%) of all discretionary clients' assets were invested in the Nations Large Cap Value Fund. The Large Cap Value Fund remained in the discretionary models throughout the relevant period.

b. Nations Small Company Fund

In July 2002, Banc of America Capital Management recommended, and Banc of America Investment Services approved, the Nations Small Company Fund for inclusion in the model portfolios for the "small capitalization growth" asset category. In making the recommendation, Banc of America Capital Management did not follow the stated research and evaluation process that required it to screen a universe of small capitalization growth funds and to perform a "rigorous analysis" to determine the most appropriate fund for Banc of America Investment Services' discretionary wrap fee clients. In particular, Banc of America Capital Management did not evaluate the consistency of "investment style and past performance" to identify funds with "histories of consistent investment practices."

As of July 2002, the Nations Small Company Fund had lower historical returns than a similar non-proprietary fund on the Fund Focus List. Nevertheless, Banc of America Capital Management did not evaluate the non-proprietary fund. Further, Banc of America Investment Services had previously included the Nations Small Company Fund on the Fund Focus List only as a "special consideration," noting that it did not satisfy the standard criteria for inclusion, and had categorized the fund's investment style as being "without preference for growth or value." Banc of America Capital Management then reclassified the fund in discretionary models as a "growth" fund. The Nations Small Company Fund remained in the discretionary models from July 2002 until the second quarter of 2004.

3. <u>Banc of America Investment Services Failed</u> Adequately to Disclose the Conflict of Interests

During a portion of the relevant period, the research division and the mutual fund investment adviser division of Banc of America Capital Management reported to the same executive. Banc of America Capital Management derived asset-based fees for its investment management of the Nations Funds. Including more Nations Funds in discretionary wrap fee accounts increased the fees paid to Banc of America Capital Management.

The Respondents' selection of Nations Funds for inclusion in the mutual fund wrap fee accounts was inconsistent with the disclosed selection criteria. Further, Respondents failed to disclose a material conflict of interests arising from the selection of affiliated mutual funds between their pecuniary interests and the best interests of Banc of America Investment Services' advisory clients.

4. <u>Banc of America Investment Services' Disclosures</u> to Clients Were False and Misleading

In promotional materials and program disclosure documents distributed to clients and prospective clients, deemed filed with the Commission as Part II of Form ADV, Banc of America Investment Services made a number of statements that were not accurate and complete. Banc of America Investment Services represented that it utilized a "continuous, disciplined screening" process designed to identify the "most appropriate" mutual funds for the Funds Focus List and model portfolios. Banc of America Investment Services also represented that it performed an ongoing screening and review of previously selected funds. In fact, Banc of America Investment Services and Banc of America Capital Management did not use the unbiased, internally-established research and review process outlined to investors in promotional literature.

In promotional materials, Banc of America Investment Services also represented that it scrutinized performance -- both returns and consistency -- and only considered funds or fund managers with established track records. In fact, Banc of America Investment Services and Banc of America Capital Management made an exception to the track record and performance thresholds for the Nations Large Cap Value Fund discussed above.

In the required Disclosure Statements for the mutual fund wrap fee program, Banc of America Investment Services stated that, in selecting funds for discretionary portfolios, funds managed by affiliated firms and funds managed by unaffiliated firms would "be selected based upon the same criteria." Banc of America Investment Services also represented that "the fact that a fund pays a fee to [Banc of America Investment Services] or to any affiliate including Bank of America will not be considered a factor in the selection of which mutual funds to recommend to or purchase for clients." In fact, Banc of America Investment Services and Banc of America Capital Management did not use the same criteria when evaluating and selecting Nations Funds and favored at least two Nations Funds over non-affiliated funds, resulting in Banc of America Capital Management receiving management fees for mutual funds included in the discretionary wrap fee accounts.

D. LEGAL DISCUSSION

A. Section 17(a) of the Securities Act

Section 17(a)(2) of the Securities Act prohibits any person from obtaining money by means of an untrue statement or material omission in the offer or sale of securities.

Section 17(a)(3) prohibits any transaction, practice or course of business which would operate as a fraud or deceit upon actual or potential purchasers. Violations of Sections 17(a)(2) and (3) do not require proof of scienter and can be proven by negligent conduct. <u>Aaron v. SEC</u>, 446 U.S. 680, 694 (1980).

In misrepresenting its research process and failing to disclose the conflicts of interest inherent in the selection of funds for its discretionary clients, Banc of America Investment Services violated Sections 17(a)(2) and 17(a)(3) of the Securities Act.

B. Section 206 of the Advisers Act

Section 206(2) of the Advisers Act prohibits an investment adviser from engaging in any transaction, practice or course of business that operates as a fraud on clients; Section 206(4) prohibits an investment adviser from engaging in any act, practice or course of business which is fraudulent, deceptive, or manipulative under Rules promulgated by the Commission. Rule 206(4)-1(a)(5), promulgated pursuant to Section 206(4), prohibits an investment adviser from publishing, circulating or distributing any advertisement that "contains any untrue statement of a material fact, or which is otherwise false or misleading."

Sections 206(2) and (4) establish a fiduciary duty for investment advisers to act for the benefit of their clients. Transamerica Mortgage Advisors, Inc. v. Lewis, 444 U.S. 11, 17 (1979). This fiduciary duty precludes the adviser from any undisclosed use of its clients' assets to benefit itself. Kingsley, Jennison McNulty & Morse Inc., Advisers Act Rel. No. 1396, 55 SEC Docket 2434, 2438 (Dec. 23, 1993). Further, an investment adviser has a duty to disclose to clients all material information which might incline an investment adviser consciously or unconsciously to render advice which is not disinterested. SEC v. Capital Gains Research Bureau, Inc., 375 U.S. 180, 191-92 (1963). As a fiduciary, an investment adviser has a duty to disclose to clients "all material information which is intended 'to eliminate, or at least expose,' all potential or actual conflicts of interest 'which might incline an investment adviser consciously or unconsciously - to render advice which is not disinterested." 1986 Interpretive Release Concerning the Scope of Section 28(e) of the Securities Exchange Act of 1934, Exchange Act Rel. No. 23170 (April 23, 1986), 1986 SEC LEXIS 1689 (quoting Capital Gains Research, 375 U.S. at 191-92); Kingsley, 1991 SEC LEXIS 2587 at 38. Proof of scienter is not required to establish a violation of Section 206(2). Capital Gains, 375 U.S. at 195. Nor is proof of scienter necessary to prove a violation of Section 206(4). SEC v. Steadman, 967 F.2d 636, 647 (D.C. Cir. 1992).

Banc of America Investment Services violated Section 206(2) of the Advisers Act by misrepresenting to clients that funds in the model portfolios would be chosen according to the approved research process. Banc of America Investment Services also violated Section 206(2) by failing to disclose the conflict of interests in its selection of affiliated funds for inclusion in the model portfolios. As an investment adviser, Banc of America Investment Services owed a fiduciary duty to its discretionary mutual fund wrap fee clients to disclose all material facts, including all situations involving an actual or

potential conflict of interests with a client. Contrary to its fiduciary duties, Banc of America Investment Services placed its and Banc of America Capital Management's pecuniary interests ahead of its clients' interests. In doing so, Banc of America Investment Services violated Section 206(2) of the Advisers Act.

Because Banc of America Investment Services made these material misrepresentations and omissions in advertising and promotional materials for the mutual fund wrap fee programs and because those advertisements and promotional materials were distributed to clients and prospective clients, Banc of America Investment Services violated Section 206(4) of the Advisers Act and Rule 206(4)-1(a)(5) thereunder, which prohibits an investment adviser from publishing, circulating, or distributing any advertisement which contains any untrue statement of a material fact, or which is otherwise false or misleading.

C. Section 207 of the Advisers Act

Section 207 of the Advisers Act makes it unlawful for any person willfully to make any untrue statement of material fact in any registration application or report filed with the Commission or willfully to omit to state in any such application or report any material fact required to be stated therein. A person violates Section 207 by filing a false Form ADV, including any amended Forms ADV. In re: Stanley Peter Kerry, Advisers Act Rel. No. 1550, 61 SEC Docket 431 (Jan. 25, 1996). Violations of Section 207 do not require a showing of scienter. In re: Parnassus Investments, Inc., Initial Dec. Rel. No. 131, 67 SEC Docket 2760, 2784 (Sept. 3, 1998). Under Section 207 of the Advisers Act, an investment adviser has a duty to file Forms ADV that are not false or misleading and that do not omit to state material facts required to be stated therein. See In re: S Squared Tech. Corp., Advisers Act Rel. No. 1575, 62 SEC Docket 1560, 1567 (Aug. 7, 1996). Form ADV embodies mandatory disclosure requirements to ensure that material information regarding the method for selecting securities for clients is disclosed to investors. See Investment Adviser Requirements Concerning Disclosure, Recordkeeping, Applications for Registration and Annual Filings, Advisers Act Rel. No. 664, 16 SEC Docket 901 (Jan. 30, 1979).

Banc of America Investment Services made untrue statements of material fact in Part II of its Form ADV. Part II of Form ADV is deemed filed with the Commission pursuant to Section 204 of the Advisers Act and Rule 204-1(c) thereunder.

E. FINDINGS

As a result of the conduct described above, Banc of America Investment Services willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act, Sections 206(2), 206(4), and 207 of the Advisers Act, and Advisers Act Rule 206(4)-1(a)(5).

As a result of the conduct described above, Columbia Management Advisors, as successor in interest to Banc of America Capital Management, willfully aided and abetted

and caused Banc of America Investment Services' violations of Sections 206(2) and 206(4) of the Advisers Act, and Advisers Act Rule 206(4)-1(a)(5).

F. UNDERTAKINGS

Respondents have undertaken as follows:

- 1. Banc of America Investment Services shall place and maintain on its website within 15 days of the date of entry of the Order disclosures respecting the manner of selecting funds for any discretionary program and identifying any funds affiliated with Banc of America Investment Services or Columbia Management Advisors, as successor in interest to Banc of America Capital Management, that are included in the program and the aggregate percentage of affiliated funds included in such program. Banc of America Investment Services shall make this information available via a hyperlink on the home page of its website for at least 18 months from the date the information is first made available.
- 2. Banc of America Investment Services shall place on its website, within 15 days of the date of entry of this Order, a summary of the Order in a form not unacceptable to the Commission's staff with a hyperlink to the Order. Banc of America Investment Services shall maintain the summary and hyperlink on its website for at least 18 months after its initial posting.
- 3. In a periodic statement or report sent to each discretionary mutual fund wrap fee client on at least a quarterly basis, Banc of America Investment Services shall specifically identify all funds or fund families advised by any affiliate of Banc of America Investment Services. Such disclosure shall continue for at least 18 months from the date of the statement in which it is first included and be in type no smaller than the type used for the listing of any transactions reported or assets held in the periodic report or statement.
- 4. Banc of America Investment Services shall conduct a comprehensive review of: (i) whether the method of selecting mutual funds to be included in any discretionary program advised by Banc of America Investment Services is adequately disclosed; (ii) the adequacy of disclosures respecting any discretionary program advised by Banc of America Investment Services; and (iii) the adequacy of the policies and procedures respecting Banc of America Investment Services' recommendations to mutual fund wrap fee account clients. That review shall be completed within 90 days after the entry of this Order. Upon completion of the review, Banc of America Investment Services shall forward to the staff of the Commission a complete description of the items listed above, a description of any deficiencies found during the review, and the manner in which it plans to remediate any deficiencies. Within 120 days after the entry of this Order, Banc of America Investment Services shall implement remedial actions to address any deficiencies found in its review.

11

- Banc of America Investment Services shall be responsible for distributing the sums ordered as disgorgement in Paragraphs IV.D. and IV.F, plus interest and the full amount of the penalties ordered in Paragraphs IV.E. and IV.G. Banc of America Investment Services shall pay to clients and former clients who participated in its discretionary mutual fund wrap fee program the Disgorgement Amount of \$5,453,479, prejudgment interest of \$1,310,155, plus the penalty amounts of \$3,000,000, proportionally to the amount and length of time each client had invested in the Nations Funds Large Cap Value and Nations Small Company Funds between July 1, 2002 and December 31, 2004; however, Banc of America Investment Services shall not be required to make any disbursement to any client or former client if that client is due less than \$100 pursuant to the method outlined above. If Banc of America Investment Services is unable to pay any client due to factors beyond its control, any portion of the disgorgement, prejudgment interest, and penalties, and any sums that are not paid to any client or former client who is due less than \$100, such remaining sums shall be paid to the United States Treasury within 120 days of the date on which Banc of America Investment Services initially sends payment to such client. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) handdelivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Banc of America Investment Services as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Kenneth Lench, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street N.E., Washington, DC 20549.
- Banc of America Investment Services shall retain the services of and be exclusively responsible for the compensation and expenses of an independent third party not unacceptable to the Commission's staff who shall, within 120 days of the date of entry of this Order, submit for the Commission's review an accounting and certification of the disposition of the moneys paid pursuant to this Order. Banc of America Investment Services and Columbia Management Advisors shall cooperate with reasonable requests for information in connection with the accounting and certification. The accounting and certification shall be in a form not unacceptable to Commission's staff, and shall include: (a) each payee's name and address; (b) the amount paid to each payee; (c) the date of each payment; (d) the check number or other identifier of money transferred; (e) the date and amount of any returned payment; (f) a description of any effort to locate a prospective payee whose payment was returned, or to whom payment was not made due to an inability to locate that prospective payment; (g) the amounts paid to the Commission pursuant to Section III.F. above with respect to any prospective payees who Banc of America Investment Services and Columbia Management Advisors are not able to locate, or who would be entitled to less than \$100 under the method set forth in Paragraph III.F.5., above; and (h) a final statement totaling all payments, which shall agree with the amounts ordered under Sections IV.D., E., F. and G. above. Any and all supporting documentation for the accounting and certification shall be provided to the Commission's staff upon request.

12

- 7. No later than 21 months after the date of entry of the Order, Respondent Banc of America Investment Services' chief executive officer shall certify to the Commission in writing that Banc of America Investment Services has fully adopted and complied in all material respects with the undertakings set forth in this section and, in the event of material non-compliance, shall describe such material non-compliance.
- 8. Respondent Banc of America Investment Services shall preserve for a period not less than six years from the end of the fiscal year last used, the first two years in an easily accessible place, any record of Respondent's compliance with the undertakings set forth herein.

For good cause shown, the Commission's staff may extend any of the procedural dates set forth above.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest, and for the protection of investors, to impose the sanctions specified in Respondents' Offers.

ACCORDINGLY, IT IS HEREBY ORDERED THAT:

- A. Respondent Banc of America Investment Services, pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, and Section 203(k) of the Advisers Act, cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act, Sections 206(2), 206(4), and 207 of the Advisers Act, and Rule 206(4)-1(a)(5) promulgated thereunder.
- B. Respondent Columbia Management Advisors, as successor in interest to Banc of America Capital Management, LLC, pursuant to Section 203(k) of the Advisers Act, cease and desist from committing or causing any violations and any future violations of Section 206(2) and 206(4) of the Advisers Act and Rule 206(4)-1(a)(5) thereunder.
- C. Respondents are censured pursuant to Section 203(e) of the Advisers Act and Banc of America Investment Services is also censured pursuant to Section 15(b)(4) of the Exchange Act.
- D. Respondent Banc of America Investment Services shall, within 90 days of the entry of this Order, and pursuant to Section 21B of the Securities Act, Section 9(e) of the Company Act, and Section 203(j) of the Advisers Act, pay disgorgement in the total amount of \$3,310,206 and prejudgment interest of \$793,773, consistent with the provisions of Paragraph III.F.5., above.

- E. Respondent Banc of America Investment Services, within 90 days of the entry of this Order, and pursuant to Section 15(b)(4) and Section 21B of the Exchange Act, Section 9(d) of the Company Act and Section 203(i) of the Advisers Act, shall pay a civil monetary penalty of \$2,000,000, in accordance with the provisions of Paragraph III.F.5., above.
- F. Respondent Columbia Management Advisors, as successor in interest to Banc of America Capital Management, LLC, within 90 days of the entry of this Order, and pursuant to Section 9(e) of the Company Act and Section 203(j) of the Advisers Act, shall pay disgorgement of \$2,143,273, and prejudgment interest of \$516,382, consistent with the provisions of Paragraph III.F.5. above.
- G. Respondent Columbia Management Advisors, as successor in interest to Banc of America Capital Management, LLC, within 90 days of the entry of this Order, and pursuant to Section 9(d) of the Company Act and Section 203(i) of the Advisers Act, shall pay a civil monetary penalty of \$1,000,000 in accordance with the provisions of Paragraph III.F.5., above.
- H. Respondents shall comply with the undertakings contained in Section III., F, above.
- I. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as Penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that they shall not, after offset or reduction in any Related Investor Action based upon Respondents' payment of disgorgement in this action, argue that it is entitled to, nor shall they further benefit by offset or reduction of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents, and each of them, agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For the purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents, or either of them, by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

J. There shall be, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund established for the penalty funds described in subparagraphs D, E, F, and G above.

By the Commission.

Nancy M. Morris Secretary