

Item 1 – Cover Page

MERRILL LYNCH ALTERNATIVE INVESTMENTS LLC

**4 World Financial Center
250 Vesey Street, 10th Floor
New York, NY 10080
225-634-2811**

Brochure dated: June 15, 2012

This brochure (“Brochure”) provides information about the qualifications and business practices of Merrill Lynch Alternative Investments LLC (“MLAI”). If you have any questions about the contents of this Brochure, please contact MLAI at 225-634-2811. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Investment adviser registration does not imply a certain level of skill or training.

The advisory services described in this Brochure are not insured or otherwise protected by the Federal Deposit Insurance Corporation or any other government agency; are not an obligation of any bank or any affiliate of MLAI; are not endorsed or guaranteed by Bank of America, N.A., MLAI, any bank or any affiliate of MLAI; and involve investment risk, including possible loss of principal.

Additional information about Merrill Lynch Alternatives Investments LLC also is available on the website of the SEC at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure dated June 15, 2012 provides information about the qualifications and business practices of MLAI, which are the same as represented in MLAI's previous Brochure dated March 29, 2012. This Brochure has been updated to reflect changes to the membership of MLAI's Board of Managers as disclosed in Section 4, "Advisory Firm and Principal Owners". There are no other material changes in this Brochure from the previous Brochure.

Item 3 – Table of Contents

Contents

Item 1 – Cover Page.....	1
Item 2 – Material Changes.....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation.....	8
Item 6 – Performance-Based Fees and Side-By-Side Management.....	9
Item 7 – Types of Clients.....	12
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	12
Item 9 – Disciplinary Information.....	15
Item 10 – Other Financial Industry Activities and Affiliations.....	18
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	19
Item 12 – Brokerage Practices.....	24
Item 13 – Review of Accounts.....	25
Item 14 – Client Referrals and Other Compensation.....	25
Item 15 – Custody.....	26
Item 16 – Investment Discretion.....	26
Item 17 – Voting Client Securities.....	26
Item 18 – Financial Information.....	27
Item 19 – Requirements for State Registered Advisers.....	27
Appendix A – Compliance Program.....	28
Appendix B – Business Continuity Program.....	29

Item 4 – Advisory Business

Advisory Firm and Principal Owners

Merrill Lynch Alternative Investments LLC (“MLAI”), was formed as a Delaware limited liability company in 1986, and is a direct, wholly owned subsidiary of a Merrill Lynch Investment Managers, L.P. and is an indirect, wholly owned subsidiary of Bank of America Corporation (together with its affiliates “Bank of America”).

MLAI creates and manages a variety of alternative investment vehicles, including funds of hedge funds, single manager feeder funds, managed futures funds, single manager private equity funds and private equity funds of funds. MLAI is governed by a Board of Managers that consists of four members: James L. Costabile, Deann Morgan, Colleen R. Rusch and Steve L. Suss.

Advisory Services

MLAI provides both advisory and non-advisory services. While MLAI’s primary business involves non-advisory services, including acting as sponsor, managing trustee, general partner and manager to pooled investment vehicles, as described more fully below, this brochure has been structured to focus on MLAI’s advisory services.

Advisory Services

MLAI’s main advisory services consist of acting as investment manager and investment adviser to pooled investment vehicles with portfolios of hedge funds, managed futures funds or private equity funds (collectively, the “Advised Funds”) sold on a private placement basis to institutional and high net worth investors (“Fund Investors”). MLAI provides investment advice based on the investment objectives, guidelines, risk tolerance and financial circumstances of each Advised Fund. Where MLAI is the investment adviser to a fund, the Advised Fund, *not* any Fund Investor, is MLAI’s client. The investment objectives and guidelines of each Advised Fund are not specifically tailored to the individual needs of Fund Investors.

MLAI may also structure and provide investment management and advisory services to individually customized alternative investment fund portfolios (each a “Customized Advised Fund”), typically requiring a \$25 million minimum investment by high-net-worth individuals and institutions.

The types of pooled investment vehicles for which MLAI provides investment advisory services include the following:

- i. Pooled investment vehicles with portfolios of hedge funds (“Advised Hedge Fund of Funds”) – The Advised Hedge Funds of Funds are pooled investment vehicles that invest in other private funds (“Portfolio Hedge Funds”) operated by various third-party managers (“Portfolio Managers”). MLAI allocates and reallocates Advised Hedge Funds of Funds assets among Portfolio Hedge Funds, but generally has no input into the actual trades made by the Portfolio Managers within the Portfolio Hedge Funds.

MLAI provides investment management and advisory services, which may include construction of the Advised Hedge Funds of Funds and selection, due diligence, and ongoing portfolio monitoring and oversight of the Portfolio Hedge Funds and Portfolio Managers. Investment objectives and strategies are typically set forth in the relevant Advised Hedge Fund of Funds' private placement or offering memorandum and/or related investment advisory agreement ("Offering Materials").

- ii. Pooled investment vehicles with portfolios of managed futures funds ("Advised Futures Fund of Funds") – The Advised Futures Funds of Funds are pooled investment vehicles that invest in other private funds ("Portfolio Futures Funds") operated by MLAI, but with trading directed by various third-party Commodity Trading Advisers ("CTAs"). MLAI allocates and reallocates Advised Futures Funds of Funds assets among Portfolio Futures Funds, but generally has no input into the actual trades made by the CTAs within the Portfolio Futures Funds. MLAI generally selects only third-party CTAs to trade the Portfolio Futures Funds, but MLAI is also registered as a Commodity Trading Adviser and has authority to direct trades in the Portfolio Futures Funds, if required.

MLAI provides investment management and advisory services, which may include construction of the Advised Futures Funds of Funds and the selection, due diligence, and ongoing portfolio monitoring and oversight of Portfolio Futures Funds and CTAs. Investment objectives and strategies are typically set forth in the relevant Advised Futures Fund of Funds' Offering Materials.

- iii. Pooled investment vehicles with portfolios of private equity funds ("Advised Private Equity Fund of Funds") – The Advised Private Equity Funds of Funds are pooled investment vehicles that invest in other private funds ("Portfolio Private Equity Funds") operated by Portfolio Managers. MLAI allocates Advised Private Equity Funds of Funds assets to Portfolio Private Equity Funds that invest substantially all of their assets in other private equity funds, but generally has no input into the activity within the Portfolio Private Equity Funds.

MLAI provides investment management and advisory services, which may include construction of the Advised Private Equity Funds of Funds and the selection, due diligence, and ongoing portfolio monitoring and oversight of the Portfolio Private Equity Funds and Portfolio Managers. Investment objectives and strategies are typically set forth in the relevant Advised Private Equity Fund of Funds' Offering Materials. MLAI also acts as managing trustee, general partner, managing member or investment manager for the Advised Private Equity Funds of Funds.

- iv. Customized Advised Funds - MLAI also furnishes investment management and advisory services to high net worth individuals and institutions based on the investment objectives, policies and guidelines set forth in an investment management agreement by and between MLAI and the client. Existing Advised Customized Funds are sub-advised by Sterling Stamos Capital Management, LLC ("Sterling Stamos"), an affiliate of MLAI.

MLAI provides investment management and advisory services, which may include construction of the Customized Advised Funds and selection, due diligence, and ongoing portfolio monitoring and supervision of the sub-adviser.

Certain classes of shares or units of the Advised Funds and certain portfolio funds into which the Advised Funds invest (“Portfolio Funds”) may be denominated in currencies other than the U.S. dollar. MLAI or an affiliate or non-affiliated service provider may engage in currency hedging to the extent required to hedge movements in the value of the currency of denomination of such class of shares or units against the value of the currency of denomination of the portfolio funds’ underlying investments.

In the case of many of the Advised Funds, MLAI has the power to borrow for cash management purposes, including, among other things, to fund redemptions, to meet margin requirements in connection with hedging transactions, to settle currency transactions, and otherwise when deemed appropriate by MLAI.

The Core Strategies Investment Fund LLC

The Core Strategies Investment Platform (“Core Strategies”) was designed by MLAI to permit certain qualified high-net-worth clients to access Portfolio Managers and to achieve diversification across multiple asset classes, including traditional and alternative investment strategies. Core Strategies is structured to permit Fund Investors, in consultation with their financial advisors, to tailor their investment portfolios to their individual circumstances and investment objectives.

Fund Investors allocate capital to an equity sub fund (“Traditional LLC”) by investing through the Core Strategies Investment Fund LLC, and to the alternative investment strategies (“AI LLC”) by subscribing directly to it. The Core Strategies Investment Platform is comprised of the Core Strategies Investment Fund LLC and the sub-funds.

MLAI serves as investment adviser to the Traditional LLC. In such capacity, MLAI primarily allocates and reallocates the assets of the Portfolio Managers selected by the CSIC. MLAI does not act in an advisory capacity with respect to the AI LLC (which is currently structured as a “feeder fund” into a hedge funds of funds, advised by Sterling Stamos) or the Core Strategies Investment Fund LLC.

The CSIC consists of representatives of the Bank of America Global Wealth Management and MLAI business units. Although the CSIC is responsible for selecting the different Portfolio Managers for the sub-funds, the CSIC will have no responsibility for any direct trading by the Portfolio Managers.

MACH 1 Fund

MLAI is a managing member of an exchange fund named the IQ Managed Alternative to Concentrated Holdings (1) Fund LLC (the “MACH 1 Fund”). This Fund was privately placed with Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”) customers who were qualifying holders of Exxon Mobil Corporation common stock who exchanged their shares for limited liability company interests in the MACH 1 Fund. The MACH 1 Fund entered into variable share pre-paid forward contracts and used the proceeds from the forward contracts to establish a managed account available through the Merrill Lynch Consults[®] Service, offered through MLPF&S. The initial managed account was selected by MLAI’s affiliate, IQ Investment Advisers LLC, the initial managing member of the MACH 1 Fund. The managed account is managed by Managed Account Advisers LLC (“MAA”), an indirect, wholly owned subsidiary of Bank of America. MAA, as investment manager, oversees the implementation of the managed account’s investment strategy provided by BlackRock, the style manager.

Non-Advisory Services

In addition to MLAI's advisory services discussed above, MLAI also acts as sponsor, managing trustee, general partner and manager to pooled investment vehicles that invest in underlying hedge funds/fund-of-funds, underlying private equity funds/fund-of-funds or real asset funds/fund-of-funds (collectively, the "Feeder Funds") and to commodity pools organized by MLAI, but traded by third party CTA's ("Futures Funds"), which are privately placed and sold to Fund Investors. These non-advisory services make up a substantial portion of MLAI's overall business.

The Feeder Funds, the Futures Funds and the Fund Investors are not advisory clients of MLAI; however, certain of these funds may invest in underlying funds/fund-of-funds advised by an affiliate of MLAI. The underlying funds/fund-of-funds and the portfolio managers that manage the underlying funds/fund-of-funds may be used by MLAI as Portfolio Managers or portfolio funds in MLAI's advisory products or services.

Investment Restrictions and Selection of Strategy

Related to its advisory services, MLAI provides investment advice based on the investment objectives, guidelines, risk tolerance and financial circumstances of each Advised Fund. Where MLAI is the investment adviser to an Advised Fund, the Advised Fund—not any Fund Investor—is MLAI's client. The investment objectives and guidelines of each Advised Fund are not specifically tailored to the individual needs of Fund Investors.

Fund Investors may impose reasonable restrictions on the management of Advised Customized Funds, including by restricting particular securities and types of investments, provided MLAI and the relevant Portfolio Manager accepts those restrictions.

Wrap Fee Programs

MLAI does not advise wrap fee accounts.

Assets Under Management

As of December 31, 2011, MLAI had advisory regulatory assets under management of \$ 2,328,455,606, of which all were managed on a discretionary basis.

Item 5 – Fees and Compensation

Fee Structures

While different products have different fee structures, in its capacity as investment adviser or investment manager, MLAI typically receives the following fees and compensation by product type:

- i. Advised Hedge Funds of Funds – MLAI receives a monthly fee, payable in arrears, based on a percentage of assets under management in the respective Advised Hedge Fund of Funds. These fees are accrued monthly, even though they may be paid out less frequently and will generally range up to 1.75% of the aggregate net asset value of any particular share class.
- ii. Advised Futures Funds of Funds – MLAI receives a monthly fee, payable in arrears, based on a percentage of assets under management in the respective Advised Futures Fund of Funds. These fees are accrued monthly, even though they may be paid out less frequently and will generally range up to 2.5% of the aggregate net asset value of any particular share class.
- iii. Advised Private Equity Funds of Funds – MLAI will generally receive a management and administration fee payable semiannually in arrears based on the capital commitment (or invested capital after the commitment period) of each fund or based on the net assets of the fund. Generally, management fees are charged up to a certain percentage (generally up to 1.5%) of the following amount: (a) capital commitments less any distributions to shareholders of contributed capital (but not capital gains or income), (b) (i) for certain funds, less write downs on investments, or (ii) for certain funds, after the expiration of the commitment period, the lesser of adjusted capital commitments or the total aggregate capital account balances in the fund as of the end of the prior year. In limited cases, administration fees may be based on invested capital for the life of the fund.
- iv. Advised Customized Funds – MLAI receives a monthly fee, payable in arrears, based on a percentage of assets under management in the respective Advised Customized Fund. These fees are accrued monthly, even though they may be paid out less frequently and will generally range up to 2.0% of the aggregate net asset value of any particular share class.

MLAI may, from time to time, enter into specialized agreements to provide particular or unique services to certain clients, subject to negotiated fees.

Calculation and Deduction of Advisory Fees

MLAI deducts fees from fund assets for fees incurred. Such fees are calculated and payable monthly or semi-annually in arrears.

Other Fees and Expenses

Each Advised Fund will typically bear its own operational expenses which include, but are not limited to, administration, brokerage, custody and audit expenses. Detailed information on other fees and expenses are contained in the Offering Materials for each Advised Fund. In addition, all Advised Funds pay the advisory fees of the respective Portfolio Managers — typically including both a management (percentage of assets) and an incentive fee or allocation.

The Advised Funds, Portfolio Funds and the underlying funds into which the Portfolio Funds may invest are each subject to substantial charges. Each Advised Fund will incur, either directly or through its investment in its Portfolio Funds, management fees, performance fees, transaction costs and ongoing operating expenses, including such Advised Fund's allocable share of such Portfolio Fund's operating and investment expenses and the Portfolio Fund's allocable share of the operating and investment

expenses for each underlying fund into which the Portfolio Fund invests. All of these foregoing fees, costs and expenses must be offset by profits or the value of the Advised Fund's units will decline.

Certain Portfolio Managers have agreed to pay MLAI a portion of their management fees and/or performance-related fees or incentive-based fees as set forth in the applicable investment management, sponsor, partnership or limited liability company agreement and as disclosed in the relevant Offering Materials.

In certain instances, MLAI is reimbursed over time by the Advised Funds for the organizational and initial offering costs associated with establishing such Advised Funds. Certain Advised Funds pay the entirety of their ongoing administrative or offering costs, in certain cases subject to a ceiling amount over which MLAI will absorb these costs.

In certain of MLAI's Advised Futures Fund of Funds, the brokerage commissions and administrative fees paid by the Portfolio Funds to MLAI cover not only execution, clearing and administrative costs, but also distribution costs and the Portfolio Managers' percentage-of-assets management fees. In the case of these Portfolio Funds, the only fees payable, in addition to the annual percentage-of-assets brokerage commissions and administrative fees, are the incentive fees payable to the Portfolio Managers. MLAI may offer Advised Futures Fund of Funds with Portfolio Funds which pay the actual amounts of such fees and expenses directly, rather than covering them through brokerage commissions.

Certain Advised Funds from time to time maintain a cash reserve, generally less than 5% of the Advised Fund's assets. These assets are typically subject to a management fee and certain other fees and expenses which in the aggregate are not expected to exceed 0.75% per annum of the average net assets maintained as a cash reserve. In addition, the account in which the cash reserve is held may be subject to certain nominal account maintenance and wire transfer fees payable to Bank of America or one of its affiliates.

While the cash reserve may be subject to a MLAI management fee, cash reserve assets held at the Advised Fund level typically are excluded from the asset base on which Portfolio Managers' management fees and incentive fees, as well as the MLAI incentive fee, if any, is calculated.

Bank of America or one of its affiliates may receive exchange commissions, "bid-ask" spreads and certain other benefits in respect of the Portfolio Funds' trading.

Refund of Prepaid Fees at Termination of the Client Agreement

MLAI does not charge Advised Fund fees in advance.

Compensation for the Sale of Securities

Neither MLAI nor its supervised persons accept compensation for the sale of securities or other investment products.

Potential Conflicts of Interest

Although MLAI does not accept compensation for the sale of securities or investment products, the Financial Advisors of MLPF&S who market the Advised Funds generally receive both a selling commission and ongoing “trailing commissions” paid by Fund Investors and/or MLPF&S. The selling commissions typically range between 0% and 5% of the issue price of the Advised Fund, and “trailing commissions” between 0.25% and 3% per annum of the average month-end net asset value of the Advised Funds for as long as such investments in the Advised Funds remain outstanding. In certain cases, the amount of such “trailing commissions” is based on the issue price of the Advised Funds and/or limited in amount due to regulatory restrictions. In certain cases, these charges may be lower. All applicable charges are set forth in the relevant Advised Fund’s Offering Materials.

This practice creates a potential conflict of interest that may give MLPF&S and its Financial Advisors an incentive to recommend particular Advised Funds to potential Fund Investors based on the compensation received, rather than on a Fund Investor’s needs. Fees and commissions may also be higher for some products or services, and the remuneration and profitability to MLPF&S and the Financial Advisors resulting from transactions on behalf of certain Advised Funds may be greater than the remuneration and profitability resulting from other advisory accounts, products or services. Further, because the Financial Advisors generally receive initial selling and ongoing “trailing commissions” on the Advised Fund investments which they market, they have a financial incentive to encourage potential Fund Investors to purchase and not to redeem such Advised Fund investments.

The Offering Materials for the Advised Funds provide additional details to help any prospective Fund Investor understand potential conflicts of interest.

Use of Affiliated Brokers

MLAI generally does not recommend specific portfolio or marketable securities and does not direct any Portfolio Fund to utilize a specific broker-dealer or financial institution for trade execution. MLAI allocates Advised Fund assets among one or more Portfolio Funds. The Portfolio Funds and the services of the Portfolio Managers may be available through other broker-dealers and financial institutions that are not affiliated with MLAI.

From time to time, Advised Funds may receive “in-kind” distributions from Portfolio Funds, which then may be sold (to convert into cash) through broker-dealers that may be affiliated or unaffiliated with MLAI.

Sources of Revenue

Commissions and other compensation for the sale of investment products do not comprise MLAI’s primary or exclusive compensation.

Fee Offset for Execution Charges

Not applicable.

Item 6 – Performance-Based Fees and Side-by-Side Management

Receipt of Performance-Based Fees

MLAI may receive a portion of a performance-based fee charged to one of the Advised Customized Funds. Sterling Stamos and MLAI share equally in the performance-based fee for this Advised Customized Fund. MLAI and Sterling Stamos also furnish investment management and advisory services to other Advised Customized Funds for which MLAI charges an asset-based fee. As such, although it may be possible for MLAI and Sterling Stamos to have an incentive to favor the Advised Customized Fund for which MLAI and Sterling Stamos receive a performance-based fee, MLAI does not believe that this causes a conflict of interest because MLAI has delegated all day-to-day portfolio decisions to Sterling Stamos and does not have regular input in such portfolio decisions. Additionally, the Advised Customized Funds for which MLAI charges an asset-based fee have differing investment objectives and strategies, so there is no likely opportunity for MLAI to favor the Advised Customized Fund for which MLAI shares in a performance-based fee.

Allocation of Investment Opportunities

MLAI may determine that an investment opportunity is appropriate for a particular Advised Fund, for itself or another affiliate, but not for another Advised Fund. Situations may arise in which one or more Advised Funds managed by MLAI or its affiliates have made investments that would have been suitable for investment by another Advised Fund, but, for various reasons, were not pursued by, or available to, such Advised Fund. To the extent that entities affiliated with MLAI invest with Portfolio Managers or Portfolio Funds, the ability of certain Advised Funds to invest in the same Portfolio Managers or Portfolio Funds may be adversely affected. In addition, MLAI may be required to choose among its Advised Funds in allocating the availability of investments with Portfolio Managers and Portfolio Funds. MLAI, its affiliates and certain Advised Funds may invest with Portfolio Managers or Portfolio Funds on terms more favorable than those available to certain other Advised Funds, and, as such, may act in ways adverse to the interests of certain other Advised Funds.

Item 7 – Types of Clients

In general, MLAI does not typically provide advisory services to pooled investment vehicles with less than \$5,000,000 in initial capital, but may do so in its discretion.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Investment Process

MLAI and its affiliates have established teams of investment professionals and risk management professionals who are responsible for sourcing new investment opportunities, investment selection and monitoring ongoing performance of the Portfolio Funds/Portfolio Managers in which Advised Funds

invest. MLAI and its affiliates provide investment solutions, portfolio construction advice and wealth management guidance across Bank of America Global Wealth and Investment Management (“GWIM”), a division of Bank of America. GWIM supports MLAI in the management of Advised Funds, including but not limited to, due diligence, investment selection, ongoing monitoring and portfolio reallocation of the Portfolio Funds/Portfolio Managers in the Advised Funds’ portfolios.

On an on-going basis, MLAI and its affiliates evaluate and monitor the performance of Portfolio Managers and Portfolio Funds. Both quantitative and qualitative criteria are factored into the Portfolio Manager/Portfolio Fund review process, including (without limitation) the following:

- Investment philosophy;
- Strategy and process;
- Manager background and experience;
- Organization, structure and controls; and
- Potential for performance.

In addition, MLAI and its affiliates will also evaluate each Portfolio Manager’s basic investment management approach, risk management techniques and policies, markets traded, prior experience, past performance, fee requirements and assets under management.

While no assurance can be given as to what specific factors will be considered in any particular Portfolio Manager selection, the following factors are frequently used:

- **Concentration limits:** An investment opportunity may not be suitable for an Advised Fund due to concentration limits imposed on the portfolio (e.g., maintaining certain sector, industry, geographic or other limits, or maintaining overall portfolio exposures in line with its benchmark).
- **Risk Tolerance:** Similarly, an investment opportunity may not be suitable or beneficial for certain Advised Funds due to the varying risk tolerances of their respective portfolios. For example, an Advised Fund with an absolute return investment strategy will not have the same risk tolerance as an Advised Fund whose investment strategy is to achieve maximum capital appreciation.
- **Correlation:** An investment opportunity that may otherwise be suitable for an Advised Fund based on its general investment objectives may nevertheless not be suitable or beneficial for the account, given the account’s current portfolio composition and the potential investment’s correlation with existing investments in the account, a particular benchmark or an index.
- **Fee Structure:** Different funds have different fee structures. MLAI, therefore, may conclude that, based on the fund’s existing fee structure, the proposed investment opportunity may not be within the current cost structure of the Advised Fund, and an allocation would not be appropriate for the fund.

Investment Process Oversight

Certain product and investment decisions made for an Advised Fund are subject to the review and oversight of committees established for such purposes. Investment decisions concerning Advised Funds are first evaluated by the Alternative Investments Investment Committee (“AIIC”), prior to being submitted for final review and approval to the Product Management Investment Committee (“PMIC”). In addition, all on-going portfolio construction and asset allocation recommendations made by the investment professionals who are responsible for the day-to-day investment activities of an Advised Fund managed by MLAI are submitted to and approved by the AIIC before they are implemented.

The AIIC members consist primarily of senior investment and risk management professionals from Bank of America’s GWIM division, as well as other senior officers of GWIM. The PMIC members consist of senior officers and/or managers of MLAI and/or certain of its affiliates. The individual investment professionals and risk management professionals, as well as the AIIC and PMIC committee members, may change from time to time and over time.

Material Risks for Significant Investment Strategies

While it is the intention of MLAI to implement strategies that are designed to meet the investment objectives of its clients and minimize potential losses, there can be no assurance that such strategies will be successful. An investment involves substantial risk and is not necessarily suitable for all eligible clients or Fund Investors. It is possible that an Advised Fund or Fund Investors may lose all or a substantial proportion of their assets in connection with investment decisions made by MLAI or the Portfolio Funds and Portfolio Managers it selects.

The selection of a Portfolio Manager/Portfolio Fund poses the single most important risk to the success of an Advised Fund’s investment performance. Following is a summary of the material risks associated with the Portfolio Fund/Portfolio Manager due diligence and selection process that forms the basis of MLAI’s investment advice to Advised Funds.

Reliance on the Investment Strategies of Each Portfolio Manager

The success of the Portfolio Managers depends upon, among other things, the ability of the Portfolio Managers to develop and successfully implement investment strategies that achieve their investment objectives. Different investment styles tend to perform better or worse depending upon market and economic conditions and market sentiment. Investment strategies may outperform or underperform other investment strategies that invest in similar asset classes but employ different investment styles.

Performance History

MLAI’s selection of Portfolio Managers is inherently based on subjective criteria with the result that the true performance and abilities of any particular Portfolio Manager may be difficult to assess. The historical performance of a Portfolio Manager is not indicative of its future performance, which can vary considerably.

Key Personnel

MLAI will not have a role in the day-to-day management of the Portfolio Funds advised by the Portfolio Managers it selects. Consequently, the success of a Portfolio Fund, and, in turn, the success of the advisory services and investment products offered to Advised Funds are substantially dependent on the skill and acumen of key employees of the Portfolio Managers. If the key employees of any Portfolio Manager should cease to participate in the Portfolio Manager's business, the Portfolio Manager's ability to select attractive investments and manage its Portfolio Fund could be impaired.

Reliance on Information Provided by Portfolio Managers

MLAI relies to a great extent on information provided by the Portfolio Managers and may have limited access to other information regarding the Portfolio Managers' portfolios and operations. There is a risk that a Portfolio Manager may knowingly, negligently or otherwise withhold or misrepresent information, including the presence or effects of any fraudulent or similar activities. MLAI's proper performance of its monitoring functions would generally not give MLAI the opportunity to discover such situations prior to the time the Portfolio Manager discloses (or there is public disclosure of) the presence or effects of any fraudulent or similar activities.

Portfolio Managers Invest Independently

The Portfolio Managers make investment decisions independently of other Portfolio Managers in an Advised Fund and may at times hold economically offsetting positions, and could indirectly incur transaction costs without accomplishing any net investment result, or may be competing with each other for the same positions in one or more markets. Multiple Portfolio Managers may hold large positions in a relatively limited number of the same or similar investments. Greater concentration of positions across multiple Portfolio Managers likely will increase the adverse effect of any problems experienced in the market, sector, or industry in which the positions are concentrated.

Investment in an Advised Fund involves a high degree of risk as such investments are speculative, subject to high return volatility and may be illiquid on a long-term basis.

Additional Risks for Advised Private Equity Funds of Funds

The material risks of each Advised Fund are described in great detail in the Advised Fund's Offering Materials. Generally, the Advised Private Equity Funds of Funds may be subject to some or all of the following:

- Portfolio Funds and Portfolio Managers may take several years to invest an Advised Private Equity Fund of Fund's capital. Advised Private Equity Funds of Funds will not realize the full potential benefits of the investment in the near term and there will likely be little or no near-term cash flow distributed by the Advised Private Equity Funds of Funds during the commitment period.

- Portfolio Funds and Portfolio Managers may make a limited number of investments. These investments generally will involve a high degree of risk. In addition, a Portfolio Fund may make minority investments where the Portfolio Fund may not be able to protect its investment or control or influence effectively the business or affairs of the underlying investment. The performance of an Advised Private Equity Fund may be substantially adversely affected by a single investment. Portfolio Fund investments are less transparent than public investments and the Advised Private Equity Fund of Funds are afforded less regulatory protections than investors in registered public securities.
- Advised Private Equity Fund of Funds may be subject to periodic capital calls. Failure to make required capital contributions when due will cause severe consequences, including possible forfeiture of all investments made to date.

Investments in Securities of Non-Public Companies

In addition to offering advice for investing in Portfolio Funds, MLAI may, but generally does not, offer investment advice regarding investments in securities of private companies that are not publicly traded. Such securities will generally be illiquid and may not be easily liquidated should a need arise. In addition, private securities are generally “fair valued” and such fair valuations may vary substantially from any values actually realized on the sale of the securities.

Material Risks for Particular Types of Securities

MLAI allocates Advised Fund assets among a variety of Portfolio Funds. See Material Risks above.

Item 9 – Disciplinary Information

Set forth below is a summary of an event that may be material to a client’s or prospective client’s evaluation of MLAI’s advisory business or the integrity of MLAI’s management.

On July 31, 2007, MLAI consented to the entry of an order by the CFTC. In this regulatory action, the CFTC alleged that on certain occasions from 2001 to 2005, MLAI violated CFTC Regulation 4.22(c) by failing to timely file commodity pool annual reports with the NFA and to timely distribute such reports to pool participants. MLAI consented to the entry of an order, without admitting or denying any of the findings, requiring it to cease and desist from violating Regulation 4.22(c) and pay a civil monetary penalty of \$500,000.

No other disciplinary information to report.

Item 10 – Other Financial Industry Activities and Affiliations

Registration as a Representative of a Broker-Dealer

Certain of MLAI's management persons may be registered, or have applications pending to register, as registered representatives and associated persons of MLPF&S to the extent necessary or appropriate to perform their job responsibilities.

Registration as an FCM, CPO or CTA

MLAI has been registered with the Commodity Futures Trading Commission ("CFTC") as a commodity pool operator ("CPO") since October 10, 1986 and as a commodity trading advisor ("CTA") since April 24, 1990, and is a member of the National Futures Association ("NFA") in these capacities.

Bank of America is also the indirect parent company of MLPF&S, a CFTC-registered futures commission merchant ("FCM") and an SEC-registered broker-dealer, and Merrill Lynch International Bank ("MLIB"), a bank and trust company.

Other Material Relationships

MLPF&S and its international affiliate, Merrill Lynch International & Co. ("MLICO"), distribute interests in the domestic and the offshore Advised Funds, respectively.

Certain officers or employees of MLAI may also be officers or employees of other subsidiaries and affiliates of Bank of America, including investment advisers affiliated with MLAI, including Bank of America Capital Advisers LLC ("Shared Employees"). As a result of these arrangements, Shared Employees may provide certain services to one or more other affiliated investment advisers. MLAI believes that these Shared Employee arrangements promote more efficient use of internal resources and are in the best interests of clients on an overall basis.

Receipt of Compensation from Investment Advisers

An affiliate of MLAI holds a significant economic interest in Sterling Stamos and MLAI is entitled to a portion of the management fee paid and the incentive allocation made to Sterling Stamos. Sterling Stamos provides sub-advisory services to Advised Customized Funds to which MLAI serves as investment manager and/or general partner. Moreover, MLAI serves as sponsor to funds which invest substantially all of their assets in funds for which Sterling Stamos is also general partner and/or investment manager. As a result, MLAI's employment of Sterling Stamos to perform these sub-advisory services and such investments by MLAI-sponsored funds in certain Sterling Stamos managed funds, could be considered a conflict of interest because such affiliate and other affiliates may benefit from the fees paid to Sterling Stamos. These fee sharing arrangements and other interests could result in an incentive for MLPF&S or one of its affiliates to sell one MLAI product over another.

Additionally, MLAI uses, or may use in the future, MAA as an investment manager for the MACH 1 Fund where MAA implements an investment strategy created by style manager BlackRock for the managed account portion of the MACH 1 Fund. As a result, MLAI's employment of MAA and MAA's employment of BlackRock could be considered a conflict of interest because Bank of America, as the ultimate parent company of MLAI, owns a substantial financial interest in BlackRock and may benefit from the investment management fees paid to MAA and BlackRock.

See section 11 below for additional information about other business arrangements between Portfolio Managers and MLAI or MLAI affiliates.

Item 11 – Code of Ethics

Associate Investment Monitoring Code of Ethics

With respect to conflicts that may arise in connection with personal securities trading, all MLAI employees must comply with the Associate Investment Monitoring Code of Ethics (the "Code") or a code of ethics of an affiliated entity. The Code sets forth the specific fiduciary responsibilities applicable to all persons associated with the firm, to ensure that clients' interests are always placed ahead of their own and that all clients are treated fairly. The specific provisions of the Code seek to ensure that personal securities transactions are conducted in a manner that does not interfere with clients' portfolio transactions of, or take unfair advantage of an associate's relationship with, MLAI.

The Code imposes, in varying degrees as to several distinct categories of covered personnel:

- Requirements as to firm-approved broker-dealers where associate securities accounts may be maintained;
- "Blackout" periods during which associate trading activity in a given security may not occur due to recent or pending activity in the same issue by advised accounts;
- Pre-clearance of participation in private commingled pooled funds, initial public offerings and personal trades in other securities;
- Approval of investments in closed-end investment companies advised by MLAI or its affiliates;
- Restrictions on short-term trading; and
- Strong discouragement of other excessively frequent trading.

There are limited exceptions and/or exemptions applicable to these requirements and there are other requirements (such as prohibitions on late trading, restrictions on investment clubs and public company directorships/offer roles). Covered personnel are also required to provide quarterly transaction reports and annual holding reports and certifications in accordance with applicable regulations.

An internal management committee which includes the MLAI chief compliance officer and senior leaders of the Adviser and certain other advisers covered by the Code is responsible for enforcing compliance with the Code. Sanctions for noncompliance with the Code vary according to circumstances, but may include suspension or termination of employment.

Copies of the Code are available, upon request, to any client or prospective client of MLAI.

Information Barrier Walls

From time to time, MLAI may come into possession of confidential material and/or non-public information which may limit the ability of MLAI to buy or sell investments for advisory clients. MLAI has internal policies and procedures in place that govern obtaining or using material non-public information in making investment decisions for advisory clients.

MLAI's internal policies and procedures also restrict MLAI's employees from trading in a security, either personally or on behalf of others, or recommending a security when in possession of material non-public information relating to such security. Further, MLAI's policies govern the disclosure of material non-public information to others both within and outside of the organization.

MLAI considers information regarding portfolio holdings in all Advised Funds to be confidential and proprietary. As such, portfolio holdings information not made publicly available may be considered material non-public information. To prevent the inappropriate selective disclosure of portfolio holdings information, MLAI limits disclosure of such information to circumstances under which a "legitimate business purpose" is deemed to exist and where advisory clients would not be harmed prior to the holdings being made publicly available.

Participation or Interest in Client Transactions and Associated Conflicts of Interest

Financial Interests in Portfolio Managers and Portfolio Funds

Affiliates of MLAI may invest in and have other relationships with the Portfolio Managers and Portfolio Funds that may give rise to potential conflicts. For example, certain Bank of America affiliates have made and may in the future make direct, proprietary investments in either Portfolio Managers or in Portfolio Funds or other funds or accounts managed by Portfolio Managers. As a result of such proprietary investments, Bank of America or its affiliates may be entitled to share in the management and/or incentive fees earned by such Portfolio Managers. The percentage of such fees may increase based upon the amount of assets raised for such Portfolio Manager. As a result, MLAI may have an incentive to allocate Advised Fund assets to Portfolio Managers with which its affiliates have a proprietary investment. In each case, proprietary investments in the Portfolio Manager or Portfolio Fund are disclosed in the private placement memorandum for the relevant Advised Fund.

Affiliates of MLAI may also, for example, enter into transactions, as principal, with any of the Portfolio Managers or Portfolio Funds, including derivative transactions, or perform routine broker-dealer transactions. Other relationships may include, but are not limited to, lending transactions in which the affiliate provides financing, serving as placement agent or prime broker and the provision of general financial advisory services to a Portfolio Manager or Portfolio Fund. In addition, MLAI may share in the management and performance fees charged by the Portfolio Managers or Portfolio Funds. Accordingly, MLAI may face a conflict of interest in evaluating Portfolio Managers and Portfolio Funds.

In addition, situations may arise in which an affiliate believes that it is necessary to take action with respect to a Portfolio Manager/Portfolio Fund that may be detrimental to such Portfolio

Manager/Portfolio Fund, and therefore detrimental to investors in an Advised Fund. MLAI and its affiliates may keep any profits, commissions and fees accruing in connection with its activities for themselves and other clients, including such Advised Funds, and the fees payable from the Advised Funds to MLAI may not be reduced thereby.

Due to the relationships described above, affiliates of MLAI may have access to information regarding certain Portfolio Managers or Portfolio Funds. MLAI, however, may often be unable to access such information due to contractual restraints, other legal restrictions or internal policies and procedures. As a result, MLAI may sometimes make investment decisions different than those it would make if it had such access, and such decisions may result in a material loss to an Advised Fund. Such affiliates are not required to, and may not choose to or be permitted to, afford MLAI access to all relevant information in its possession.

Restrictions on the Investment Activities of MLAI

In the course of its investment activities, MLAI may from time to time come into possession of confidential information which it is prohibited from using for the benefit of an Advised Fund, and which would have caused MLAI to take or omit to take certain actions on behalf of such Advised Fund had MLAI been permitted to do so.

Certain Advised Funds may invest with Portfolio Managers or Portfolio Funds affiliated with MLAI. MLAI may face a conflict of interest in evaluating such Portfolio Managers/Portfolio Funds. In addition, from time to time, the activities of a Portfolio Manager/Portfolio Fund affiliated with MLAI may be restricted because of regulatory requirements applicable to Bank of America and/or its internal policies designed to comply with or limit the applicability of such requirements. For example, there may be periods when a Portfolio Manager/Portfolio Fund affiliated with MLAI will not initiate or recommend certain types of transactions in certain securities or instruments for which Bank of America is performing investment banking or other services, making a market in certain securities or when position limits have been reached. Similar situations could arise if Bank of America personnel serve as directors of companies, the securities of which an affiliated Portfolio Manager/Portfolio Fund wishes to purchase or sell.

Similarly, Bank of America may, in transactions involving such clients' securities, act as agent while also representing another client on the other side of the transaction. The ability of Bank of America to engage in a principal or an "agency cross" transaction with a Portfolio Fund managed by a Portfolio Manager affiliated with Bank of America may be restricted. A principal transaction will be effected with Bank of America or its affiliates only to the extent permitted by applicable law, and, if required, will involve the making of appropriate disclosure to and receipt of consent from the Portfolio Fund.

Participation or Interest in Transactions

A number of Bank of America entities are involved in the operation of the Advised Funds or Portfolio Funds. MLPF&S typically clears most of the futures transactions for the those managed futures Portfolio Funds sponsored by MLAI, which may be part of the Advised Futures Funds of Funds' portfolios, as well as executing a substantial percentage of such transactions.

Certain managed futures Portfolio Funds sponsored by MLAI pay futures brokerage commissions on a flat-rate basis to MLAI, which, in turn, pays a round-turn rate to MLPF&S's futures business. In such cases, commissions are payable to MLPF&S regardless of the number of trades executed. MLAI is credited within the Bank of America organization with a significant portion of the futures brokerage commissions generated by the managed futures Portfolio Funds. MLAI, in turn, passes along a portion of such commissions to MLPF&S or MLICO, out of which "trailing commissions" are paid to the MLPF&S Financial Advisors (*i.e.*, the individual brokers) who market interests in the Portfolio Funds and/or the Advised Futures Fund of Funds.

There are no brokerage commissions paid on transactions in the currency spot and forward markets (the "FX Markets"). Instead, the counterparties (banks and dealers, including MLIB) in the FX Markets take a "spread" between the prices at which they are prepared to buy and sell a particular currency. Such spreads are built into the pricing of the spot or forward contracts traded. Certain Portfolio Funds' foreign currency trades are executed through MLIB and ML Bank & Trust (Cayman) Ltd., affiliates of MLAI.

In their exchange of futures for physical ("EFP") trading, the Portfolio Funds acquire cash currency positions through banks and dealers, including Bank of America or its affiliates. The Portfolio Funds pay a spread when they exchange these positions for futures. This spread reflects, in part, the different settlement dates of the cash and the futures contracts and the resulting interest rate differential, but also includes a pricing spread in favor of the banks and dealers, which may include a Bank of America entity.

A Portfolio Manager/Portfolio Fund may purchase investments that are issued, or the subject of an underwriting or other distribution, by Bank of America. A Portfolio Manager and/or a Portfolio Fund may invest, directly or indirectly, in the securities of companies affiliated with Bank of America or in which Bank of America has an equity or participation interest. The purchase, holding and sale of such investments by a Portfolio Manager and/or a Portfolio Fund may enhance the profitability of Bank of America's own investments in such companies.

MLPF&S may, from time to time, execute securities transactions on an agency basis on behalf of certain Portfolio Funds or Advised Funds.

MLAI or an affiliate may recommend to the MACH 1 Fund that it invest account assets in bank deposit accounts with certain financial institution affiliates, which means that MLAI or an affiliate may receive fees or earn revenues from such financial institutions in addition to the fees MLAI receives from private fund clients.

While it is generally true that it is in the best interests of MLAI and the relevant Portfolio Managers for the Portfolio Funds to trade successfully, in particular circumstances any of the foregoing parties may receive significantly more benefit from acting in a manner adverse to a Portfolio Fund than from acting in, or not opposed to, a Portfolio Fund's best interests. It is very difficult, if not impossible, for MLAI advisory clients to know or confirm that any of the foregoing persons is equitably resolving the conflicts of interest described above.

Additional Conflicts of Interest

Other present and future activities of MLAI, the Portfolio Managers, the Portfolio Funds, the Advised Funds and/or their affiliates may give rise to additional conflicts of interest.

Each Portfolio Manager manages accounts (often including proprietary accounts) other than the Portfolio Fund(s) for which it is retained and may have financial and/or other incentives to favor such other accounts over such Portfolio Funds.

If a Portfolio Manager incurs losses for a Portfolio Fund, such Portfolio Manager may have an incentive to prefer other accounts because such Portfolio Manager could begin to receive incentive compensation from such other accounts without having to earn back prior losses. A Portfolio Manager may not be willing to make certain highly successful strategies available to a Portfolio Fund due to such Portfolio Fund's expense level (which reduces the incentive compensation to the Portfolio Manager) or other reasons.

The principals of certain of the Portfolio Managers devote a substantial portion of their business time to ventures other than managing the Portfolio Funds. Portfolio Funds managed by such Portfolio Managers may be at a competitive disadvantage to other Portfolio Funds which are managed by persons whose principals devote their entire attention to managing the Portfolio Funds.

Investments in Securities by MLAI and its Personnel

Bank of America is a major participant in the global currency, equity, commodity, fixed income, derivative and other markets. As such, Bank of America may be actively engaged in transactions in the same securities and other instruments in which the Advised Funds and Portfolio Funds may invest. Bank of America is not under any obligation to share any investment opportunity, idea or strategy with the Portfolio Managers/Portfolio Funds. As a result, Bank of America may compete with one or more Advised Fund and/or Portfolio Fund for appropriate investment opportunities.

The proprietary activities or portfolio strategies of Bank of America and its affiliates (including MLAI), or the activities or strategies used for accounts managed by Bank of America and its affiliates (including MLAI) for themselves or other customer accounts, could conflict with the transactions and strategies employed by a Portfolio Manager/Portfolio Fund and affect the prices and availability of the securities and instruments in which the Portfolio Manager/Portfolio Fund invests. Issuers of securities held by a Portfolio Manager/Portfolio Fund may have publicly or privately traded securities in which Bank of America is an investor or makes a market. Bank of America's trading activities generally are carried out without reference to positions held directly or indirectly by the Advised Funds and may have an effect on the value of the positions so held, or may result in Bank of America having interests or positions adverse to that of and Advised Fund.

The Advised Funds, when MLAI deems it appropriate, may borrow funds from affiliates of MLAI at rates negotiated with such affiliates (which may not be the most favorable available to the Advised Funds). Certain Advised Funds may also enter into forward and other derivative contracts on foreign currencies or stock indices with an affiliate of MLAI (which may not be the most favorable available to the Advised Funds). In addition, in its capacity as lender or counterparty, such affiliate may take actions, such as foreclosing on collateral, which may have a material adverse effect on Portfolio Managers/Portfolio Funds as well as the Advised Funds. The Portfolio Managers/Portfolio Funds and Advised Funds will not be entitled to, and may not receive, any special consideration or forbearance from such affiliate in the exercise of such affiliate's rights as a result of their relationship with MLAI.

Specifically, MLPF&S, or another affiliate and the MACH 1 Fund, may enter into forward contracts. MLPF&S or such other affiliates will have an expectation of profit in connection with its role as a forward counterparty. The terms of any forward contract with respect to which an affiliate of the MLAI is the forward counterparty, will be in accordance with the disclosure provided in MACH 1's Offering Materials and as approved in its subscription documents.

Trading Along by MLAI and its Personnel

Bank of America and MLAI have imposed personal trading restrictions on all personnel with respect to transactions for their own accounts. Bank of America has policies requiring that certain personnel obtain specific approval of their personal securities transactions. Procedures for monitoring these transactions as well as those of all MLAI employees have been implemented. All employee trading orders must be placed through MLPF&S, or an approved broker, in order to help monitor compliance. The Associate Investment Monitoring Code of Ethics describing this policy will be provided upon request.

Item 12 – Brokerage Practices

Broker-Dealer Selection

In cases in which MLAI accesses Portfolio Managers by investing in funds or accounts managed by such Portfolio Managers, the Portfolio Managers themselves select the securities and futures brokers for such Portfolio Funds and negotiate the applicable commission rates. The futures and forward trades executed for the MLAI sponsored Futures Funds, which may be Portfolio Funds that are part of the Advised Futures Fund of Funds' portfolios, may be cleared at MLPF&S and charged commission rates which have not been negotiated at arm's length.

In addition, MLAI has discretion with respect to the selection of broker-dealers used for equity securities distributions in-kind. For such transactions, MLAI generally selects unaffiliated broker-dealers and places primary consideration on the broker-dealer's ability to provide best execution of transactions.

Research and Other Soft Dollar Benefits

MLAI does not engage in soft dollar arrangements.

Brokerage for Client Referrals

MLAI does not allocate brokerage in return for client referrals.

Directed Brokerage

MLAI does not routinely recommend, request or require an Advised Fund or Portfolio Fund to execute transactions through a specified broker-dealer.

Aggregation of Trades

The Portfolio Managers themselves generally are responsible for purchasing the underlying securities and futures for the Portfolio Funds. Accordingly, MLAI does not aggregate orders for the purchase or sale of securities.

Item 13 – Review of Accounts

Performance Review and Monitoring

MLAI monitors the performance and trading leverage of each of its Advised Funds on an overall basis, as well as the performance of each of the individual Portfolio Managers/Portfolio Funds. Positions and performance are reviewed regularly, and formal reviews of both the Portfolio Managers and the Portfolio Funds are conducted in general, on an annual basis.

Factors Triggering a Review

MLAI reviews all Advised Funds and Portfolio Funds as it deems appropriate, but not less than quarterly for appropriateness of holdings and transactions in accordance with a Advised Fund's and Portfolio Fund's stated objectives and guidelines.

Client Reports

MLAI will maintain and preserve the books and records of the Advised Funds. Each Advised Fund will provide annual audited financial statements and tax reporting information to Fund Investors.

Item 14 – Client Referrals and Other Compensation

Compensation for Client Referrals

MLAI reimburses MLPF&S or MLICO, as the case may be, for the payment by MLPF&S or MLICO to financial advisors of selling and "trailing commissions" in respect of the Advised Funds. Appropriately registered MLPF&S financial advisors receive initial sales commissions plus ongoing "trailing commissions" in respect of Advised Funds sold (in certain cases, applicable regulations require that a limit be placed on these "trailing commissions"). These compensation arrangements are subject to the applicable regulations of both the Financial Industry Regulatory Authority and the CFTC, and are disclosed in the Offering Materials for each Advised Fund.

Other Compensation

Not applicable.

Item 15 - Custody

Although MLAI may be deemed to have custody of certain Advised Fund assets by virtue of its authority as manager of an Advised Fund, MLAI does not maintain physical custody of Advised Fund

assets. Rather, each Advised Fund must establish a custody account with an unaffiliated qualified custodian, which will send statements to the Advised Fund, at least quarterly, as agreed and consistent with applicable legal requirements.

Item 16 – Investment Discretion

MLAI typically exercises investment discretion over the Advised Funds which it provides advisory services. MLAI has the discretion to purchase and sell interests in Portfolio Funds on behalf of these Advised Funds. Certain Advised Funds are advised on a discretionary basis, in which case MLAI has the discretion to purchase and sell interests in the Advised Funds on behalf of the respective Advised Fund. While certain Advised Customized Accounts may be sub-advised by either affiliated or non-affiliated Portfolio Managers.

With respect to the MACH 1 Fund, MLAI maintains investment discretion on the variable pre-paid forward portion of the MACH 1 Fund. However, for the Managed Account portion of the MACH 1 Fund, MAA serves as the investment manager to implement an investment strategy created and maintained by BlackRock. Members of the MACH 1 Fund may elect to redeem their interests prior to the termination date of the Fund. MLAI will unwind portions of the MACH 1 Fund's variable share prepaid forward contracts in the amounts required to deliver the proceeds of any early redemptions. This process requires MLAI to work with the variable share pre-paid forward contract's counterparties to seek to obtain execution prices.

Item 17 – Voting Client Securities

MLAI's proxy voting policy is in addition to the overall MLPF&S Proxy Voting Policy to which MLAI is subject. MLAI's proxy voting policy is necessarily different from the more general MLPF&S Proxy Voting Policy because MLAI rarely is in a position to cast any votes. However, in the unusual event that MLAI may be requested to vote proxies associated with the securities held by the Portfolio Funds, including interests in the underlying funds in which the Portfolio Funds invest, the following procedures apply to MLAI:

In voting proxies, MLAI is guided by general fiduciary principles. MLAI's goal is to act prudently, solely in the best interest of the Advised Funds. MLAI attempts to consider all aspects of its vote that could affect the value of the investment and, where it votes proxies, will generally do so in a manner that it believes is consistent with efforts to maximize shareholder values.

Proxy material is promptly reviewed to evaluate the issues presented. Regularly recurring matters are usually voted as recommended by the issuer's board of directors or "management," but there are many circumstances that might cause MLAI to vote against such proposals. These would include, among others, excessive compensation, unusual management stock options, preferential voting, poison pills, etc. MLAI decides these issues on a case-by-case basis.

MLAI may, on occasion, determine to abstain from voting a proxy or a specific proxy item when it concludes that the potential benefit of voting is outweighed by the cost or when it is not in the Advised Fund's best interest to vote.

Institutional Shareholder Services, Inc., doing business as RiskMetrics Group (“RiskMetrics”), a proxy voting service, has been delegated to vote proxies for all securities held in the managed account portion of the MACH 1 Fund (other than Specified Investments, as defined below). RiskMetrics is an independent service provider that specializes in providing a variety of proxy-related services to a range of clients. The MACH 1 Fund has authorized and instructed RiskMetrics to vote all proxies for all securities held in the managed account portion of the MACH 1 Fund in accordance with RiskMetrics’ Proxy Guidelines (other than proxies for Specified Investments, for which MAA retains proxy voting authority). “Specified Investments” are securities for which RiskMetrics or a successor proxy voting service does not provide proxy voting services and that are identified as such by RiskMetrics. Specified Investments currently include securities for which votes will be taken at bondholder meetings, debenture holder meetings, meetings of privately-held entities and meetings of preferred equity shareholders or for which a vote is elicited by written consent for entities located outside the United States. A copy of MAA’s proxy voting policies and procedures is available upon request.

Item 18 – Financial Information

Not applicable.

Item 19 – Requirements of State Registered Advisers

Not Applicable.

Appendix A – Compliance Program

As discussed above, MLAI is a subsidiary of Bank of America. Bank of America requires and fosters a Culture of Compliance® throughout its entire organization. All lines of businesses within Bank of America are committed to complying with laws, regulations and the highest ethical standards. These goals are achieved through the implementation of the Global Compliance Program, an integral component of the Bank of America Risk Framework. The Global Compliance Program, approved by the Bank of America Board of Directors establishes common framework and expectations for compliance across the company.

The Global Compliance Program consists of Seven Elements®, or foundational principles, which must be implemented within all compliance programs in Bank of America. The Seven Elements® for which MLAI is expected to execute on are:

1. Commitment and Accountability - form the foundation of the Compliance Program and set the leadership “tone from the top” to enable the other six elements and ensure a Culture of Compliance®.
2. Policies and Procedures - outline the parameters within which associates perform their job responsibilities.
3. Controls and Supervision - designed to identify, assess and control compliance risks and drive associates to act in accordance with laws, regulations and policies.
4. Regulatory Oversight - facilitates processes to effectively manage and influence the dynamic regulatory environment and build constructive relationships with regulators.
5. Monitoring and Testing - evaluates the effectiveness of compliance controls in the lines of business and enterprise control functions to assess compliance with laws, regulations and internal policies.
6. Training and Awareness - provide timely compliance information and relevant training to support associates in effectively fulfilling their compliance accountabilities.
7. Reporting - provides the robust, actionable and timely information that management needs to proactively manage compliance risks and ensures the timely filing of required regulatory reports.

Appendix B – Business Continuity Program

Bank of America's Global Information Security and Business Continuity ("GISBC") team establishes business continuity standards that apply to all business units, including MLAI. Such standards require the completion of a business impact analysis and annual maintenance and development and review of a viable business continuity plan. Testing of the plan is required every one to three years depending upon the risk level and the criticality level of the business unit. For longer term relocation requirements due to a disaster that renders a critical business unit's workspace uninhabitable, designated relocation sites are designed to provide critical associates with dedicated workspace, equipment, system access and infrastructure to continue to conduct day to day business. In addition, the GISBC team, MLAI's Senior Management, and/or Bank of America's Supply Chain Management department review(s) critical third party service providers to ensure that they have sufficient business continuity programs in place.

MLAI has customized separate business continuity plans for each functional department that covers and crosses functional, regional and individual building locations. This includes each of its investment platforms, for which each has a detailed recovery plan to allow for continued business operations within required timeframes. Recovery of investment platforms involves two strategies: short-term (e.g., intra-day) and long-term.