

Merrill Lynch Strategic Portfolio Advisor Service®

BROCHURE

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This wrap fee program brochure provides information about the qualifications and business practices of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") relating to the Merrill Lynch Strategic Portfolio Advisor Service. If you have any questions about the contents of this brochure, please contact us at 800-MERRILL (800-637-7455). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") 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 Merrill Lynch; are not endorsed or guaranteed by Bank of America, N.A., Merrill Lynch, any bank or any affiliate of Merrill Lynch; and involve investment risk, including possible loss of principal.

Additional information about Merrill Lynch also is available on the SEC's website at www.adviserinfo.sec.gov.

March 31, 2012



MATERIAL CHANGES

On March 31, 2011, Merrill Lynch filed its last annual update for its Merrill Lynch Strategic Portfolio Advisor brochure ("Brochure" or "Disclosure Statement"). Set forth below are the material changes to this Brochure since that date. Capitalized terms that are not defined in this section have the meanings provided in the Glossary.

Bank of America Corporation Divestiture of Ownership Interest in BlackRock

During 2011, Bank of America Corporation sold its remaining non-voting ownership interests in BlackRock. Merrill Lynch continues to hold a *de minimis* number of voting shares in BlackRock and distributes certain products and services sponsored by BlackRock under a global distribution agreement. Merrill Lynch reduced its presence on the BlackRock board of directors, and now only a single Merrill Lynch representative serves on the board of BlackRock. As a result of these changes, we have updated the SPA Brochure to no longer include BlackRock as a Related Company and BlackRock Funds, Investment Managers, or products as Related Funds, Related Managers, or related products. Accordingly, we now may offer Strategies offered by a BlackRock Investment Manager through SPA and such BlackRock Investment Managers may be included on the SPA Coverage List.

Disciplinary Event

We have amended the disciplinary events section of each Brochure by removing certain events (as permitted by applicable regulation) and adding the following event: On October 4, 2011, Merrill Lynch entered into a consent agreement with FINRA. FINRA alleged that Merrill Lynch failed to have a supervisory system to ensure that all accounts in which an employee either had a financial interest or over which the employee had control were monitored and reviewed for potential misconduct. In addition, FINRA found that Merrill Lynch failed to establish, maintain and enforce written procedures to adequately supervise a registered representative who was subsequently found to have used a business account at the firm to implement a fraudulent scheme. Without admitting or denying the findings, Merrill Lynch consented to the entry of findings, a censure, and a fine of \$1,000,000.



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SERVICES, FEES AND COMPENSATION

Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch,” “we,” “us,” or “our”) is an indirect wholly-owned subsidiary of Bank of America Corporation (“Bank of America”). Capitalized terms that are not defined in this Brochure have the meanings provided in the Glossary. As used in this Brochure, “you” refers to the client.

DESCRIPTION OF SPA

This Brochure relates to the Merrill Lynch Strategic Portfolio Advisor® (“SPA”), an investment advisory service offered by Merrill Lynch. For an annual asset-based fee, SPA clients receive manager identification services, Merrill Lynch execution, custodial services (where applicable), and other account-related services, as well as periodic performance measurement reports. The manager identification service offers clients the opportunity to select one or more investment styles or disciplines or combinations of investment styles and disciplines (“Strategies”) offered by Investment Managers participating in SPA.

In addition to these services, we provide assistance with the following elective services:

- The Investment Policy Service;
- Strategic Allocation Modeling; and
- Basic or Comprehensive Asset Information and Measurement (“AIM®”) performance reporting.

These three services are collectively referred to as the “Elective Services.”

You may determine to enroll in SPA without using one or more of the Elective Services. Similarly, we may decline to offer you any of the Elective Services for any reason and without prior notice. For example, we may require a minimum level of assets held within a SPA account to use the Investment Policy Service or Strategic Allocation Modeling Service.

We want you to know a few things up front about SPA, including:

- You enter into a Client Agreement with Merrill Lynch and select the services that you wish to receive;
- As described in greater detail below, the SPA fee is based on the totality of the services that you select, including the Elective Services;
- The SPA fee is negotiable depending upon a number of factors;
- You will need to enter into a separate agreement with your selected Investment Manager;
- Your Investment Manager will charge you a separate management fee for its services; and
- Your Investment Manager is exclusively responsible for the management of your assets.

The scope of any investment advisory relationship we have with you is defined in the agreement you sign for SPA. When you are enrolled in SPA, we act as your investment adviser only for your account and not any other assets or accounts, unless otherwise separately agreed to by us in writing. Our advisory relationship begins when we enter into an agreement with you, which occurs on the date of acceptance of the signed agreement by us. Preliminary discussions or recommendations before we enter into an agreement with you are not intended as investment advice and should not be relied on as such.

In addition to SPA, Merrill Lynch offers a wide variety of investment advisory services, including (but not limited to) Merrill Lynch Consults® Service, the Merrill Lynch Consulting Services, the Merrill Lynch Mutual



Fund Advisor® Program, the Merrill Lynch Personal Investment Advisory® Program, the Merrill Lynch Managed Account ServiceSM, and the Merrill Lynch Unified Managed Account. Other advisory services are offered by our affiliates. Impersonal investment advice (general advice not tailored to the specific needs of any individual) in the form of publications or research may also be available. In addition, we offer financial planning services, including (but not limited to) the Financial Foundation® Report and the Private Planning ServiceSM. More information about these programs and services is contained in the applicable Merrill Lynch brochure (or Merrill Lynch Form ADV, Part 2A) and is available upon request or through the SEC's website at www.adviserinfo.sec.gov.

THE MERRILL LYNCH INVESTMENT POLICY SERVICE

The Merrill Lynch Investment Policy service is designed to assist you in creating a written policy statement ("Policy Statement") to document both your investment goals and objectives for an account as well as certain policies governing the investment of assets. The Policy Statement also identifies an investment strategy that seeks to attain your goals.

If you elect to have Merrill Lynch assist you in creating a Policy Statement for you, we will collect certain information from you through a questionnaire or other document. This questionnaire is designed to profile various factors for the account such as investment objectives, risk tolerances and projected cash flow. Please note, however, that it is your responsibility to provide all necessary information for the preparation of the Policy Statement, particularly any limitations imposed by law or otherwise. Merrill Lynch personnel will take the information you provide and create a draft Policy Statement. This draft Policy Statement is then submitted to you for review and approval.

We recommend that your professional advisors, such as an attorney, actuary and/or accountant, review the Policy Statement. You should call upon these professionals to check relevant documentation, particularly in the case of trusts or retirement plans. The review and acceptance of the Policy Statement, however, is your ultimate responsibility.

Merrill Lynch will produce a single Policy Statement to cover a single identified pool of assets. Once completed, we will not modify or update a Policy Statement unless you specifically request us to do so.

Upon your final approval, the Policy Statement is ready to be sent to your Investment Manager. Please note that it is your responsibility to:

- Provide the Policy Statement to your Investment Manager; and
- Confirm the Investment Manager's acceptance of the Policy Statement.

It is your Investment Manager's responsibility to adhere to the Policy Statement in managing your account and we encourage you to review your account periodically to verify your Investment Manager's compliance with the Policy Statement. Again, your Investment Manager is responsible for the management of your account, not us. As a result, we will not review your account for adherence to any Policy Statement.

THE MERRILL LYNCH STRATEGIC ALLOCATION MODELING SERVICE

The Merrill Lynch Strategic Allocation Modeling ("Strategic Allocation Modeling") service offers asset allocation modeling capabilities to assist you in identifying an appropriate long-term asset mix for your individual needs and goals. In a Strategic Allocation Modeling study, sophisticated computer models are used to construct asset allocations and to project potential ranges of returns and market values over various time periods and using various cash flows. The modeling uses our forward-looking capital market assumptions of



risk, return, and correlations for the different asset mixes. The Strategic Allocation Modeling service is intended to help you test a variety of customized Monte Carlo Simulations scenarios to better understand the impact of different asset allocations on your account.

If you elect to have Merrill Lynch create a Strategic Allocation Modeling study for you, we will collect certain information from you through a questionnaire or other document. This questionnaire is designed to profile various factors for the account such as investment objectives, risk tolerances and projected cash flow. Please note, however, that it is your responsibility to provide all necessary information for the preparation of the Strategic Allocation Modeling study, particularly any limitations imposed by law or otherwise. Merrill Lynch personnel will take the information you provide and create a Strategic Allocation Modeling study.

It is your responsibility to select the final asset allocation mix and to determine whether to implement any asset allocation strategy. After you select an asset allocation alternative, it is important that you periodically review your accounts' actual asset allocation to verify that it remains in line with your investment guidelines. You and other state or local pension plans may have predetermined allocation requirements that may depart from the asset mixes that the Strategic Allocation Modeling Service recommends.

We cannot guarantee or represent that following the allocation suggested by the Strategic Allocation Modeling service will provide superior performance over other asset allocations. Your risk tolerance, stated investment objectives, liquidity needs, the suitability of certain asset classes and specific preferences concerning the choice of asset classes to be included are essential inputs to the asset allocation analysis.

As noted above, the asset class data presented in a Strategic Allocation Modeling study is based on estimated, forward-looking performance of various asset classes and subclasses to create the Merrill Lynch forward looking capital markets assumptions (e.g., expected return, expected standard deviation, correlation, etc.). Past performance and the return estimates of the asset classes and the indexes that correspond to these asset classes may not be representative of actual future performance and actual results could differ, based on various factors including the expenses associated with the management of the portfolio, the portfolio's securities versus the securities comprising the various indexes and general market conditions. Before a specific asset allocation strategy is selected, other factors such as economic trends, which may influence the choice of investments and risk tolerance, should be considered. We also encourage you to consult with your professional advisors since we do not provide tax or legal advice that may affect asset classes or allocations used in the modeling. However, we will apply guidelines you supply as directed. Again, compliance with restrictions or guidelines, if any, is your responsibility.

Extensive analysis is used to derive the Merrill Lynch forward-looking capital market assumptions, including guidance from BofAML Research, academia, and other sources. Several models are used to derive estimates based in part on the Capital Asset Pricing Model and models based on long-term economic growth and other metrics and statistics. These studies are designed to provide estimates of long-term asset class risk and return assumptions over future decades and may significantly differ from more short-term forecasts published by our other business units. These inputs are used in optimization models used to derive long-term strategic allocation targets, but may include short-term tactical tilts at your direction. Other nonproprietary sources of information, including information from various computer software systems and consulting firms, may be used to analyze the data and generate the allocation modeling studies. Such information is obtained from sources believed to be reliable, but cannot be guaranteed.

Similar to the Investment Policy Statement service, once a Strategic Allocation Model report is completed, we will not modify or update it unless you specifically request us to do so nor will we perform any ongoing review of your selected asset allocation strategy.

**MERRILL LYNCH PERFORMANCE MEASUREMENT REPORTS**

We assist you in monitoring and evaluating the performance of your investment accounts by providing periodic performance measurement reports containing returns and other statistical performance analyses. In consultation with a Financial Advisor, you can customize the performance measurement report by choosing specific indexes and other benchmarks for portfolio comparison purposes, and you can select the level of report detail that meets your needs. Account returns are compared with the returns of selected market indexes and other professionally managed investment accounts. Performance measurement reports provide an attribution analysis of the effect on performance of the Investment Manager's securities selections and asset allocation decisions. An assessment of the risk taken to achieve the returns is also presented. You should use the report to evaluate your Investment Manager and its progress towards selected goals. Your Financial Advisors will be available to assist you in understanding the format and content of the performance measurement report, which includes graphic and tabular presentations of performance.

The principal source of information for the performance measurement report is data from us unless the account has a third-party custodian. If you elect to use a third-party custodian, the source of the information for the report is that of the custodian. We also use outside information sources including computer and data analysis firms. This information is obtained from sources believed to be reliable, but cannot be guaranteed. The inclusion of any particular securities in the performance measurement report does not constitute a recommendation or advice with regard to suitability or the appropriateness of continued investment.

In connection with the information contained in the performance measurement report, you should note that:

- Changes in account valuations due to capital gains or losses, dividends, interest or other income are included in the calculation of returns;
- Account returns may be shown both before and after the deduction of investment advisory fees depending on the report selected (when such advisory fees are provided to Merrill Lynch for inclusion in the performance measurement report); and
- When your assets are maintained by an Unrelated Custodian, we will rely upon the data supplied by the custodian in preparing the performance measurement report. We are not responsible for the accuracy of this data. When special circumstances come to our attention, we reserve the right to make adjustments which, in our judgment, would more accurately reflect the value of securities held in, and the performance of, a particular account.

When making performance comparisons, you should note that:

- Differences in transaction costs among accounts will affect account comparisons;
- The market indexes shown in the performance measurement report do not include transaction costs. If available, an actual investment in these indexes, or in the securities comprising the indexes, would require an investor to incur transaction costs and performance would be reduced by such costs and their compounded effect; and
- Performance information from third-party sources (e.g., an Uncovered Investment Manager) may differ from that shown in the performance measurement report. These differences may be due to different methods of analysis, different pricing sources, treatment of accrued income or different accounting procedures. For example, infrequently traded fixed-income securities may be priced according to yields calculated on a matrix system, which may vary among pricing sources. As another example, if sufficient data is available, the performance measurement reports are prepared



on a trade date basis, and their performance information may differ from reports prepared on a settlement date or other basis.

The Comprehensive AIM report is a more in-depth performance measurement report that is available as an Elective Service upon request. The report details the portfolio's performance, how that performance was achieved and the factors primarily responsible for it. The report also presents monthly cash flows and portfolio valuations, current asset allocations, returns compared to the market indexes and other benchmarks, risk analysis, and analysis to help identify how much of the portfolio's performance can be attributed to management decisions rather than to market conditions, asset allocations or other factors.

IMPORTANT CLIENT RESPONSIBILITIES

As with any investment advisory program, different parties have different responsibilities and it is important for you to understand what you and your Investment Manager are responsible for (as opposed to what we are responsible for). You are responsible for:

1. Providing accurate and complete information.

As part of the program, we ask you to complete a questionnaire or other form that elicits various types of information. You are responsible for providing accurate and complete information and, if you do not, it could significantly affect the services that we provide.

2. Notifying your Financial Advisor and Investment Manager of certain material changes.

You must notify your Financial Advisors promptly of any material change in financial circumstances, investment objectives, or investment restrictions (if any) that may affect account management. We will periodically notify you to emphasize the need to report such information. Since the management of your account is your Investment Manager's responsibility and not ours, you must provide any such updated information directly to your Investment Managers. We and your Financial Advisor do not have any obligation to communicate such information to your Investment Manager.

3. Selecting your Investment Manager and Strategy.

As discussed below, through the SPA program, we will identify and present Investment Manager Strategies for your consideration, but these Investment Managers and Strategies are not endorsed by us. We provide you with data and other materials to assist you in your Investment Manager and Strategy selection. You should review all these materials carefully before taking appropriate action. Upon selection, the Investment Managers have exclusive discretionary authority over the accounts that they manage.

4. Notifying your Investment Manager of additions, or withdrawals, of assets from your account.

You have the responsibility to notify your Investment Manager promptly with respect to any additions, or withdrawals, of assets to your account maintained at Merrill Lynch or other custodian.

5. Avoiding conflicting instructions.

You have the responsibility to avoid providing conflicting instructions to us and your Investment Manager.

As a result, we do not assume responsibility for your:

- Choice of Investment Manager and Strategy;
- Investment Manager's and Strategy's investment performance;



- Investment Manager's adherence to your objectives and restrictions; and
- Investment Manager's compliance with applicable laws or regulations, or other matters within your Investment Manager's control.

Similarly, we do not monitor transactions directed by the Investment Managers for compliance with any applicable restrictions or requirements, even where we execute the transactions. You always retain the final authority, obligation and responsibility for making your own determinations regarding the selection and retention of an Investment Manager as well as the monitoring of your accounts.

MARGIN, UNCOVERED OPTIONS AND SHORT SALES STRATEGIES

In certain circumstances, your Investment Manager may employ margin, write uncovered options and/or sell securities short (collectively, "Options and Margin Strategies"). As disclosed in the securities account documentation you execute allowing the use of margin in your Account, if your Investment Manager uses margin to purchase securities, our collateral for the loan will be the securities purchased for your Account and any other accounts you maintain at Merrill Lynch. You should read this documentation carefully. If the securities in a margin account decline in value, so does the value of the collateral supporting the margin loan, and, as a result we can take actions, such as issuing a margin call or selling securities or other assets maintained at Merrill Lynch in order to maintain the required equity in the account. Overall, margin increases the losses you would sustain, as compared to an unleveraged Account, in declining markets that negatively affect the value of securities bought on margin. You assume full responsibility for your Investment Manager using margin to buy securities. If you determine that they no longer want your Investment Manager to use margin in your Account, you are responsible for notifying your Investment Manager of such determination. We are not responsible for any losses resulting from Investment Manager's failure or delay in implementing such instructions. You may also discontinue use of margin in your Account according to the terms of the Margin Agreement. If you terminate the Margin Agreement, you are responsible for notifying your Investment Manager of such termination. We are not responsible for notifying your Investment Manager of the termination of the Margin Agreement or for any losses resulting from your failure to so notify your Investment Manager.

In certain circumstances, your Investment Manager may write uncovered options and sell stock short in your Account. If you permit your Investment Manager to write uncovered options, you will be exposed to potentially significant losses. For a call option, if the value of the underlying instrument increases above the exercise price, you can incur large and unlimited losses until the option expires or other contract remedies are pursued. For a put option, you bear the risk of loss if the value of the underlying instrument declines below the exercise price. If your Investment Manager writes combination or straddle options (where your Investment Manager writes both a put and a call option on the same underlying instrument), your potential risk of loss is unlimited. Further, if a secondary market in options were to become unavailable, your Investment Manager could not engage in a closing transaction and you would remain obligated until expiration or assignment. To engage in options transactions, you need to execute an option account agreement and, under the terms of that agreement, if you do not meet applicable margin payment requirements, we may liquidate stock, options or other account positions in your Account, with little or no prior notice to you.

Selling stock short raises similar risks as writing uncovered call options and you will assume similar risks of loss.

The costs, risks and other features and conditions of margin and short sales are more fully described in the brokerage documentation authorizing the use of Options and Margin Strategies in your Account.

**REASONABLE INVESTMENT RESTRICTIONS**

You may impose reasonable investment restrictions on your account, but you must communicate such restrictions directly to your Investment Manager. It is your responsibility to monitor such investment restrictions, review such investment restrictions with your Investment Manager, and advise the Investment Manager of any discrepancies or modifications to such restrictions. You should understand that your Investment Manager, not Merrill Lynch, will be responsible for complying with your restrictions, if any, and we and your Financial Advisor shall not be responsible for implementing or monitoring your restrictions. For more information on investment restrictions, please see the section entitled *Risk and Tax Disclosure* below. If you have selected to restrict investments in your account, you accept any effect such restrictions may have on the investment performance and/or diversification of the account.

RISK AND TAX DISCLOSURE

You should understand:

- All investments involve risk (the amount of which may vary significantly);
- Investment performance can never be predicted or guaranteed;
- The values of your accounts will fluctuate due to market conditions, manager performance and other factors;
- There is no assurance that the performance results of any benchmark or index used in connection with SPA, including those shown on the performance measurement report or our other reports, can be attained;
- All or a portion of your securities may be sold either at the initiation of or during the course of the management of your accounts. You are responsible for all the tax liabilities arising from these transactions and are encouraged to seek the advice of their qualified tax professionals; and
- The purchase and sale of U.S. securities may have additional adverse tax consequences and risks if you are not a resident of the United States.

By deciding to allow your Investment Manager to give investment directions to Merrill Lynch, you assume the risks associated with the Investment Manager's investment decisions. Accordingly, if your Investment Manager assembles a concentrated position in the Account, you assume the risk of a substantial loss in value to the entire Account if there is a decline in the concentrated position or industry sector. Similarly, if your Investment Manager effects trades in securities that we do not follow or has a contrary recommendation, you do so at your own risk. Moreover, if your Investment Manager chooses to make use of margin to effect transactions in an Account, you assume the risk associated with margin transactions, including that losses in the value of an asset purchased on margin are magnified as a result of the use of borrowed money. Ultimately, as between you and us, you bear the risk of all of these decisions.

If your Investment Manager uses concentrated positions in your Strategy, you assume additional risk, including:

- Substantial loss in the Account based upon the loss in value of a single security or industry sector; and
- The impact a large concentrated position will have on the Investment Manager's ability to diversify the Account.



If your Investment Manager uses a Margin Strategy, you assume additional risk, including:

- You can lose more funds than amounts deposited in margin accounts;
- We can force the sale of securities or other assets in your Merrill Lynch account(s);
- We can sell your securities and other assets without contacting you;
- You are not entitled to choose which securities or other assets in the account are to be liquidated or sold to meet margin calls;
- We can increase its “house” maintenance margin requirements at any time without advance written notice;
- You are not entitled to an extension of time on a margin call; and
- If a margin call cannot be fully satisfied from assets in the Account, you will remain liable for the outstanding debt.

If your Investment Manager writes uncovered options in your selected Strategy, you assume additional risk, including:

- You will be exposed to potentially significant losses;
- If your Investment Manager writes an uncovered call option, if the value of the underlying instrument increases above the exercise price, you can incur large and unlimited losses until the option expires or other option contract remedies;
- If your Investment Manager writes an uncovered put option, you bear the risk of loss if the value of the underlying instrument declines below the exercise price;
- If your Investment Manager writes combination or straddle options (where a put and a call option are written on the same underlying instrument), the potential risk of loss is unlimited;
- If a secondary market in options were to become unavailable, your Investment Manager could not engage in a closing transaction and you would remain obligated until expiration or assignment; and
- In accordance with the option account agreement, if you do not meet applicable margin payment requirements, we may liquidate stock or options positions in the Account, with little or no prior notice to you.

Please note that short selling stock has similar risks as those described above regarding writing uncovered call options.

You acknowledge that your Investment Manager may sell all or a portion of the securities in your Account, either initially or during the course of your participation in SPA. You are responsible for all tax liabilities arising from these transactions. We and your Financial Advisor will not offer tax advice to you on any such issues. You are strongly encouraged to seek the advice of a qualified tax professional. In addition, if you are not a resident of the United States, you assume the adverse tax consequences.

We will not be responsible for making any tax credit or similar claim or any legal filing (including, but not limited to, proofs of claim) on your behalf.



FUNDING AND OPERATION OF SPA ACCOUNTS

FUNDING ACCOUNTS

You may fund your Account with securities and shares of open-ended mutual funds acceptable to us. You should consider all relevant factors before contributing mutual fund shares to your Account, including the fact that:

- Your Investment Manager may not be able to purchase additional shares of that or any mutual fund in your Account (as described below);
- You may have paid a front-end sales charge or may be subject to CDSC or redemption fees; and
- Such sales charges and fees, if applicable, will remain your responsibility and will be in addition to your Merrill Lynch Fee. If you contribute mutual fund shares to your Account, you must have held such mutual fund shares for at least sixty (60) days or purchased such mutual fund shares at net asset value.

Clients should understand that upon their account enrollment in the SPA program, the following services will not be available for that account: Checks, Visa® debit cards, web bill pay, online client orders, and systematic withdrawal services such as Move Money®/funds transfer disbursements.

RETIREMENT ACCOUNTS

If you are a Retirement Account client, you should understand that our services described above, particularly the services and related materials of the Investment Policy Statement, Strategic Allocation Modeling, manager identification services and performance measurement report (including the AIM report), are offered in order to assist plan fiduciaries as they carry out their investment-related responsibilities and are not intended to be a primary basis for your decision. Moreover, these services should not substitute for, or diminish the careful deliberation and determination of, those plan fiduciaries, after appropriate consultation with your other professional advisers and the review of relevant plan documentation.

CUSTODIAL ARRANGEMENTS

Generally, we carry brokerage accounts and maintain custody of assets for SPA clients. Under certain circumstances, you may use custodians other than Merrill Lynch, including one of the Merrill Lynch trust companies, to maintain custody of assets. You may also use the trust services of one of these affiliated trust companies, and eligible trust clients may elect SPA as an investment option. Where you retain a custodian other than us or retains one of our affiliated trust companies, (or, for that matter, an unaffiliated trust company), you are responsible for paying that custodian or trust company's fees. Generally, these fees will be in addition to the applicable SPA fees paid to us and the SPA fee will not be reduced accordingly.

Any assets held in your account must be free from any lien, charge or other encumbrance (other than a lien, charge or other encumbrance in favor of us or our affiliates). Such assets must remain so, unless you notify us and we agree. You must notify us in writing prior to effecting loans secured by securities in your account (including loans by our affiliates) (commonly referred to as "collateralizing"). You understand that we will not provide advice on or oversee any of your collateral arrangements. In the event of any conflict between the terms of your Client Agreement and your collateral arrangements, the terms of the Client Agreement will prevail. You must also disclose to any lender the terms of the Client Agreement. No specific securities in your account must be held as collateral to secure the client's loan. You should be aware of the adverse effects of collateralizing accounts, including, but not limited to, the fact that the lending institution may require



additional collateral or liquidation of securities held in your account to meet a call, as well as the related tax consequences. You must promptly notify us of any default or similar event under your collateral arrangements as defined in the respective collateral arrangements.

Your assets held by custodians other than us may not be protected by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation ("SIPC") or "excess" SIPC coverage. For more information about any of these services, you should contact your Financial Advisor.

INVESTMENT OF CASH BALANCES

Cash balances and funds pending investment will automatically be invested or "swept," temporarily, as part of an asset allocation or for defensive purposes, according to the cash sweep option that you selected in the underlying Merrill Lynch securities account agreement for the Account. Depending upon the type of securities account you established, cash balances will be swept to one or more Merrill Lynch Banks, Related or Unrelated Money Market Funds, or to another available cash option. Your Investment Manager does not have the discretion to select the sweep investment. With certain account types, a sweep option may not be available. In that case, you will not be invested in one of the above sweep options as part of the Program.

For certain types of securities accounts, as provided in the applicable account agreements with us, you can choose the particular sweep investment and/or direct the investment of cash outside of the sweep. Your Financial Advisor can help you identify the sweep investment or other cash options, if any, available to you, but neither we nor your Financial Advisor has the discretion to make the selection for you. If you do not select a sweep investment, then a default option will be selected according to the terms of your securities account agreement.

Cash and assets held in money market funds, deposit accounts or other cash options are included in the value of your Account for the calculation of the SPA fee. Unless otherwise agreed, your Account will be credited with any dividends, interest and principal paid on assets held in your Account.

TRADING IN SPA ACCOUNTS

Your trades are generally placed by, and are the responsibility of, your chosen Investment Manager to whom you have granted the discretionary authority to determine (subject to your investment objectives and constraints) the securities to be bought or sold on your behalf, the amount of such securities, and the brokers or dealers to be used in such transactions.

The Investment Manager you select is obligated, absent your direction to the contrary, to effect transactions with or through those brokers or dealers that, in the Investment Manager's view, are capable of providing best price and execution of orders for your benefit.

If the Investment Manager determines to execute a purchase or sale of any security for your account through a broker or dealer other than us, any resulting execution charges will be separately charged to that account. Because of our execution capabilities and because the SPA fees you pay cover transaction charges only when transactions are executed through us, we expect that your transactions will generally be executed through a broker or dealer other than us only when required by applicable law or your Investment Manager placing the transaction reasonably believes, in good faith, that such other broker-dealer will provide better price and execution, net of any additional resulting transaction costs which will be charged to your account when transactions are effected through a broker or dealer other than us.

However, the Investment Managers are not obligated to solicit competitive bids for each transaction or to seek the lowest available commission cost, so long as they reasonably believe that the broker-dealer



selected can be reasonably expected to provide best execution under the circumstances and they determine, in good faith, that the commission cost is reasonable in relation to the value of the brokerage and, where applicable, research services (if any) are provided. The cost advantage associated with using us to execute trades for your account is expected to alter the way in which each Investment Manager satisfies his or her duty to seek best execution.

We and our affiliates will ordinarily act as agent in executing transactions on behalf of SPA clients. Principal transactions may also be effected for SPA clients under the appropriate circumstances as permitted by law. Principal transactions may be subject to a dealer spread (i.e., the difference between the bid and the offer price), which may result in additional compensation or other benefit to us. Transactions in securities customarily traded in dealer markets (such as fixed-income or over-the-counter securities) that are purchased from or sold to broker-dealers other than us may include markups or markdowns by these firms.

In accordance with the instructions of your Investment Manager and your authorization, our execution services (or those of an affiliated broker-dealer) will generally be used for the purchase and sale of securities for SPA, unless you designate another broker-dealer or applicable law is to the contrary. However, in buying or selling certain securities (particularly those that customarily trade in "dealer markets"), we may, for legal or other reasons, cause such transactions to be effected through a bank, broker or dealer that is not affiliated with us ("Unaffiliated Investment Firm"). When we select an Unaffiliated Investment Firm to execute transactions, we will take into account various factors, such as:

- The nature and quantity of the securities involved;
- The markets involved;
- The importance of speed, efficiency and confidentiality;
- The firm's apparent knowledge of such markets and sources from or to whom particular securities might be purchased or sold;
- The reputation and perceived soundness of the broker-dealer;
- The ability and willingness of the broker-dealer to facilitate both purchases and sales of securities for client accounts by participating in such transactions for its own account;
- The firm's clearance and settlement capabilities; and
- Other factors relevant to the selection of a broker-dealer for the execution of your securities transactions.

SPA fees do not cover transaction charges or other charges, including markups and markdowns, resulting from trades effected through or with a broker-dealer other than us or our affiliates. In addition, SPA fees do not cover transaction and other charges incurred by Funds held in SPA accounts. Purchases of securities from an underwriter or dealer in a distribution will be effected at the public offering price.

Your transactions are effected by us on the instruction of your selected Investment Manager. Accordingly, it should be understood that, for any and all transactions effected by or through us in an SPA account at the direction of your Investment Manager, we are acting exclusively as a broker-dealer in relation to such transactions.

We and the SPA Investment Managers may, but are not required to, aggregate orders for the sale or purchase of securities for your account with orders for the same security for our other clients, proprietary accounts or the accounts of our employees and/or related persons, without your prior authorization. In such



cases, each account in the aggregated transaction will be charged or credited with the average price and, when applicable, its pro rata share of any fees.

When we execute transactions in foreign ordinary securities outside the United States, we may use the services of foreign Unaffiliated Investment Firms. These foreign Unaffiliated Investment Firms may handle your order as agent and assess a commission charge, or they may transact as principal and receive a dealer spread or markup/down. Additionally, to the extent a foreign currency conversion transaction is required to facilitate trade settlement, the foreign Unaffiliated Investment Firm (or its affiliate) effecting the currency conversion will be remunerated in the form of a dealer spread or markup/down. Although the remuneration received by the foreign Unaffiliated Investment Firm is not disclosed to or by us in net price transactions, we will undertake, upon your written request, to determine or ascertain from the contra-party this remuneration in a given transaction for your Account. The commission charges and/or dealer spreads of foreign Unaffiliated Investment Firms may also accrue when foreign issuers terminate an ADR facility, thereby necessitating conversion of ADRs to foreign ordinary share form. In such circumstances, the prices obtained for the post-conversion security may be less beneficial to you than if the ADR remained intact. These commission charges and/or dealer spreads are in addition to the Merrill Lynch Fee payable under the Client Agreement.

We and our affiliates may effect agency cross transactions in which we or one of our affiliates acts as broker for the parties on both sides of the transactions involving SPA or other clients in accordance with applicable law. When effecting such crossing transactions, we or our affiliates may receive compensation (the amount of which may vary) from the other party to such transactions, which compensation from the other party would be in addition to the fees described herein. While such compensation, in theory, could create a potentially conflicting division of loyalties and responsibilities, transactions involving SPA are directed by your Investment Manager, and we will be acting solely as a broker-dealer in connection with such trades.

PROXY VOTING AND OTHER LEGAL MATTERS

Unless otherwise designated on the SPA Client Agreement or other writing addressed to us (or another custodian you select), you direct your Investment Manager for each SPA account to vote the proxies and receive other issuer-related material relating to the securities held in the SPA account, and you represent in the SPA agreement that, under any applicable instruments or governing law, your Investment Manager is authorized to make such direction. To the extent that we are the custodian and voting instructions are not received and as permitted by applicable law, we will comply with the rules and policies of the NYSE and the SEC, consistent with our role as a non-discretionary custodian.

In addition, we do not advise or act for you regarding any legal matters, including bankruptcies and class actions, pertaining to the securities held in the SPA account. Unless otherwise agreed, we will send you any documents we receive for client distribution with regard to such matters.

ACCOUNT FEES

The current fee schedules for SPA, including the Elective Services, are set forth below and apply to each separate SPA account. Fees for accounts greater than \$50 million will be determined by mutual agreement. If you receive any of the separate services described here but determine not to proceed with the SPA service, you are still responsible for paying us for such services on a separate basis under the then-current fee schedule for such service.



Dollar Value of Assets in Each SPA Account	Annual Equity/ Balanced/Convertible/ REIT Fee Schedule	Annual Fixed Income Fee Schedule
Up to \$5 million	1.50%	.70%
\$5 – 10 million	1.00%	.60%
\$10 – 15 million	.85%	.50%
\$15 – 20 million	.75%	.45%
\$20 – 25 million	.70%	.40%
\$25 – 50 million	.60%	.40%
Over \$50 million	Determined by Mutual Agreement	Determined by Mutual Agreement

SPA fees are negotiable. Fees may differ based on a number of factors including, but not limited to, the:

- Amount of your assets;
- Number and size of related accounts;
- Range and extent of services provided or to be provided to you, including the Elective Services that you select; and
- Financial Advisor assisting you.

Depending upon the factors enumerated above, some SPA clients receiving one or more of the Elective Services may pay less than other SPA clients not receiving such services. Moreover, fees and other account requirements may vary as a result of prior policies and the date the account was opened in SPA.

Other pricing arrangements, typically involving multiple accounts, products or services, may also be available to certain clients. While clients entering into such arrangements may pay higher fees for any particular component being offered, the pricing arrangements for the entire suite of services and products will generally result either in the same or lower fees in aggregate for all the accounts, products or services provided or for the inclusion of additional products and services.

In addition to the foregoing services, we may, from time to time, enter into specialized agreements to provide particular or unique services to certain clients, subject to negotiated fees. The fees for certain of the services described in this Brochure may be reduced for our employees or affiliates or clients who may be subject to prior fee schedules. For more information regarding the above programs or any other services we offer, please contact your Financial Advisor.

CALCULATION OF ACCOUNT FEES

SPA fees are payable quarterly in advance based on the estimated market value of your account as of the last business day of the previous calendar quarter, as determined by us or another custodian holding such assets.

For the initial quarter, fees are calculated proportionally based upon the number of days left in such quarter from the date our advisory relationship begins, which occurs on the date of acceptance of the signed agreement by us. The initial SPA fee is based on the estimated market value of the account as of the close of business on the day preceding the transmission of the account to your Investment Manager. You may elect to have SPA fees and/or manager fees paid by debit from the SPA account, debit from an alternate Merrill Lynch account, or through the payment of an invoice.



The securities held in your account will be valued, in our sole discretion, using various sources, including quotation services and, for accounts where we are not the custodian, reports provided by the custodian. In some cases, values may be based on estimates believed to be reliable. If values are unavailable or are believed to be unreliable, values will be determined in good faith so as to reflect estimated fair market value. Values may vary from prices achieved in actual transactions, especially for thinly traded securities, and are not firm bids or offers or guarantees of any type. For fixed-income securities, the values assume no unusual market conditions and are generally for round lots of one million dollars or more, which may produce values that are higher than the prices that would be achieved in the sale of fewer securities or odd lots. As a result, your SPA fees may be calculated based on values for some securities that are greater than the amount that would be received upon sale. Cash and assets held in money market funds, deposit accounts or other cash options are included in the value of your Account for the calculation of the SPA fee.

The account value used for the calculation of fees may differ from that shown on your monthly securities account statement and performance measurement report due to a variety of factors, including trade date or settlement date accounting, the treatment of accrued income, round lot valuation and other considerations. Further, it should be noted that the valuation of client securities reported in the performance measurement report may also be subject to occasional repricing in reasonable and appropriate circumstances, but such repricing will not affect, or result in the adjustment of, previously calculated SPA fees.

DEDUCTION OF ACCOUNT FEES

As set forth in the Client Agreement, you may authorize us to deduct the SPA fees from the Account. We also may, for your convenience and if so agreed between you and your Investment Manager, deduct from the Account the advisory fee that you have agreed to pay the Investment Manager ("Investment Manager Fee"). We will remit the Investment Manager Fee to the Investment Manager. The Investment Manager Fee will be deducted in addition to, but after, the SPA fees payable to us.

To the extent permitted by law, all assets in the Account or other assets held by Merrill Lynch or any affiliate for you will be subject to a lien for the discharge of your obligation to make timely payment to us, and we may sell assets in the Account to satisfy this lien.

ABILITY TO OBTAIN THE SPA SERVICES SEPARATELY

As noted above, you are not obligated to implement any of the recommendations provided through SPA or to trade through SPA. You may be able to obtain some or all of the types of services available through SPA from Merrill Lynch and its affiliates, on a separate or combined basis. Depending upon the factors below, SPA may cost you more or less than purchasing the services separately. You may also be able to obtain some or all of the types of services available through SPA from other firms, and account fees may be higher or lower than the fees charged by other firms for comparable services, assuming such services are available. It is your responsibility to review the other services or investments available through us and our affiliates with your Financial Advisor to determine whether they may be more appropriate for you than SPA.

In comparing the account types and programs and their relative costs, you should consider various factors, including, but not limited to:

- Your preference for an advisory or brokerage relationship;
- Your preference for a discretionary or a non-discretionary relationship;
- Your preference for a fee-based or commission-based relationship;



- The types of investment products that are available in each program or service;
- Whether a particular investment strategy offered in one program or service is available through another Merrill Lynch program or service;
- How much trading activity you expect to take place in your account;
- How much of your assets you expect to be allocated to cash;
- Whether the Investment Manager allocates assets to mutual funds and the current restriction on purchasing mutual funds in SPA;
- The frequency and type of client-profiling reports, performance reporting and account reviews that are available in each program or service; and
- The scope of ancillary services that may be available to you in a brokerage account, but that are not available in an advisory program.

OTHER FEES AND EXPENSES

We want you to know that SPA fees do not cover:

- Investment Management Fees you pay to your selected Investment Manager (and set by such manager);
- Transaction charges resulting from trades effected through or with a broker-dealer other than us or our affiliates;
- Markups or markdowns by other broker-dealers (including on fixed-income or over-the-counter transactions in which we act as agent);
- Transfer taxes;
- Margin interest;
- Fees charged by us, our affiliates or unaffiliated third parties in connection with short-sale transactions;
- Fund redemption fees, exchange or similar fees (such as for ADRs charged by third parties including issuers and the SEC);
- Electronic fund, wire and other account transfer fees; and
- Any other charges imposed by law or otherwise agreed to with regard to your account.

Among other services provided, we may effect transactions for any Funds, and any compensation paid to us by the Funds or our affiliates, is in addition to the SPA fees. Due to the additional economic benefit to us when a SPA account is invested in a Fund, a conflict of interest exists. For more information about other compensation we may receive in connection with SPA and from Investment Managers participating in SPA, see the section below entitled *Client Referrals and Other Compensation - Other Compensation*.

As noted above, on trades effected through or with us, we will not charge a commission on agency transactions. On principal transactions effected with us, as permitted by law, we will not charge a markup or markdown from the prevailing market price on a per-transaction basis for its execution services. However,



principal transactions may be subject to a dealer spread (i.e., the difference between the bid and the offer price), which may result in additional compensation or other benefit to us.

Some Investment Managers, particularly fixed-income managers, may batch or aggregate a majority of SPA client transactions with their other clients and place the aggregated order through Unaffiliated Investment Firms (“Unaffiliated Investment Firms”) for execution. Typically, those Unaffiliated Investment Firms fill orders as dealers and the cost of execution is included in the price of the security as a markup/down. The portion of the aggregated order so executed for SPA clients is then cleared and settled through us in a practice referred to as a “step in.” Clients whose managers place a majority of transactions through Unaffiliated Investment Firms will pay the same (or negotiated) wrap fee to Merrill Lynch as clients whose managers place a majority or all of transactions through us, in addition to the markup/down imposed by the executing broker-dealer. As a result, the portion of the wrap fee payable to us that is attributable, ostensibly, to our execution services is in addition to the imbedded execution costs these clients pay to the Unaffiliated Investment Firm.

Additionally, any security purchased prior to enrolling in SPA and subsequently transferred into a SPA account may be subject to the SPA fee immediately upon its transfer to SPA. This means that we may pay both an up-front commission (when the security was purchased prior to enrolling in SPA) as well as a SPA fee (once enrolled in SPA) in connection with the purchase of the same security.

If your Investment Manager determines to execute a purchase or sale of any security for your account through a broker or dealer other than us, any resulting execution charges will be separately charged to that account.

SPA accounts are generally not permitted to effect margin transactions. However, when so permitted, the margin interest you pay on debit balances is not included in the SPA fee. Financial Advisors may receive additional compensation in such circumstances as well as, in limited cases, from rights or tender offers.

MARGIN, UNCOVERED OPTIONS AND SHORT SALES STRATEGIES

If your Investment Manager utilizes Options and Margin Strategies, you will incur costs in addition to the SPA fees. Although you will be paid on the short market value of any securities sold short in your Account, we will also benefit from these short sale positions. The rate of interest paid to you will be determined by Merrill Lynch in its sole discretion and will reflect the retention of compensation by us. In addition, you will be charged fees, as reflected on your Account statements, for any securities that we deem to be “hard to borrow” either at the time your Investment Manager sells such securities short or at any time before the short position is “closed out” by your Investment Manager.

Investment Managers that sell securities short will use cash generated from short sales to purchase additional securities, i.e., leverage. If margin is used by your Investment Manager or if adverse market conditions trigger a margin call, you will pay interest pursuant to the Merrill Lynch Margin Lending Program Client Agreement (“Margin Agreement”).

INVESTMENT OF CASH BALANCES

If cash balances are invested in a money market fund, assets held in such money market fund are subject to the Fund’s management, distribution, transfer agent, and other expenses. If cash balances are invested in a Related Money Market Fund, certain of these fees and expenses are payable to us or a Related Company, which may act in a variety of capacities. These fees and expenses are described in the applicable money market fund prospectus and are paid by the money market fund but are ultimately borne proportionately by



each investor. These fees and expenses are in addition to, and will not reduce, Account fees, except as required by law.

If cash balances are deposited in the Merrill Lynch Bank Deposit Program, Insured Savings Account Program or Retirement Assets Savings Program, the participating depository institution will benefit from its use of the deposits, and we and our affiliates will receive compensation from the participating depository institution, including any Merrill Lynch Bank. This compensation will be in addition to, and will not reduce, Account fees. The terms of the Merrill Lynch Bank Deposit Program, Insured Savings Account Program and Retirement Assets Savings Program or any other bank deposit program, as applicable, are described in the disclosures that you received in connection with the underlying Merrill Lynch securities account for your Account, and are also available from your Financial Advisor.

Due to the additional economic benefit that we or a Related Company receive from cash investments, a conflict of interest exists between us and you. However, at times, your Investment Manager may believe that it is in your interest to maintain assets in cash, particularly for defensive purposes in volatile markets. We or your Investment Manager will not be precluded by any of these conflicts from exercising our judgment in your best interest.

COMPENSATION FOR RECOMMENDING SPA

We, our affiliates and employees benefit from the fees and charges you pay for the services described in this Brochure. You may also use other products or services available from or through us and, in such case, pay additional compensation. Financial Advisors offering these services and providing ongoing assistance to you will, in turn, receive compensation from us.

Financial Advisors who assist you in enrolling in SPA receive a portion of the SPA fees. Since a Financial Advisor's compensation is based on the total SPA fee charged to you, the Financial Advisor has a disincentive to reduce the SPA fee below a level that will negatively impact the Financial Advisor's revenue on each account. The amount of compensation a Financial Advisor may receive from your enrollment in SPA may also be more or less than the compensation that the Financial Advisor might receive if you had instead participated in other programs offered by us or our affiliates or had purchased the services provided through SPA separately. If there is a difference in compensation, the Financial Advisor may or may not have a financial incentive to recommend you select SPA over other programs or services offered by us or our affiliates.

Further, separate and apart from SPA, Financial Advisors may assist you with your brokerage accounts and recommend the purchase or sale of securities, including stocks, bonds, mutual funds and other investments, as well as other products and services available through us and our affiliates. In such cases, we and our Financial Advisors will receive the compensation that is usually associated with or generated by such products, services and transactions. This compensation may include commissions, markups, or markdowns, asset-based or subscription fees, mutual fund sales loads, Rule 12b-1 fees or other remuneration as may be described in the applicable confirmations, prospectuses, subscription agreements or other offering documents (collectively, "Selling Broker Compensation"). To the extent that a Financial Advisor is a broker of record for the transaction, we and our Financial Advisors may receive Selling Broker Compensation associated for mutual funds that you purchase, including for purchases executed outside of us. You should review all of this material carefully in determining whether to proceed with any such investments. Such compensation will be in addition to the fees charged for SPA. We encourage you to speak with your Financial Advisors at any time about any of these matters, including the extent to which the Selling Broker Compensation varies among share classes.



The SPA program includes Investment Managers that are Related Managers and Unrelated Managers. The selection of Related Managers results in increased compensation to us or an affiliate. Thus, we have a potential conflict of interest when recommending, selecting, monitoring and considering the removal or status change of Related Managers because we and our affiliates have an incentive to favor Related Managers over those whose selection might be expected to result in less total compensation to us and our affiliates.

ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

CLIENT ELIGIBILITY

Investors eligible to participate in SPA include, but are not limited to, individuals, trust and estates (to the extent allowed by state law), charitable organizations, banks, Retirement Accounts, corporations, or such other participants as we determine in our discretion and in accordance with applicable law.

ACCOUNT MINIMUMS

The minimum account size for a SPA account generally is \$2 million, but we, in our discretion, may accept accounts less than \$2 million. You may open a SPA account with cash, readily marketable securities, or a combination of both. When funding an account with securities, however, you should bear in mind that your Investment Managers may decide to sell all or a substantial portion of such securities and that you will be responsible for any tax or other liabilities (such as CDSC on certain classes of mutual fund shares) resulting from such transactions.

CLOSING AN ACCOUNT AND/OR TERMINATING THE CLIENT RELATIONSHIP

The SPA Client Agreement may be terminated at the direction of you or us as described in that agreement. Upon termination, we will refund any prepaid SPA fees on a pro rata basis as specified in the Client Agreement or as required by law. Termination of the SPA Client Agreement will have no effect on any agreement entered into between us and each selected Investment Manager, nor will it, in any case, affect or preclude the consummation of any transaction initiated prior to termination. You also have the responsibility to notify your Investment Manager of your decision to terminate the SPA account or terminate your agreement with your Investment Manager. You further understand that neither Merrill Lynch nor our Financial Advisors are responsible for notifying your Investment Manager of your decision to terminate the SPA account or your agreement with your Investment Manager.

Should you desire to begin placing orders with their Financial Advisor for your Account, the Client Agreement may be terminated, and your Account may be converted to a commission-based brokerage account for which transaction-based fees would be charged. You will be responsible for notifying your Investment Manager of the termination of our termination with you, as described above. We reserve the right, in our sole discretion, to reject any transaction order from you.

The termination of your Financial Advisor's employment with Merrill Lynch will not automatically terminate the Client Agreement. In the event that your Financial Advisor is no longer able to service your Account, Merrill Lynch may transfer that Account to a different Financial Advisor and you will be notified of any such changes.



PORTFOLIO MANAGER SELECTION AND EVALUATION

MANAGER IDENTIFICATION SERVICES

The SPA service assists you with the identification and selection of professional Investment Managers that may be appropriate based on the criteria you provide (including financial goals and needs) and based on the information obtained from the Investment Managers, and/or from Investment Manager databases.

We seek to provide clients with access to professional investment advice and to make available a choice of various Investment Managers and Strategies. As a general matter, we identify the need for a particular investment management style in SPA through client demand, volume considerations, or the need to replace an existing Investment Manager or Strategy.

IMG uses a multi-factor process for identifying and selecting Investment Managers, incorporating quantitative, qualitative, objective and subjective components. Factors for evaluation include, but are not limited to:

- Organizational structure and growth;
- Adherence to investment style;
- Evaluation of risk and volatility;
- Investment professional and strategy resources;
- Investment philosophy and process;
- Portfolio construction; and
- Performance.

Each such factor may have a different weight in the decision-making process and generally no factor alone determines the outcome of any selection.

The evaluation process consists of gathering information on the candidates from published materials, requests for proposal, investment manager products and services databases, and through direct contact with the candidate firms. IMG meets with and interviews candidate firms to assess their potential capabilities as participants in SPA. During the interviews, IMG covers numerous topics, including, as applicable, the Investment Manager's composite performance and background. Using the information collected, IMG reviews candidate firms based on the factors above. Following IMG reviews, we may supplement the IMG review by, among other things, contacting current and past clients and others familiar with the candidate firm, assessing the candidates operating capabilities were they to become participants in SPA, including the candidate firm's administrative procedures and capacity to service clients, and considering their willingness to participate in SPA under the terms of SPA.

As appropriate, we may offer the candidate firm the opportunity to participate in SPA. Once included in SPA, we add the Investment Manager's Strategy to the SPA Coverage List ("Coverage List"). At that point, the Strategy is available for selection for your account. At our discretion (and as described below), we may permit you to select Investment Managers that are not on the Coverage List.

Please note that although we review a candidate's past performance, we do not audit this data to verify either its accuracy or that each investment adviser has calculated past performance in a manner that is consistent with industry standards or the methodology used by other investment advisers. Further, we may make available for selection Investment Managers that have no prior performance in particular styles. In



such cases, we screen these candidates for all other applicable criteria described above and may evaluate past performance achieved in other styles as a consideration for inclusion in SPA.

We or our affiliates may make available Related Managers. We have a conflict of interest when considering the inclusion of Related Managers in SPA or assisting you in selecting a Related Manager, in that doing so will result in us or our affiliates receiving additional compensation. That said, we will not include Related Managers on the Coverage List and, as a result, we will not recommend Related Managers in SPA. IMG does not provide any due diligence on Related Managers in SPA. If you want to use a Related Manager, you may need to complete additional paperwork, including a form indicating that we and your Financial Advisor did not recommend such Related Manager and acknowledging that we do not conduct due diligence on the manager for your SPA account. Conflicts of interest related to the inclusion of Related Managers in SPA are further discussed below under the sections entitled *Related Persons* and *Client Referrals and Other Compensation - Other Compensation*.

Using your responses to the SPA Questionnaire, your Financial Advisor will work with you to select an Investment Manager and Strategy. If you select a Strategy from the Coverage List or the Strategy is available in Consults or UMA at the time of your enrollment in SPA, we will provide ongoing due diligence on such Investment Manager(s). We will not perform ongoing due diligence on any other manager.

Manager identification services are completed upon the presentation of the Investment Managers referred to above. It is your responsibility to select and/or retain any of the Investment Managers presented and to negotiate the terms of any Investment Manager agreement. The Investment Manager's fee is not included in the SPA service fee. Thereafter, new manager identification service recommendations will only be prepared upon your specific request.

Moreover, the methodology used by an Investment Manager to select and aggregate accounts for performance reporting purposes (i.e., the development of the Investment Manager's composite), as well as the calculation of performance results reported by each manager for its composite and its underlying accounts, may not have been created or calculated on a uniform or consistent basis from manager to manager. Further, performance information provided by the manager or obtained from third-party sources may include data pertaining to types of accounts (e.g., mutual funds or other commingled accounts) that are different from the type of account you are interested in having managed, such as mutual funds. We encourage you to evaluate this performance data carefully and to consider all relevant factors in selecting or retaining one or more managers.

Manager identification services do not present information on all of the Investment Managers that might be potentially appropriate for you. In compiling a list of Investment Manager candidates, we are limited by the scope of databases used and other practical considerations and may exclude firms viewed as direct competitors. In addition, given our diversified financial services business, we and our Financial Advisors may have relationships or dealings with, and may receive direct or indirect compensation or other benefits from, Investment Managers presented to you with manager identification services. Investment managers participating in the SPA service may also be available for your selection in our other investment advisory programs.

UNCOVERED INVESTMENT MANAGERS STRATEGIES

We make no representation concerning Uncovered Investment Manager Strategies (i.e., Investment Managers retained by you outside of manager identification services or Strategies of Investment Manager(s) that are not on the Coverage List or available in Consults or UMA). We do not provide due diligence with respect to Strategies of Uncovered Managers. Similarly, we make no independent determination that any



such Investment Manager and its management philosophy are compatible with your investment objectives. As a result, we are not responsible for services rendered, for information provided, or for any recommendations made by an Investment Manager you select outside of manager identification services. We will generally not reduce the SPA fee even if you do not want manager identification services.

You should understand that you assume responsibility for monitoring your Investment Manager's performance. We will not:

- Perform any ongoing due diligence review with respect to your Investment Manager;
- Make any representation concerning your Investment Manager's abilities or qualifications as an investment adviser;
- Bear responsibility for the services rendered, for information provided, or for any recommendations made by your Investment Manager with respect to the Account;
- Endorse, recommend or otherwise suggest that your Investment Manager will make suitable investment decisions for you; nor
- Undertake to investigate or monitor the suitability of your Investment Manager's investment decisions.

You also should understand that your Investment Manager may have certain conflicts of interest, which we, our affiliates and your Financial Advisor may not be aware of and are under no obligation to investigate. We encourage you to speak with your Investment Manager to discuss any questions that you may have about existing or potential conflicts of interest relating to your Investment Manager. We note that certain Investment Managers may be Related Managers and your ability to use Related Managers as part of SPA presents potential conflicts of interest for the Related Manager and us. We discuss these conflicts below in the section entitled *Related Persons*.

We strongly encourage you to contact your Uncovered Investment Manager on a periodic basis to:

- Discuss your Account and its investment performance;
- Review the Investment Manager's philosophy and style of management (so that you may determine the ongoing compatibility of your Investment Manager to your level of risk tolerance);
- Discuss any restrictions you may wish to impose or modify on your Account;
- Request information regarding conflicts of interest between you and your Investment Manager; and
- Receive a current copy of your Investment Manager's Form ADV filing and/or brochure for review.

We also suggest that you should periodically check the registration status and other information regarding your Investment Manager, including disciplinary events, at the SEC's website: <http://www.adviserinfo.sec.gov>.

REVIEW OF COVERED INVESTMENT MANAGERS STRATEGIES PARTICIPATING IN SPA

IMG monitors and periodically re-evaluates Investment Managers and their strategies available in SPA. IMG will review:

- The initial due diligence review and the factors that led to the Strategy being approved for SPA;
- Any material changes that they become aware of that may have occurred at the Investment Manager;



- Whether the Investment Manager continues to manage the Strategy consistent with its description of the Strategy; and
- Performance of the Investment Manager.

Similar to the initial review, each factor may have a different weight in the decision-making process and generally no factor alone determines the outcome of any selection. At times, the style of management may vary or drift from that described, for example, due to the unavailability of investments consistent with that style or market movements affecting capitalization. We may allow an Investment Manager's investment style to drift without removing the Strategy or style from the platform if we determine that the changes to the style are reasonable.

Periodic reviews may be accomplished through various means, including, but not limited to, in-person visits, telephone conference calls, reviews of performance, and updates of certain Investment Manager documents and information.

We may also conduct periodic analysis of each Investment Manager's composite performance to determine whether that performance generally appears to be consistent with that of SPA or other advisory programs. Merrill Lynch, including IMG, does not perform audits of Investment Managers to verify past performance information that the Investment Managers provide.

If, as a result of our reviews, we identify actual or potential material concerns relative to any aspect of the evaluation framework regarding an Investment Manager, we may choose to not accept any new Accounts in the particular Strategy. In the case of severe concerns, we may terminate the Investment Manager or Strategy from the Coverage List.

If an Investment Manager or Strategy is removed from the Coverage List and that Strategy is also not available in Consults or UMA, we will no longer perform ongoing due diligence and will notify you of such removal.

Our review of Investment Managers does not substitute for your continued review of your Account and the performance of your investments. Please see the section entitled *Client Information Provided to Portfolio Managers* for additional information.

RELATED PERSONS

The SPA program may allow you to use the services of Investment Managers that are Related Managers. The selection of a Related Manager results in increased compensation to us or an affiliate. Again, Merrill Lynch will not include Related Managers on the Coverage List and, as a result, we will not recommend Related Managers in SPA. IMG does not provide any due diligence on Related Managers in SPA.

Merrill Lynch will receive revenue and other economic benefits to the extent that assets in the Account are purchased on margin since the SPA fees are applied to all assets in the Account, including those that have been bought on margin, and also as a result of the imposition of margin interest. Related Managers therefore may have an incentive to use margin to purchase additional Account assets instead of selling an existing Account asset to buy new Account assets. The use of margin to buy additional Account assets keeps the total value of the Account, and the SPA fees imposed, more than it would otherwise be without the use of margin.

A Related Manager may also have an incentive to purchase or hold shares of a Related Fund. A Related Manager or its affiliates may receive investment management fees paid by Related Funds held in your Account. We may be deemed to receive an indirect benefit through the receipt of these fees by a Related Manager.



Consistent with applicable laws, management and employees of BlackRock and Bank of America affiliates may be provided a broader level of access and exposure to us, our management, Financial Advisors and other personnel, marketing events and materials, and client-related and other information. Such access and exposure is not available to other asset managers and may enhance the ability of BlackRock and Bank of America affiliates to distribute their Funds and other investment products through us.

In addition, other Bank of America affiliates or divisions, such as U.S. Trust, Private Wealth Management, may offer their own managed products or wrap programs that may be similar to this or other Merrill Lynch programs. In particular, IMG may also provide advice and/or recommendations to these different affiliates or divisions, including advice related to the recommendation of certain Investment Managers. Importantly, the advice and recommendations provided to us may be different from or conflict with the advice and recommendations provided to other affiliates. This is due to, among other things, the differing nature of the affiliate's investment advisory service and differing processes and criteria upon which determinations are made. For example, IMG may recommend a specific Investment Manager for inclusion in a U.S. Trust program, but not a Merrill Lynch program.

CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

As part of the enrollment process into SPA, you are asked to complete a Profiling Questionnaire that elicits information about your financial circumstances, investment objectives, risk tolerance and other relevant information relating to your account. The information in the Profiling Questionnaire is used by us to make manager recommendations and may be provided to your Investment Manager.

You are obligated to notify your Financial Advisors promptly of any material change in financial circumstances, investment objectives or investment restrictions (if any) that may affect account management. You are notified periodically to emphasize the need for you to report such information. The management of your account is the responsibility of your selected Investment Manager. Accordingly, you must also provide any such updated information directly to your Investment Managers, and neither Merrill Lynch nor our Financial Advisors have any obligation to communicate such information to your Investment Manager.

CLIENT CONTACT WITH PORTFOLIO MANAGERS

We do not place any restrictions on your ability to contact and consult with your Investment Manager. Under SPA, you enter into an agreement with your Investment Manager and that agreement will discuss your ability to contact your Investment Manager.

ADDITIONAL INFORMATION

DISCIPLINARY INFORMATION

In the past, we have entered into certain settlements with our regulators and other third parties and have been the subject to adverse legal and disciplinary events. Below are summaries of certain events that may be material to your decision of whether to retain us for your investment advisory needs. Please note that certain disclosures discuss disciplinary events associated with Banc of America Investment Services, Inc. ("BAI") and Banc of America Securities LLC ("BAS"). BAI merged with Merrill Lynch on October 23, 2009, and BAS merged with Merrill Lynch on November 1, 2010. In addition to the descriptions below, you can find additional information regarding these settlements in Part 1 of Merrill Lynch's Form ADV at www.adviserinfo.sec.gov.



On October 4, 2011, Merrill Lynch entered into a consent agreement with FINRA regarding the following events. FINRA alleged that Merrill Lynch failed to have a supervisory system to ensure that all accounts in which an employee either had a financial interest or over which the employee had control were monitored and reviewed for potential misconduct. In addition, FINRA found that Merrill Lynch failed to establish, maintain and enforce written procedures to adequately supervise a registered representative who was subsequently found to have used a business account at the firm to implement a fraudulent scheme. Without admitting or denying the findings, Merrill Lynch consented to the entry of findings, a censure, and a fine of \$1,000,000.

On June 6, 2009, the United States District Court for the Southern District of New York entered a judgment enjoining BAI and BAS from violating, directly or indirectly, Section 15(c) of the Exchange Act. The SEC had filed a complaint alleging that BAI and BAS misled customers regarding the fundamental nature and increasing risks associated with auction rate securities ("ARS") underwritten, marketed and sold by BAS and BAI and that by engaging in such conduct, BAI and BAS had violated Section 15(c) of the Exchange Act. Without admitting or denying the allegations, BAI and BAS entered into a consent, whereby they agreed to a series of undertakings designed to provide relief to "individual investors" (as defined in the consent) including: (1) through their affiliate, offering to purchase at par from individual investors certain ARS; (2) agreeing to use reasonable efforts to identify individual investors who sold certain ARS below par, and to pay such investors the difference between par and the price at which they sold the securities; (3) agreeing to participate in a special arbitration process for the purpose of arbitrating any individual investor's consequential damage claim related to its investment in ARS; (4) agreeing to refund certain refinancing securities through the firms; and (5) undertaking to make their best efforts to work with issuers and other interested parties to seek to provide liquidity solutions for institutional investors that are not considered "individual investors." On January 10, 2012, Merrill Lynch (as successor by merger to Banc of America Securities LLC and Banc of America Investment Services, Inc., the "Respondents") agreed to a settlement with the Illinois Securities Department (the "Department") with respect to the marketing and sale of ARS. The Department alleged the Respondents had inappropriately marketed and sold ARS without adequately informing certain of their customers of the increased risks of illiquidity associated with ARS. The Department alleged that, through this conduct, the Respondents engaged in dishonest and unethical practices in the offer and sale of securities and failed to supervise their agents. The Respondents agreed, among other things, to repurchase at par certain illiquid ARS held by certain clients of Merrill Lynch. Additionally, the Respondents agreed to pay a total fine of \$1,578,320.87 to the State of Illinois representing Illinois's portion of a total civil penalty of \$50,000,000 that is being distributed among the states and U.S. territories that enter into similar administrative or civil consent orders related to ARS. The Illinois agreement is substantially similar to agreements with other NASAA jurisdictions which the Respondents have entered into on the above matter and which the Respondents anticipate entering into in the future to complete distribution of the \$50,000,000 penalty.

On March 11, 2009, the SEC issued an order against Merrill Lynch alleging that from 2002 to 2004, several Merrill Lynch retail brokers permitted day traders to hear confidential information regarding Merrill Lynch institutional customers' unexecuted orders as they were transmitted over Merrill Lynch's squawk box system. According to the SEC, Merrill Lynch lacked written policies or procedures to limit access to the equity squawk box, to track which employees had access to the equity squawk box or to monitor employees' use of the equity squawk box in violation of Section 15(f) of the Exchange Act and Section 204A of the Advisers Act. Without admitting or denying the SEC's findings, Merrill Lynch consented to the entry of the order that: (1) found violations of Section 15(f) of the Exchange Act and Section 204A of the Advisers Act for allegedly failing to maintain written policies and procedures reasonably designed to prevent the misuse of customer



order information; (2) required that Merrill Lynch cease and desist from committing or causing any future violations of the provisions charged; (3) censured Merrill Lynch; (4) imposed a \$7,000,000 civil money penalty; and (5) required Merrill Lynch to comply with certain undertakings regarding the enhancement of certain policies and procedures.

On January 30, 2009, the SEC issued an order against Merrill Lynch regarding the Merrill Lynch Consulting Services program and the offering of those services through a Florida branch office for a period of several years concluding in 2005. The Order found that material misrepresentations had been made and certain conflicts of interest not disclosed, and that Merrill Lynch had not maintained adequate records or reasonably supervised certain Florida investment advisory representatives. Without admitting or denying the non-jurisdictional findings thereof, Merrill Lynch consented to a censure, to cease and desist from violations of sections 204 and 206(2) of the Advisers Act and Rule 204-2(a) (14) thereunder, and a fine of \$1,000,000. In accepting the settlement, the SEC noted the voluntary and significant remedial acts promptly undertaken by Merrill Lynch.

On May 1, 2008, the SEC issued an administrative order in which it found that BAI had 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) for failing to disclose to clients that in selecting investments for discretionary mutual fund wrap fee accounts, it favored two mutual funds affiliated with BAI. In the Order the SEC also found that Columbia Management Advisors, LLC ("Columbia Management"), as successor in interest to Banc of America Capital Management, LLC willfully aided and abetted and caused BAI's violations of Sections 206(2) and 206(4) of the Advisers Act, and Advisers Act Rule 206(4)-1(a)(5). In the order, BAI and Columbia Management were censured and ordered to cease and desist from committing or causing such violations and future violations. In addition, BAI was ordered to pay disgorgement plus prejudgment interest in the aggregate amount of \$793,773.00 to certain entities specified in the Order, and a civil monetary penalty of \$2,000,000; and Columbia Management was ordered to pay disgorgement plus prejudgment interest in the aggregate amount of \$516,382 to certain entities specified in the Order, and a civil monetary penalty of \$1,000,000. BAI and Columbia Management consented to the Order without admitting or denying the SEC's findings. BAI also agreed to certain undertakings contained within the Order.

On February 14, 2008, Merrill Lynch consented to an AWC issued by FINRA. FINRA alleged that from at least January 2001 until January 2006, as a result of certain operational and supervisory deficiencies Merrill Lynch failed to timely and consistently update the firm's record system relating to certain investment advisory and fee-based accounts. When clients change investment advisers or terminated enrollment in certain investment advisory or fee-based accounts, Merrill Lynch failed to consistently make changes in account proxy delivery addresses and/or remove traits that suppressed trade confirmation delivery in the firm's record systems. Additionally, Merrill Lynch failed to maintain written supervisory procedures and a reasonable system of follow-up and review with respect to such operational changes. Without admitting or denying the findings, Merrill Lynch consented to a censure and a fine of \$175,000.

On March 4, 2005, Merrill Lynch entered into a consent order with the State of New Jersey Office of the Attorney General Department of Law and Public Safety and the New Jersey Bureau of Securities ("Attorney General"). The Attorney General alleged: (1) market timing conduct by three Merrill Lynch Financial Advisers engaged in market timing on behalf of their principal client, a hedge fund and that despite warnings from supervisors that they were violating Merrill Lynch's policies, the financial advisers continued to market time for the client until they were fired in October 2003, using among other things, multiple accounts and undisclosed agreements to conduct and disguise their trading; (2) that Merrill Lynch failed to adequately supervise certain activities in connection with the conduct described above including failure to keep



adequate books and records in violation of the Exchange Act and New Jersey law; (3) the client entered into variable annuity contracts and certain other variable life insurance contracts with certain non-proprietary insurance carriers through the Financial Advisors to engage in short term trading in the investment sub-accounts of these products and although the client's reallocation instructions were relayed through the Financial Advisors to the insurance companies, Merrill Lynch gave no specific instruction to the FAs concerning the reallocation of the underlying sub-accounts of variable products; and (3) that Merrill Lynch failed to adequately enforce its established policy prohibiting market timing. Without admitting or denying the findings in the order, Merrill Lynch agreed to pay a civil monetary penalty of \$10 million and to certain undertakings including implementation of new procedures to maintain, as a required book and record under New Jersey and federal securities laws, records of all client reallocation requests made through a Merrill Lynch employee that involve mutual funds held as sub-accounts of variable annuity products of outside insurance carriers.

On February 9, 2005, pursuant to an offer of settlement by BAS in which it neither admitted nor denied the findings, the SEC issued an administrative order. The SEC found that from July 2000 through July 2003, BAS, Banc of America Capital Management, LLC ("BACAP") and BACAP Distributors, LLC ("BACAP Distributors") facilitated market timing and late trading by some introducing broker-dealers and a hedge fund at the expense of shareholders of Nations Funds and other mutual fund families, provided account management tools and other assistance, and enabled introducing broker-dealers to conceal their client's market timing activities from mutual funds. In the order, BAS was: (1) censured; (2) ordered to cease and desist from committing or causing any present or future violations of 17(a) of the Securities Act, 10(b), 15(c) and 17(a) of the Exchange Act and Rules 10b-5, 15c1-2, and 17a-4 thereunder and Rule 22c-1, as adopted under 22(c) of the Investment Company Act, and from causing any present or future violations of 34(b) of the Investment Company Act and 206(1) and 206(2) of the Advisers Act; (3) ordered to pay, jointly and severally with BACAP and BACAP Distributors \$250 million in disgorgement plus a civil monetary penalty of \$125 million. BAS also agreed to comply with certain undertakings including: (1) maintaining a compliance and ethics oversight infrastructure having, among other things, a code of ethics oversight committee, an internal compliance controls committee, a senior level compliance officer for conflicts of interest and a corporate ombudsman; (2) retaining an independent compliance consultant to, among other things, review compliance, supervisory and other policies and procedures and adopt such procedures; (3) undergoing third party compliance review every other year; and (4) retaining an independent distribution consultant.

On April 28, 2003, as part of a joint settlement with the SEC, NYSE and NASD arising from a joint investigation by the SEC, NYSE and NASD into research analysts' conflicts of interest, Merrill Lynch, without admitting or denying the allegations of the complaint filed by the SEC, consented to the entry of a final judgment. Pursuant to the settlement, which was entered on October 31, 2003, Merrill Lynch: (1) permanently enjoined Merrill Lynch from violating Section 15(c) of the Exchange Act and Rule 15c1-2 thereunder, NASD Conduct Rules 2110, 2210 and 3010, and NYSE Rules 342, 401, 472 and 476; (2) was ordered to pay a penalty of \$100,000,000, which was deemed satisfied by prior payments to the states in a related proceeding; (3) was ordered to pay substantial amounts for third party research and investor education; and (4) was ordered to comply with certain additional undertakings.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Merrill Lynch, a wholly-owned subsidiary of Bank of America, is a leading global investment banking firm and a registered broker-dealer, investment adviser and futures commission merchant. In the United States, we act as a broker (i.e., agent) for corporate, institutional, governmental and private clients and as a dealer (i.e., principal) in the purchase and sale of corporate securities, primarily equity and debt securities traded on exchanges or in the over-the-counter markets. We also act as a broker and/or a dealer in the purchase and sale of mutual funds, money market instruments, government securities, high-yield bonds, municipal



securities, financial futures contracts, and options. The futures business and foreign exchange activities are conducted through Merrill Lynch and other affiliates. We operate the firm's U.S. retail branch system, and also provide financing to clients, including margin lending and other extensions of credit as well as a wide variety of financial services, such as securities clearing, retirement services, and custodial services. As a registered adviser, Merrill Lynch completes a Form ADV, which contains additional information about itself, Bank of America and their affiliates. Information is available through publicly available filings at the SEC or at www.adviserinfo.sec.gov.

For purposes of Form ADV Part 2, MLPF&S management persons include William C. Caccamise (CRD# 2547189), Gloria R. Greco (CRD# 4795234), Joseph A. Guardino (CRD# 2907957), Thomas K. Montag (CRD# 1474696), Douglas G. Preston (CRD# 2586917), William E. Tirrell (CRD# 4613313), Michael B. Radest (CRD# 1687387), and John M. Hogarty (CRD# 2876432). In addition, Thomas J. Latta (CRD# 1696503), John R. Manetta (CRD# 2163095), James G. Russell (CRD# 1053157), Lisa Shalett (CRD# 2895449), Anil Suri (CRD# 2540257), Michael J. Walsh (CRD# 2138122), and Christopher J. Wolfe (CRD# 2055127) are also considered management persons as a result of their membership on the IMG Investment Committee. In the future, additional Merrill Lynch personnel may be considered management persons and, as such, may be registered, or have applications pending to register, as registered representatives and associated persons of Merrill Lynch to the extent necessary or appropriate to perform their job responsibilities.

Merrill Lynch & Co., Inc. ("ML&Co."), a wholly-owned subsidiary of Bank of America, through its subsidiaries and affiliates, provides broker-dealer, investment banking, financing, wealth management, advisory, asset management, insurance, lending and related products and services on a global basis. These products and services include securities brokerage, trading and underwriting; investment banking, strategic advisory services (including mergers and acquisitions) and other corporate finance activities; wealth management products and services including financial, retirement and generational planning; asset management and investment advisory and related recordkeeping services; origination, brokerage, dealer and related activities in swaps, options, forwards, ETFs, other derivatives, commodities and foreign exchange products; securities clearance, settlement financing services and prime brokerage; private equity and other principal investing activities; proprietary trading of securities, derivatives and loans; banking, trust and lending services, including deposit-taking, consumer and commercial lending, including mortgage loans, and related services; insurance and annuities sales and research across the following disciplines: global equity strategy and economics, global fixed-income and equity-linked research, global fundamental equity research, and global wealth management strategy. Bank of America is subject to the reporting requirements of the Exchange Act, and additional information about Bank of America can be found in publicly available filings with the SEC.

We, through our Financial Advisors, may suggest or recommend that clients, including SPA clients, use our securities account, execution and custody or other services, or such services of an affiliate. Similarly, Financial Advisors, who also handle clients' brokerage accounts, may suggest or recommend that clients purchase our products or products of an affiliate. Where Merrill Lynch's or our affiliate's services are used or products are purchased by clients, we and our affiliates will receive fees and compensation. Financial Advisors may, as permitted by applicable law, receive compensation (the amount of which may vary) in connection with these products and services.

The investment adviser(s) for the BofA Funds are Related Companies. In certain instances and subject to the restrictions discussed below in the section entitled *Participation or Interest in Client Transactions - Funds and Relating Investing*, your Investment Manager may invest in these Related Funds. We may receive compensation when you invest in shares of these Funds in a program account. We potentially benefit from our economic interest in Related Companies and our relationship with Bank of America whenever such entities or their affiliates receive compensation for providing investment advisory, administrative, transfer



agency, distribution or other services to their Related Funds or other investment products. The extent of this benefit may be greater than when we or our affiliates do not have an economic interest in the firm providing such services. As a result, we may benefit from increased sales of Funds and other investment products of Related Companies and Bank of America affiliates for you to a greater extent than from increased sales of Funds or investment products sponsored by other firms in which we and our affiliates do not have a similar economic interest or relationship.

Merrill Lynch's parent, Bank of America, has a financial interest in certain other investment advisers, such as BlackRock. Although BlackRock is not deemed a "Related Company" or affiliate of Merrill Lynch or Bank of America, Merrill Lynch may have a conflict of interest when considering whether to recommend that clients purchase or sell shares of BlackRock Funds, BlackRock Investment Managers, or other BlackRock products and may benefit from increased sales of such Funds/Investment Managers/products to a greater extent than from increased sales of Funds/products sponsored by other firms.

Each of the Related Funds pays investment management fees to its investment adviser and, like Unrelated Funds, incurs other expenses. The current annual rates of investment management fees paid by the BofA Funds to a Bank of America affiliate range from 0.20% to 0.25% of average daily net assets and are described in each Fund's prospectus.

We address these conflicts through disclosure in this Brochure. Moreover, our Financial Advisors are required to recommend investment advisory programs that are suitable for you based upon your investment objectives, risk tolerance and financial situation and needs. In addition, we have established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest – both those arising between and among program accounts as well as between program accounts and our business. That said, your Investment Manager, not Merrill Lynch or your Financial Advisor, will recommend individual securities and exercise investment discretion.

RECEIPT OF COMPENSATION FROM INVESTMENT ADVISERS

Merrill Lynch may also have business relationships with the officers, directors or employees of a variety of clients, including corporations, pension and retirement plans, and other entities receiving SPA. These business arrangements may create a conflict of interest to the extent that these individuals have any role or influence in the hiring or retention of us and our Financial Advisors or with respect to their compensation. It is your responsibility to determine whether any such Merrill Lynch business relationship creates a conflict of interest, to implement appropriate policies and procedures for the disclosure and handling of such matters and to resolve any such conflicts in its best interest.

Merrill Lynch addresses these conflicts through disclosure in this Brochure.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

CODE OF ETHICS

We have adopted an Investment Adviser Code of Ethics (the "Code of Ethics") covering our personnel who are involved in the operation and offering of investment advisory services. The Code of Ethics is based on the principle that clients' interests come first, and requires employees to meet the high standards that we follow in conducting our business with integrity and professionalism. The Code of Ethics covers such topics as the:

- Requirement that all employees comply with all applicable securities and related laws and regulations;



- Reporting and clearance of employee personal trading;
- Prevention of misuse of material nonpublic information; and
- Obligation to report possible violations of the Code of Ethics to management or other appropriate personnel.

All covered personnel must certify receipt of the Code of Ethics. We will provide a copy of the Code of Ethics to you upon request.

We also have imposed policy restrictions on all personnel regarding transactions for their own accounts and accounts over which they have control or a beneficial interest. In addition, we have special policies requiring that certain personnel obtain specific approval of their securities transactions, and we have implemented procedures for monitoring these transactions as well as those of all employees.

All employees are subject to our Guidelines of Business Conduct and are committed to the observance of the highest ethical standards and the exercise of proper judgment in all aspects of their business dealings.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

PRINCIPAL, AGENCY CROSS AND CROSS TRADES

We will not charge a commission on agency transactions in your account. There may be instances in which we or an affiliate may act as principal in effecting an investment transaction for your account, in accordance with applicable law. If we or an affiliate effect a principal transaction for your account, Merrill Lynch will not charge a markup or markdown. However, principal transactions may be subject to a spread, underwriting fee or selling concession, which may result in additional compensation or other benefit to us or our affiliate. We have authorized transactions for your account to be effected on a stock exchange by us or an affiliate, as appropriate.

We or one of our affiliates may, at times, act as agent for both buyer and seller in effecting investment transactions involving SPA clients or other advisory clients (“agency cross transactions”), in accordance with applicable law. When we act as agent for both parties to an agency cross transaction, we may receive compensation from both parties, and will have a potentially conflicting division of loyalty and responsibility. By signing the agreement, you consent to us acting as your agent in effecting agency cross transactions for the account when we consider them advisable and consistent with applicable law. You may revoke the consent at any time by notifying us in writing.

From time to time, we may cause your account to engage in a transaction for the purchase or sale of a security with another client, subject to applicable law. We would do so only when we determine that the transaction is in the best interest of each party, and we would not receive any compensation in connection with the transaction.

FUNDS AND RELATED INVESTING

With certain exceptions, your Investment Manager may use Funds. You understand that these funds may be Related Funds. The fees and expenses, if any, of these Funds, are in addition to Account fees. In addition, Merrill Lynch or a Related Company may earn additional compensation for services rendered in connection with such products. For example, Merrill Lynch or a Related Company may execute brokerage transactions for a Fund included in your Account (including on a principal basis), or provide shareholder subaccounting services to a Fund, for which it will be paid. More complete information about any of the Funds, including



risks, management fees and other charges and expenses, is contained in the Fund's prospectus or other applicable disclosure document.

Due to the additional economic benefit to Merrill Lynch, our Related Companies, and, potentially, a Financial Advisor, from investments in Funds, a conflict of interest may exist. This conflict may be greater when you select an Investment Manager that is implemented using these products. For Funds advised, sponsored or distributed by Merrill Lynch, a Related Company or their respective affiliates, Merrill Lynch, a Related Company or their respective affiliates, as applicable, will receive investment management fees and/or Rule 12b-1 fees. For other Funds, Merrill Lynch and its affiliates also may receive Rule 12b-1 fees. We and our affiliates may also provide other services to Related Funds and other Funds for compensation, such as transfer agency, shareholder servicing, administrative, accounting and printing services. To the extent that the Account fee is intended to cover certain similar services when provided directly to your Account, you may be deemed to be paying additional fees for the same services if you select a Strategy that invests in Funds. See the section entitled *Participation or Interest in Client Transactions - Funds and Related Investing* for further information regarding investments in Funds.

Please note that while we allow you to fund your account with mutual funds, we generally restrict a manager from purchasing mutual fund shares through SPA, including purchasing additional shares of the mutual fund that you used to fund your account. We may remove this restriction in the future without notice to you.

Merrill Lynch or Related Companies also may provide services to, or effect transactions with, Funds and receive compensation in connection with these activities.

Each mutual fund, or its adviser, principal underwriter or other agent, has entered into an agreement with Merrill Lynch and its affiliates for the performance of subaccounting and related services (including account recordkeeping, transaction processing, reporting and corporate action services) for the mutual fund shares held in a Merrill Lynch account. Merrill Lynch and its affiliates receive subaccounting fees for the performance of these services, which are either borne by the mutual fund (like other mutual fund expenses) or by its adviser, principal underwriter or other agent. Depending on the mutual fund's or its adviser's, principal underwriter's or other agent's arrangement with Merrill Lynch and its affiliates, Merrill Lynch or its affiliate will receive from the mutual fund or a fund service provider or its affiliate, subaccounting fees of 0.10% per annum of the amount invested in such mutual fund or \$16 annually per position in the mutual fund. These subaccounting fee rates are subject to change from time to time.

In addition to these fees, we and our affiliates receive fees paid by certain ETF or similar product sponsors or our affiliates for licensing or other arrangements. These fees, which are typically calculated as a percentage of the assets of the ETF or similar product, are not generally borne by the fund, but are instead paid directly from the sponsor or its affiliate to us or our affiliates.

You can purchase shares of some (but not all) of the Funds included in a Strategy directly from the Funds, their agents, or through us without enrolling in SPA. If you do so, you would not pay account fees for such assets. However, you may not be eligible to purchase the same share class for each of the Funds available through SPA and the purchase of a different share class may be subject to applicable sales charges.

As a registered broker-dealer, Merrill Lynch may also benefit from the possession or use of any free credit balances in Client accounts, including the Account, subject to restrictions imposed by Rule 15c3-3 under the Exchange Act.

Merrill Lynch, a Related Company, or their respective affiliates may receive investment management fees paid by the Funds held in your Account.



In addition, from time to time a Fund may authorize us to make available to clients participating in an investment advisory program a class of shares of a Fund with a fee structure we believe is more beneficial to you than the class of shares previously made available. In such circumstances, we will effectuate the exchange to the other class of shares of the same Fund.

In addition to Funds, Merrill Lynch or a Related Company, as applicable, may earn additional compensation for services rendered in connection with other types of investment products purchased for your Account.

ACTING AS GENERAL PARTNER

Certain Merrill Lynch affiliates act as general partners or managing members in a variety of limited partnerships and limited liability companies, as well as in other capacities, for investment vehicles such as hedge funds and other investment funds in which brokerage clients of Merrill Lynch may invest, or may be solicited to invest by Merrill Lynch acting in its broker-dealer capacity. These clients may also be advisory clients of Merrill Lynch. The investments of these commingled vehicles and other entities may vary but include, without limitation, real estate, futures, hedge funds and other alternative investments.

INVESTMENT IN SECURITIES BY MERRILL LYNCH AND OUR PERSONNEL

We and our affiliates act in a variety of capacities to a wide range of clients. From time to time in the course of those duties, confidential information may be acquired that cannot be divulged or acted upon for advisory or other clients. Similarly, we may give advice or take action with regard to certain clients, including SPA clients, which may differ from that given or taken with regard to other clients. This includes the advice given or actions taken with respect to certain securities, Funds or Investment Managers. In some instances, the actions taken by affiliates with respect to similar services and programs may conflict with the actions taken by us. This is due to, among other things, the differing nature of the affiliate's investment advisory service and differing processes and criteria upon which determinations are made.

We or our affiliates may have investment banking or other relationships with certain publicly traded companies; these relationships may from time to time compel us to forego trading in the securities of these companies. In the course of investment banking and other activities, our affiliates may acquire confidential or material nonpublic information that may prevent us or our affiliates, for a period of time, from purchasing, selling or recommending particular securities for your account. We and our affiliates are not permitted to divulge or to act upon this information with respect to our advisory or brokerage activities.

Related Managers may provide advisory services with respect to one or more strategies available for your selection. Bank of America is a direct or indirect substantial stockholder in Related Managers. If a Strategy provided by a Related Manager is selected, we and/or a Related Company will retain the entire SPA fee. For this reason, a potential conflict of interest exists when our Financial Advisor selects or assists you in the selection of, as applicable, a Strategy.

We or our affiliates may have a position in or enter into "proprietary" transactions in securities purchased or sold for clients, including SPA clients. We or our affiliates may benefit from such securities positions or transactions.

We address these conflicts through disclosure in this Brochure. Moreover, our Financial Advisors are required to recommend investment advisory programs and investment products that are suitable for you based upon your investment objectives, risk tolerance and financial situation and needs. In addition, we have established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest – both those arising between and among SPA accounts as well as between SPA accounts and our business. For



example, our personnel also are subject to personal trading restrictions as detailed in its policies and procedures and Code of Ethics. These policies and procedures and the Code of Ethics require our Financial Advisors to pre-approve certain securities transactions, disclose their investment accounts, provide an annual holdings report, and provide a quarterly transaction report.

REVIEW OF ACCOUNTS

We do not review your account on a periodic or other basis. Subsequent reviews of your asset allocation strategy will not be performed unless you specifically request otherwise.

CLIENT REPORTS

PERFORMANCE MEASUREMENT REPORTS

As discussed above, we assist you in monitoring and evaluating the performance of your investment accounts by providing periodic performance measurement reports containing returns and other statistical performance analyses.

CLIENT STATEMENTS

When we act as custodian, you will receive an account statement in any month in which there is trading or other activity (or in any event quarterly). If you use a custodian other than us, your custodian or trust company must provide periodic custodial or trust reports and settlement instructions to us (or our designee). We are not responsible for the accuracy of these statements and will rely upon the data and other information presented therein or in other reports provided to us by your custodian to prepare performance measurement reports for you. You may also receive reports directly from your selected Investment Manager.

As you direct in the Client Agreement or other writing, you may elect not to receive confirmation of transactions for your account(s) on a trade-by-trade basis, except as required by rule or regulation, and, in lieu thereof, receive a periodic statement that will be furnished to you not less frequently than quarterly and that will contain the same information that would be included in the trade-by-trade confirmation for each transaction. Your election to receive periodic statements in lieu of trade-by-trade confirmations is entirely optional and:

- Will not affect the calculation of or amount of your SPA fees;
- Is not a condition to entering into or continuing participation in SPA; and
- You may rescind your election at any time by written notice to us with respect to your account.

We will send confirmations for transactions effected in your account (or information contained therein) to you and your Investment Manager, as applicable.

You may request, and we will provide to you at no additional cost, an interim update and further details concerning any transaction effected between periodic statements either by calling your Financial Advisor or, where you are enrolled in MyMerrill, by checking your account on MyMerrill. If you elect to receive periodic statements in lieu of trade-by-trade confirmations, you may later choose to receive, and we will provide to you at no additional cost, any confirmations for transactions effected for up to a one-year period preceding your last periodic statement and trade-by-trade confirmations for all subsequent transactions.

CLIENT REFERRALS AND OTHER COMPENSATION

**OTHER COMPENSATION**

We have business relationships with many Investment Managers, including those participating in SPA. For example, these Investment Managers may direct your transactions to us and receive research, execution, custodial pricing and other services offered by us in the normal course of our business. Merrill Lynch and our Financial Advisors (including Financial Advisors providing the SPA service) will ordinarily receive compensation in connection with such transactions and other services. We encourage you to speak with your Financial Advisors and Investment Managers to discuss any questions that they may have about existing or potential conflicts of interest relating to their Investment Managers, including any business relationships that these Investment Managers may have with us or your Financial Advisor.

Investment managers participating in SPA or their affiliates, including Investment Managers to Funds that may be purchased for SPA accounts, may pay for, or reimburse Merrill Lynch for, various costs arising from client and prospective client meetings, sales and marketing materials, and educational, training and sales meetings held with Financial Advisors and other Merrill Lynch personnel relating to the SPA service and asset management generally. These Investment Managers or their affiliates may also participate with our personnel in other conferences and seminars unrelated to SPA and may reimburse us to cover various costs of these conferences and seminars. In addition, these Investment Managers or their affiliates may make charitable donations or cover the costs of reasonable entertainment in connection with Merrill Lynch-sponsored or client-related events.

We address these conflicts through disclosure in this Brochure.

COMPENSATION FOR CLIENT REFERRALS

We have entered or may enter into marketing arrangements with third parties who, for compensation, will provide certain services to us in connection with the marketing of our various advisory services, including SPA, for referring prospective clients to us. Each such marketing arrangement is or will be governed by a written agreement between us and the third-party, and will be disclosed to you, as required by law.

We have entered into solicitation arrangements with certain third-party entities to refer prospective clients to us ("Solicitors"). Generally, the fees paid to Solicitors will be paid from investment advisory fees received and retained by us relating to your account. This fee will generally be a percentage of the investment advisory fee ordinarily credited to your Financial Solutions Advisor for the applicable account. We will pay this fee to the Solicitor from the date you establish an account in the applicable program for as long as your account remains enrolled in SPA and the agreement between us and the Solicitor is effective. If we terminate the agreement with the Solicitor for certain reasons, we may continue to pay the Solicitor for a period of time after termination. We will not increase the fees you pay as a result of our payments to the Solicitor. The fees we charge will not be higher than our usual fees because of the payments to the Solicitor.

Our employees may refer advisory clients to Bank of America, N.A., including its private bank, U.S. Trust, Bank of America Private Wealth Management, and other affiliates for products and services. Similarly, employees of the Bank of America, N.A. and its affiliates may refer clients to us for brokerage or advisory services. These referrals may involve the payment of referral fees between Merrill Lynch and Bank of America, N.A. or its affiliates.

FINANCIAL INFORMATION

Not applicable.



GLOSSARY

“ADR” means American Depositary Receipt, which is a receipt for shares of a foreign company held by a U.S. financial institution that entitles clients to rights and obligations of the underlying shares, including dividends and capital gains and losses.

“Advisers Act” means the Investment Advisers Act of 1940, as amended.

“AIM®” means the Basic or Comprehensive Asset Information and Measurement performance reporting service.

“AWC” means a FINRA Letter of Acceptance, Waiver and Consent.

“Bank of America” means Bank of America Corporation.

“BlackRock” means BlackRock Advisors, LLC and its affiliates.

“BlackRock Funds” means Funds sponsored, managed and/or distributed by BlackRock and its affiliates.

“BofA Funds” means certain Funds sponsored, managed and/or distributed by BofA™ Global Capital Management Group, LLC.

“Brochure” means the Merrill Lynch wrap program brochure relating to SPA, as amended or updated from time to time.

“Client Agreement” means the agreement between the client and Merrill Lynch, as it may be amended from time to time.

“CDSC” means contingent deferred sales charge.

“Code of Ethics” means the Merrill Lynch Investment Adviser Code of Ethics.

“Consults” means the Merrill Lynch Consults program.

“Coverage List” means the SPA Current Coverage List of Investment Manager Strategies from which clients may select.

“Disclosure Statement” means the Merrill Lynch wrap program brochure relating to SPA, as amended or updated from time to time.

“Elective Services” means the Investment Policy Service, the Strategic Allocation Modeling, and the Comprehensive AIM® performance reporting.

“ETF” means an exchange-traded fund.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Plan” means a plan subject to the provisions of ERISA or any other entity deemed to hold assets of such a plan.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Financial Advisor” means the client’s Merrill Lynch Financial Advisor(s).

“FINRA” means the Financial Industry Regulatory Authority.

“Funds” means registered and unregistered investment companies, including mutual funds, closed-end funds, ETFs and hedge funds, real estate investment trusts and other pooled investment vehicles, and, to the extent applicable, Offshore Funds.



“Investment Company Act” means the Investment Company Act of 1940, as amended.

“Investment Manager” means an investment adviser that is registered with the SEC or one or more state regulatory authorities, or which is exempt from the registration requirement.

“IMG” means the Investment Management & Guidance group of Merrill Lynch.

“Merrill Lynch,” “us,” “we,” or “our” means Merrill Lynch, Pierce Fenner & Smith Incorporated.

“ML&Co.” means Merrill Lynch & Co., Inc.

“NYSE” means the New York Stock Exchange LLC.

“Offshore Funds” mean investment companies organized in jurisdictions not within the United States or its territories or possessions, not registered under the Investment Company Act and whose securities are not registered under the Securities Act.

“Policy Statement” means a written policy statement that the Merrill Lynch Investment Policy service is designed to assist clients in creating to document both their investment goals and objectives for an account as well as certain policies governing the investment of assets.

“Profiling Questionnaire” means a questionnaire that SPA clients complete as part of the enrollment process into SPA that elicits information about their financial circumstances, investment objectives, risk tolerance and other relevant information relating to their account.

“REIT” means a real estate investment trust.

“Related Company” means a company that is an affiliate of Merrill Lynch or in which Merrill Lynch or an affiliate of Merrill Lynch has a material ownership interest. BlackRock is not considered a Related Company.

“Related Fund” means a Fund sponsored or advised by Merrill Lynch or a Related Company.

“Related Manager” means Investment Managers that are Related Companies.

“Rule 12b-1 fees” means fees pursuant to 12b-1 under the Investment Company Act.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Selling Broker Compensation” means commissions, markups, or markdowns, asset-based or subscription fees, mutual fund sales loads, Rule 12b-1 fees or other remuneration as may be described in the applicable confirmations, prospectuses, subscription agreements, or other offering documents.

“SIPC” means Securities Investor Protection Corporation.

“Solicitors” means third-party entities that Merrill Lynch has entered into solicitation arrangements with to refer prospective investment advisory clients to Merrill Lynch.

“SPA” means the Merrill Lynch Strategic Portfolio Advisory Service.

“Strategic Allocation Modeling” means the Merrill Lynch Strategic Allocation Modeling service.

“Strategy” means one or more investment styles or disciplines or combinations of investment styles and disciplines offered by Investment Managers participating in SPA.

“Retirement Account” means an ERISA Plan, a tax-qualified plan of self-employed persons or an individual retirement account.



“UMA” means the Merrill Lynch Unified Managed Account program.

“Unaffiliated Investment Firm” means a bank, broker or dealer other than Merrill Lynch or an affiliate of Merrill Lynch.

“Uncovered Investment Manager” means Investment Managers retained by you outside of manager identification services of Investment Manager(s) that are not on the Coverage List or available in Consults or UMA.

“Uncovered Investment Manager Strategies” means Investment Managers retained by you outside of manager identification services or Strategies of Investment Manager(s) that are not on the Coverage List or available in Consults or UMA.

“Unrelated Custodian” means a custodian that is not Merrill Lynch or an affiliate of Merrill Lynch.

“Unrelated Fund” means a Fund that is not sponsored or advised by Merrill Lynch or a Related Company.

“Unrelated Manager” means an Investment Manager that is not a Related Company

“Unrelated Money Market Fund” means a registered money market fund that is not managed by Merrill Lynch or a Related Company.