

# Merrill Lynch Mutual Fund Advisor® Program

## DISCLOSURE STATEMENT

Please retain for your records.

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
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This brochure provides information about the qualifications and business practices of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") relating to the Merrill Lynch Mutual Fund Advisor® Program. 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, or 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](http://www.adviserinfo.sec.gov).

March 31, 2011



## **MATERIAL CHANGES**

This section currently is not applicable. This MFA Program brochure ("Brochure") dated March 31, 2011, has been prepared in accordance with new regulatory requirements. As a result, it is different in structure and content from the previous Form ADV, Part II.

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## ADVISORY BUSINESS

Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch,” “we,” or “us”), a direct wholly-owned subsidiary of Merrill Lynch & Co., Inc. (“ML&Co.”) and an indirect wholly-owned subsidiary of Bank of America Corporation (“Bank of America”), is a global investment banking firm and a registered broker-dealer, investment adviser and futures commission merchant. Merrill Lynch offers a broad range of brokerage, investment advisory, retail and other services and has been registered with the Securities and Exchange Commission (“SEC”) as an investment adviser since 1978. This Brochure relates to the Merrill Lynch Mutual Fund Advisor® program (the “MFA Program” or the “Program”) offered by Merrill Lynch. Clients are referred to as “Client” or “You.”

Capitalized terms that are not defined in this Program Brochure have the meanings provided in the Glossary.

## MFA PROGRAM

The MFA Program provides advice and discretionary management of Program Accounts (“Program Account(s)”) comprised exclusively of shares of mutual funds. The funds are either Related Funds or Unrelated Funds. The Related Funds include those funds that are advised by Merrill Lynch’s affiliates, and by BlackRock or investment adviser affiliates of Bank of America, including but not limited to BofA™ Global Capital Management, LLC. You may also select BlackRock Strategies, which are certain investment strategies in the MFA Program that invest only in shares of BlackRock Funds, including BlackRock money market funds.

To participate in the MFA Program, you will need to enter into an investment advisory agreement with us in which, among other things, you grant us the discretionary authority to make purchases, exchanges and redemptions of Fund shares. This discretionary authority generally includes the determination of which Fund shares and the total amount to be bought, exchanged or redeemed without obtaining your specific consent before a transaction is effected. You are also required to open and fund a Merrill Lynch CMA®, RCMA® or other securities account at Merrill Lynch to facilitate participation in the MFA Program. Transactions in your Program Account are effected by us or one of our affiliates. While the MFA Program is generally intended for clients seeking a long-term investment program, Fund shares may be purchased, exchanged or redeemed on a long or short term basis (including transactions within a thirty-day period).

In managing your Program Account, we will, if available, purchase a class of shares of Related Funds or Unrelated Funds with no front-end or contingent deferred sales loads that are not subject to Rule 12b-1 Fees and/or a class of shares of Related Funds or Unrelated Funds with no front-end or contingent deferred sales load or with Rule 12b-1 fees waived, as well as certain BlackRock money market funds. Please note that we, or an affiliate, may receive Rule 12b-1 fees (other than with respect to the shares of money market funds held in certain Retirement Accounts) and we, or an affiliate will retain such fees. These fees may also be used in calculating the Program Fees (defined below). The Funds in your Program Account may also include index funds whose portfolios will consist of securities and other assets that seek to replicate the performance of the tracked index.

Depending upon the date of your enrollment and the underlying type of Program Account, any free credit or cash balances will be invested (pending investment, as part of an asset allocation or otherwise) in the affiliated BlackRock money market fund and/or deposit account then available to your Program Account through the MFA Program. If the “daily sweep” election that you made in underlying securities account opening documents is unavailable in the MFA Program, you must change this election to another available option. Assets held in an unavailable election will be sold and/or withdrawn and reinvested in an available fund and/or deposit account. You can obtain a list of money



market funds that can be held in the MFA Program from your Financial Advisor. 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.

Many of the Funds available through the MFA Program are also available through brokerage and other investment advisory services that we offer. In fact, any Fund shares purchased prior to enrolling in the MFA Program and subsequently transferred into a Program Account may be subject to the MFA Program Fees immediately upon transfer to the MFA Program. This means that you may pay both an up-front commission or sales charge (when the security was purchased prior to enrolling in the MFA Program) as well as an MFA Program Fee (once enrolled in the MFA Program) in connection with the purchase of the same Fund shares.

The scope of any investment advisory relationship we have with you is defined in the investment advisory contract you sign for the MFA Program. When you are enrolled in the MFA Program, we act as your investment adviser only for your Program 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 investment advisory contract with you, which occurs when we accept your signed contract. Preliminary discussions or recommendations before we enter into an advisory contract with you are not intended as investment advice and should not be relied on as such.

In addition to the MFA program, we, and our affiliates, offer a wide variety of advisory services, including (but not limited to) Merrill Lynch Consults® Service, Merrill Lynch Consulting Services, Merrill Lynch Personal Advisor® Program, Merrill Lynch Personal Investment Advisory<sup>SM</sup> Program, Merrill Lynch Strategic Portfolio Advisor® Service, and Merrill Lynch Unified Managed Account (“UMA”). We also offer impersonal investment advice (general advice not tailored to the specific needs of any individual) in the form of publications or research. In addition, we offer financial planning services, including (but not limited to) the Financial Foundation® Report, and the Private Planning Service<sup>SM</sup>. 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 through the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **INVESTMENT RESTRICTIONS**

You may place reasonable restrictions on the management of your Program Account. Investments made by Funds are subject to the investment restrictions described in the applicable Fund’s prospectus, SAI or other offering document and restrictions imposed by applicable law. As a result, any restrictions that you place on the management of your Account do not operate to restrict investments made by a Fund. However, you may choose to restrict reasonably the Funds in which we invest your Program Account assets.

Your Financial Advisor will request that you complete a Profiling Questionnaire. These questionnaires seek to obtain information about your investment objectives, risk tolerance, investment restrictions and other relevant information. Based on this information, you will select an investment strategy to be used by us as a guide in our discretionary management of the account.

You should understand that neither the questions nor your answers to any question, including those relating to investment returns, make or imply a promise or guarantee of investment returns or the achievement of the your investment objective. It is very important that you provide accurate and complete information since the failure to do so could affect the services being provided and the investment strategy selected.

You should carefully review the MFA Investment Strategy Profile for each investment strategy that you are considering and discuss each strategy and your risk category with your Financial Advisor. Each profile describes



various aspects of the investment strategy, including its investment approach, and details certain composite account performance results (if available). The performance information is accompanied by important disclosures about the types of accounts included in the composite, if included, as well as other relevant topics. *Please note that past performance does not guarantee or indicate future results.* You should consider all of this information in deciding whether to select or change an investment strategy. MFA Investment Strategy Profiles are updated at least annually. If you are already participating in the MFA Program, we encourage you to ask your Financial Advisor for the current profiles relating to your selected investment strategy and other strategies corresponding to your risk category.

Although you must select a single investment strategy for each Program Account, you may open multiple Program Accounts, provided that each Program Account meets the MFA Program requirements. Under certain circumstances, you may decide to select an investment strategy that is not included within the risk category (as indicated by your Program questionnaire). You should understand that any such decision is at your risk.

Certain clients accounts opened prior to January 1, 2000 are managed based on investment strategies formulated from the client's investment objectives, risk tolerance, investment restrictions, and other relevant information as stated in the client's investor profile. These clients have not selected a strategy described in this Brochure, and the strategies used to manage their Program Accounts may be different than those selected by other MFA clients. At any time, these clients may complete a new Profiling Questionnaire, review the MFA Investment Strategy Profiles and select another strategy from among the investment strategies described in the MFA Investment Strategy Profiles.

It is your obligation to notify Merrill Lynch in writing of any material change in financial circumstances, investment objectives or investment restrictions (if any) that might affect management of your Program Account. We will remind you periodically of the need to report such information promptly. You may change a previously selected strategy by contracting your Financial Advisor.

#### **WRAP FEE PROGRAMS**

As stated above, we offer other advisory programs. Certain MFA investment strategies may be similar to strategies offered through other advisory programs, including wrap fee programs such as Merrill Lynch UMA, and, in both programs, we may manage strategies consisting solely of Funds. The method and parameters by which we manage accounts and portfolios in different wrap fee programs is discussed in each program's disclosure brochure. In certain programs, the Investment Management & Guidance group ("IMG"), will provide initial and ongoing due diligence into the securities, Funds, Style Managers, and other investments that are permitted in the program. In all of our wrap fee programs, we charge clients asset-based and other fees, as detailed in the applicable program disclosure brochure. The MFA fee may be more or less than the asset-based fee charged for other programs. We retain a portion of the program fee for our services. A portion of this fee also will be used to compensate your Financial Advisor.

#### **ASSETS UNDER MANAGEMENT**

As of December 31, 2010, Merrill Lynch had assets under management of \$341 billion, of which \$177 billion was managed on a discretionary basis and \$164 billion was managed on a non-discretionary basis.



## FEES AND COMPENSATION

You pay an asset-based fee that covers the advisory services, transactions in Program Accounts and custody of assets in such accounts (the “Program Fees”) based on the dollar value of assets as listed in the Program Fee schedule below.

Program Fees may be negotiated and may vary from the fee schedule below. You may pay more or less than similar clients depending on a number of factors including, but not limited to:

- The amount of the your assets;
- The number and size of related Program and other Program Accounts maintained at Merrill Lynch;
- The range and extent of services provided or to be provided to you in the aggregate by Merrill Lynch; and
- The Financial Advisor assisting you.

Program Fees may vary as a result of prior policies and the date the Program Account was opened.

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, such as fees higher than those shown in the Program Fee schedule for the MFA Program, the pricing arrangement as a whole will generally result either in the same or lower fees in aggregate for all the accounts, products or services provided or the inclusion of additional products and services.

Program Fees will be calculated by deducting a credit amount (the “Credit Amount”) from the maximum gross program fee rate and will be charged against all the eligible assets in the Program Account, including cash balances, money market fund shares, and other Fund positions. The maximum annual net Program Fee rate is 2.00%, with breakpoints that reduce the Program Fee, as reflected in the above Program Fee schedule, after deducting the Credit Amount.

Dollar Value of Assets under Management	Maximum Annual Gross Program Fee Rate	Maximum Annual Net Program Fee Rate
First \$2,000,000	2.50%	2.00%
Additional Assets	2.20%	1.70%

The Credit Amount will be deducted on a quarterly basis from the quarterly gross Program Fee rate and will equal the greater of:

- an amount equal to 0.125% of the value of the Program Account (0.50% on an annual basis), or
- the sum of (a) the investment management fees, which are calculated on a daily basis paid to us or our affiliate in the previous quarter by the Related Funds that are attributable to the shares of such funds in the Program Account, plus (b) Rule 12b-1 fees, which are calculated on a daily basis, paid to us or an affiliate in the previous quarter that are attributable to the shares of Funds in the Program Account.





The Program Fee for the initial quarter will be determined at the applicable annual gross Program Fee rate less the Credit Amount at the annual rate of 0.50%, based on the value of the Program Account as of the first Monthly Portfolio Appraisal Date (i.e., the last Friday of each month, but the last business day of December). The initial Program Fee will be prorated for the period, beginning on the date when we first allocate your assets among the Funds according to your client agreement (the "Initial Allocation Date"), through the Monthly Portfolio Appraisal Date at the end of the initial calendar quarter. Although the Initial Allocation Date may occur after the effective date of your client agreement, no Program Fees will be payable before the Initial Allocation Date.

For each subsequent calendar quarter, you will pay the Program Fee to us in advance at the applicable annual net fee rate (i.e., the applicable annual gross fee rate less the Credit Amount at the annual rate of 0.50%, as adjusted for any additional Credit Amount due with respect to the previous calendar quarter). To compute the Program Fees, the value of the Program Account will be determined by averaging the market value of the Program Account as of the Monthly Portfolio Appraisal Date for each of the previous quarter's three (or, if the initial period, fewer) months. No fee adjustment will be made for partial withdrawals or for Program Account appreciation or depreciation within a billing period.

The Program Account value used for the fee calculation may differ from that shown on your securities account statement and performance measurement report due to a variety of factors, including, trade date or settlement date accounting and other considerations. Performance measurement reports may also reflect the value of assets over which Financial Advisors do not exercise investment discretion (such as those in the Program Account) and/or for which Program Fees are not charged. Further, it should be noted that the valuation of securities reported in a performance measurement report may be subject to occasional re-pricing in reasonable and appropriate circumstances, but such re-pricing may not affect, or result in the adjustment of, previously calculated Program Fees.

We may, from time to time, enter into specialized agreements to provide particular or unique services to certain clients, subject to negotiated fees. In addition, the fees for certain of the services described above may be reduced for our, or our affiliates', employees or be subject to prior fee schedules.

#### **CALCULATION AND DEDUCTION OF ADVISORY FEES**

Program Fees are payable quarterly in advance. Through your client agreement, you will authorize us to debit those fees from the Program Account or any other eligible Merrill Lynch account.

#### **OTHER FEES AND EXPENSES**

The Program Fees do not include the expenses at the underlying Fund level. The fees and expenses that the Fund pays are typically passed through to you as a shareholder in the Fund, and you will bear a proportionate share of the expenses of the Funds in which the Program Account is invested. Expenses may include underlying investment management fees, Rule 12b-1 fees (if any), and shareholder subaccounting or related Service Fees. Any fees imposed by a Fund relating to the purchase or holding of Fund shares, such as fees for the redemption of shares within a specified period of time, are also in addition to the Program Fees. Accordingly, you will, in effect, pay two levels of fees with respect to your Program Account assets that are invested in Funds – direct fees (i.e., Program Fees and expenses) and indirect fees (i.e., Service Fees and expenses). These fees and expenses are described in each Fund's prospectus, SAI or other offering document. You will be provided with that Fund's prospectus or other offering document. To request the SAI or additional copies of the prospectus or offering document of any Fund in which your Program Account invests, please contact your Financial Advisor. The offering documents of certain Funds in your



Program Account may restrict the withdrawal of Fund shares from your Program Account and we will redeem such shares upon Program Account termination.

As discussed above, you must open and fund a Merrill Lynch CMA®, RCMA® or other securities account at Merrill Lynch to facilitate participation in the MFA Program. The Program Fees also do not include the fees and charges associated with these accounts, except that the annual account fee will be waived while the Program Account is enrolled in the MFA Program.

You will also pay transaction charges resulting from transactions effected in securities (other than eligible Fund shares), which will be subject to the appropriate transaction costs as agreed upon between you and your Financial Advisor. These charges may include mark-ups, mark-downs, dealer spreads and/or other charges and will result in additional compensation to us.

Fund shares held in the MFA Program Account will generally not be eligible for margin. When margin is permitted, margin interest on debit balances is not included in the Program Fees, and Financial Advisors may receive additional compensation. Further, on an exception basis, you may receive loan proceeds as a result of an arrangement whereby your accounts (including the Program Account) are pledged to our affiliate. The costs associated with this arrangement are not included in Program Fees and may result in additional compensation to us and our Financial Advisors.

#### **REFUND OF PREPAID FEES AT TERMINATION OF THE CLIENT AGREEMENT**

Fees are payable quarterly in advance. You or Merrill Lynch may terminate your client agreement at any time upon written notice to the other. If your client agreement is terminated before the last day of a calendar quarter, a pro rata portion of the quarterly fee paid in advance will be refunded to you. We will also refund you any additional Credit Amount that may be due for the final period. However, if you seek to transfer assets from the Program Account to another brokerage firm on or after the termination of the MFA Program, certain account transfer fees will apply.

#### **COMPENSATION FOR THE SALE OF SECURITIES**

We and our employees, including your Financial Advisor, benefit from the compensation paid to us, and may directly or indirectly receive a portion of the fees and other compensation paid by you and other clients in the MFA Program. This practice creates a potential conflict of interest that may give us and our Financial Advisors an incentive to recommend advisory services and particular Funds based on the compensation received. Fees and commissions may also be higher for some products or services, and the remuneration and profitability to us and our Financial Advisors resulting from transactions on behalf of or management of certain Program Accounts may be greater than the remuneration and profitability resulting from other advisory accounts, products or services. (See section entitled *Participation or Interest in Client Transactions* for more information about the receipt of compensation for the sale of securities and other investment products.)

We address these conflicts through disclosure in this Brochure. Moreover, our Financial Advisors are required to recommend investment advisory programs, investment products and securities that are suitable for each client based upon the client's investment objectives, risk tolerance and financial situation and needs. In addition, we have adopted policies and procedures to address the suitability of advisory products offered to clients.

**USE OF UNAFFILIATED BROKERS**

The Funds in which you may invest through the Program are generally available for purchase outside of the Program, whether through our brokerage platform or other advisory programs or another broker-dealer or investment adviser. In addition, certain investors, including certain institutional investors, may be able to invest in a share class of some of these Funds that has lower fees than those charged by the share class available through the Program. By purchasing those Funds outside of the Program, you would not incur the additional Program Fees, described above. However, when purchasing those Funds outside of the Program, you will not receive the specific array of Program services described in this Brochure and some Funds may charge a sales load on direct investments.

**SOURCES OF REVENUE**

As a broker-dealer, Merrill Lynch offers a wide variety of securities and brokerage services. Our principal sources of income, which include commissions and other compensation for the sale of investment products, are derived from our business as a broker-dealer. Less than 2% of our revenues are expected to be generated from the MFA Program on an annual basis.

**FEE OFFSET FOR EXECUTION CHARGES**

Rule 12b-1 fees received by us or our affiliates are considered in the calculation of the Credit Amount offset to gross Program Fees.

**PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Neither we nor our Financial Advisors receive performance-based fees for the MFA Program

**TYPES OF CLIENTS**

Clients that can participate in the MFA Program include eligible: (a) Retirement Accounts; and (b) investors other than Retirement Accounts including individuals, trusts, estates, charitable organizations, partnerships, corporations, and other business entities. If index funds are held in Retirement Accounts, only BlackRock index funds will be purchased.

The MFA Program may be available to plans that are subject to the ERISA provisions, as well as 403(b) Plans that permit the payment of advisory fees in advance. In general, participation of these plans is permitted where an independent fiduciary of the plan is authorized to appoint us as the investment adviser for the plan through the MFA Program. If a plan provides for participant direction of investment of their accounts, such as in certain "401(k) plans," the plan participant will be deemed the MFA Program client under the client agreement, unless the plan's ownership of assets otherwise requires. As described in the client agreement that each participant must sign, each plan participant's account will be separate and apart from that of all other participants. Accordingly, each plan participant must independently meet the requirements for participation in the MFA Program and program fees will be charged separately to each participant's account. Plans for which we or our affiliate act as trustee are not presently eligible to participate in the MFA Program.

**REQUIREMENTS FOR OPENING A PROGRAM ACCOUNT**

You must open and fund a Merrill Lynch CMA®, RCMA® or other securities account at Merrill Lynch to facilitate participation in the MFA Program.

In addition, you must contribute to the Program Account cash and/or shares of BlackRock Funds in the amount of at least \$10,000, or such other amount as agreed by us. We will accept for management Contributed BlackRock Fund Shares. We may in our discretion accept shares of certain Related Funds, other than BlackRock Funds, and Unrelated Funds, provided that such Related and Unrelated Fund shares are of a share class that may be held in the MFA Program or as otherwise agreed to by us. These Fund shares, along with the Contributed BlackRock Fund Shares, will be referred to throughout this Brochure as “eligible Fund shares”.

Your client agreement requires you to represent that you have held the eligible Fund shares contributed for our management for at least one year. This one-year holding period does not apply to shares purchased at net asset value or through another eligible Merrill Lynch asset-based fee program. The requirements for contributed shares apply to both initial and subsequent contributions.

If you deposit, transfer or contribute securities other than eligible Fund shares (“Other Securities”) into the Program Account, we will not provide any advice about or otherwise manage such Other Securities and will not charge Program Fees on the value of the Other Securities. Your client agreement authorizes us to open another securities account of the same type enrolled in the MFA Program and transfer the Other Securities into this new account. The new account may be subject to charges, such as annual account fees, all of which will be in addition to the Program Fees.

You should understand that, except as described above, we may redeem all or any portion of contributed Fund shares, either initially or during the course of management in the MFA Program, including shares upon which you paid a sales charge and shares transferred from another Merrill Lynch asset-based fee program. You will be responsible for any tax liabilities resulting from these redemptions as well as from all other transactions effected in the Program Account. You should consider the cost of any sales charges that were previously paid on any Fund shares that are contributed to the Program Account or that were paid on shares of mutual funds that have been redeemed to deposit cash in the Program Account.

You may contribute any class of shares of a BlackRock Fund (except Class B shares unless otherwise permitted), even though only a class of shares of BlackRock Funds not subject to Rule 12b-1 fees (“Non-Rule 12b-1 Shares”) will be held through the MFA Program. If Contributed BlackRock Fund Shares are subject to Rule 12b-1 fees (“Rule 12b-1 Shares”), we will redeem such shares, except if Non-Rule 12b-1 Shares of the same Fund are included in the Program Account on the Initial Allocation Date based on the investment strategy that you selected. Then, we will not redeem the respective Rule 12b-1 Shares, but instead, we will exchange such shares for Non-Rule 12b-1 Shares of the same BlackRock Fund to the extent required for the investment strategy. If the redemption or exchange of Contributed BlackRock Fund Shares would otherwise give rise to any CDSC, this CDSC will be waived.

Please note that you will not be able to use Visa® cards or write checks on the Program Account while the account is enrolled in the MFA Program. Similarly, the participation of the Program Account in the Merrill Lynch Automated Investment Program (“AIPS”) will be suspended while the account is enrolled in the MFA Program, except to the extent that the you have authorized the automatic deposit of cash into the Program Account. Additional assets contributed through AIPS will be invested in our discretion, but generally on a pro rata basis among the Funds in the Program Account.

**TRANSFERS FROM A PROGRAM ACCOUNT, CLOSING A PROGRAM ACCOUNT AND TERMINATING PARTICIPATION IN THE MFA PROGRAM**

For a partial withdrawal of assets from a Program Account, you may direct us to redeem shares of specific Funds. In the absence of such a direction, we will redeem Fund shares with the priority to maintain, to the extent practicable, your then existing allocation among Funds, without regard to your potential tax consequences.

If you transfer Funds formerly held through the MFA Program (“MFA Shares”) to another eligible Merrill Lynch asset-based fee program, the MFA Shares will be treated as shares purchased through the other program. The MFA Shares will, therefore, be subject to any applicable closing fees upon the termination of your participation in any other Merrill Lynch asset-based fee program, without credit for any period of time that the MFA Shares were held in the MFA Program.

If you terminate participation in the MFA Program and seek to acquire Fund shares, you should note that certain Fund shares cannot be purchased at Merrill Lynch outside of an asset-based fee program and that applicable restrictions will apply. You may have to pay any applicable sales load for these purchases. The period of time during which your shares were held prior to or during participation in the MFA Program will not be credited toward the holding period requirement for reduction of any CDSC applicable to shares purchased upon termination of participation in, or otherwise outside, the MFA Program.

**METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS****INVESTMENT SELECTION IN THE MFA PROGRAM**

You may select different investment strategies that invest in Unrelated Funds, Related Funds, and/or BlackRock Strategies. For those investment strategies that invest solely in Unrelated Funds as well as those that invest in both Unrelated Funds and Related Funds, IMG personnel will make investment decisions for the Program Account based on your investment strategy, any stated reasonable investment restrictions, and general market and economic conditions. Investment decisions will also be based on an ongoing analysis of the various Funds that are available for purchase through the MFA Program, including their:

- Specific investment styles and strategies;
- Investment processes;
- Risk-adjusted performance;
- Relative liquidity;
- Organizational stability; and
- Experience and reputation.

Particular factors may be weighed differently and IMG will not uniformly consider all of the available Funds in determining the composition of the Program Account.

IMG uses various analyses in developing its diversified investment strategies including quantitative, fundamental, technical, strategic and economic analyses. IMG also draws upon analyses and strategies developed by other groups



within Merrill Lynch and our affiliates, including asset allocation models developed by BofAML Research, as well as other third party sources.

For the investment strategies that involve investment solely in BlackRock Strategies, BlackRock will provide investment advice to IMG to assist in the management of Program Accounts at no additional expense to clients. BlackRock will generally determine the asset allocation of, and BlackRock Funds and BlackRock money market funds included in, each investment strategy as well as the timing of any rebalancing of Program Accounts. IMG will implement the investment advice provided by BlackRock, subject to any of the client's stated reasonable investment restrictions. The BlackRock Funds and BlackRock money market funds selected will be based on research conducted by BlackRock's investment and risk management departments. BlackRock evaluates funds based on their performance, risk profile, investment process and holdings, considering each strategy's investment objective and risk level. Risk management tools are also used to analyze the aggregate sector, style, capitalization, regional exposures and overlap of funds held within each BlackRock Strategy. For additional information about BlackRock, you should ask your Financial Advisor for a copy of BlackRock's Disclosure Brochures (Form ADV, Part 2) or view BlackRock's Form ADV at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any investment strategies that you select in the MFA Program will be used by IMG as a guide in managing Program Accounts and the asset allocation and Funds included in Program Accounts using the same strategies may vary from each other and from target allocations.

For investment strategies other than BlackRock Strategies, please note that we make available for client selection Related Funds for inclusion in an investment strategy subject to the same review process as described above for Unrelated Funds. We, therefore, include such Related Funds in investment strategies available to clients as we deem appropriate and subject to any applicable legal restrictions.

#### **TAX AND RISK DISCLOSURE**

All investment strategies and the investments made as a result of implementing those strategies involve risk (the amount of which may vary significantly) and you should be prepared to bear such losses. The investment performance and the success of any MFA investment strategy can never be predicted or guaranteed, and the values of the Funds in your Program Account will fluctuate due to market conditions and other factors. The investment decisions made, and the actions taken, for all Program Accounts will not necessarily be profitable and are subject to various risks, as described below.

Again, you are responsible for any tax liabilities which result from transactions in your Program Account (including any redemptions arising from the addition of assets to, or withdrawal of assets from, the Program Account or upon the liquidation of Fund shares to pay Program Fees), and we encourage you to seek the advice of a qualified tax professional.

#### **MATERIAL RISKS**

Your Program Account is subject to investment risk and you may lose money by participating in the Program. Importantly, your Program Account is not a bank account. It is not insured or otherwise protected by the Federal Deposit Insurance Corporation or any other government agency, is not an obligation of any bank or any of our affiliate; and is not endorsed or guaranteed by Bank of America, N.A., Merrill Lynch, any bank or any of our affiliate. The principal investment risks of investing in the Funds that are part of your investment strategy are described in each Fund's prospectus, SAI or other offering document. General investment risks include, but are not limited to, the following:



**Management Risk** – Our investment decisions might produce losses or cause your Program Account to underperform relative to a relevant benchmark or peer group.

**Market Risk** – Security prices in a market, sector or industry may fall, reducing the value of your Program Account.

**Equity Risk** – Stock prices may fall over short or extended periods of time.

**Interest Rate Risk** – The value of fixed income securities may be affected by any increase or decrease in prevailing interest rates. In general, if interest rates rise, bond prices fall, and if interest rates fall, bond prices rise.

**Credit Risk** – Changes in the financial condition of an issuer or guarantor of a fixed-income security or a counterparty to a contractual obligation and changes in general economic conditions may impact the actual or perceived willingness or ability of an issuer, guarantor or counterparty to make timely payments of interest or principal or to otherwise honor its obligations. Such changes may result in a loss.

**Style Risk** – We may follow a particular investment style that may fall out of favor in the market.

**Inflation Risk** – Returns on fixed income securities may not keep pace with inflation.

**Foreign Securities Risk** – Foreign securities are subject to special risks, including but not limited to, limited liquidity, delays in settlement, exchange rates, less publicly available information about companies, the impact of political, social or diplomatic events, possible seizure, expropriation or nationalization of a company or its assets, and possible imposition of currency exchange controls. Foreign markets may be extremely volatile.

**Allocation Risk** – Your Program Account's investment performance depends in part upon how your assets are allocated among the Funds in your selected investment strategy. We may make asset allocation decisions that result in underperformance of your Program Account relative to either your expectations or similar programs, and there is no guarantee that a given investment strategy will produce the desired results.

**Fund Redemption Risk** – From time to time, we may determine to add or remove a Fund to or from one or more investment strategies (or make similar decisions with respect to the use of that Fund in another program). In addition, we may decide to modify the allocation of Funds within investment strategies. In these instances, we will place transactions in that Fund for all affected Program Accounts, which may cause that Fund to experience relatively large purchases or redemptions. Significant purchases and redemptions may adversely affect the Fund in question. A Fund experiencing redemptions may have to sell portfolio securities and a Fund receiving additional cash will have to invest that cash.

**Fund-Specific Risks** – Each Fund is subject to its own particularized risks, any of which can adversely affect your Program Account's investment performance. These risks are described in each Fund's prospectus or other offering document.

**Regulatory Risk** – The overall investment activities that we and our affiliates engage in may limit the investment opportunities for your Program Account in certain markets in which limitations are imposed by regulators upon the amount of investment by affiliated investors, in the aggregate or in individual issuers. From time to time, your Program Account's activities also may be restricted because of regulatory restrictions applicable to us and our affiliates, and/or our internal policies.

**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](http://www.adviserinfo.sec.gov).

On January 25, 2011, the SEC issued an order pursuant to an offer of settlement made by Merrill Lynch finding that between February 2003 and February 2005 Merrill Lynch market makers executing institutional customer orders for securities sometimes shared information concerning those trades with traders on a Merrill Lynch securities proprietary trading desk. In the Order, the SEC found that, at times, Merrill Lynch's securities proprietary traders used that information to place trades for Merrill Lynch after execution of the institutional customer order. The SEC found: (1) that this disclosure and use of institutional customer order information by Merrill Lynch's traders was improper and contrary to Merrill Lynch's confidentiality representations to its customers; (2) instances between 2002 and 2007 when Merrill Lynch charged institutional and high net worth customers undisclosed mark-ups and mark-downs on riskless securities principal trades for which Merrill Lynch had agreed to charge the customer only a commission equivalent fee, and that, in doing so, Merrill Lynch acted improperly and contrary to its agreements with its customers; and (3) found that from 2002 through 2007 Merrill Lynch failed in many instances to make records of its agreements with institutional customers to guarantee an execution price, which agreements were part of the terms and conditions of the institutional customer orders. The SEC found that, as a result of its conduct: (1) Merrill Lynch willfully violated Section 15(c)(1)(A) of the Exchange Act, by effecting transactions in securities by means of manipulative, deceptive or other fraudulent devices or contrivances, and willfully violated Section 15(g) of the Exchange Act by failing to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material, nonpublic information, (2) under Section 15(b)(4)(E) of the Exchange Act, Merrill Lynch failed reasonably to supervise its traders with a view towards preventing them from violating the federal securities laws, and (3) Merrill Lynch willfully violated Section 17(a) of the Exchange Act and Rule 17a-3(a)(6) thereunder by failing to record certain terms and conditions of customer orders. Merrill Lynch neither admitted nor denied the findings in the order. The findings in the Order are not binding on any person or entity other than Merrill Lynch. The order (1) required that Merrill Lynch cease and desist from committing or causing any violations and any future violations of Sections 15(c)(1)(A), 15(g) and 17(a) of the Exchange Act and Rule 17a-3(a)(6) thereunder; (2) censured Merrill Lynch pursuant to Section 15(b)(4) of the Exchange Act; and (3) required pursuant to Section 15(b)(4) and Section 21B of the Exchange Act that Merrill Lynch pay a civil money penalty in the amount of \$10 million. The penalty was paid on February 1, 2011.

On January 13, 2011, the Superior Court of Massachusetts, Suffolk County ("Court") issued an order against Benistar Property Exchange Trust Co., Inc. ("Benistar"), Daniel Carpenter ("Carpenter"), Merrill Lynch and others for their involvement in improper options and margin trading by Carpenter of the plaintiffs' monies held by Benistar in qualified intermediary escrow accounts pursuant to 26 U.S.C. § 1031(a)(3). In a 2009 retrial of plaintiffs' claims against Merrill Lynch, a jury determined that Merrill Lynch had engaged in or committed one or more unfair or deceptive trade practices in connection with its dealing with the Benistar accounts held at Merrill Lynch and that the firm's conduct had caused injury to the plaintiffs. In the order, the Court entered a judgment of \$545,386.22 against Merrill Lynch for consequential damages. As to the plaintiffs' claim for punitive damages, the Court entered judgment in favor of Merrill Lynch provided, however that in the event Connecticut law is determined to impose various liability on Merrill Lynch for the conduct of one of its employees, the Court's award of punitive damages would be an amount





equal to plaintiffs' actual damages in the total amount of \$9,669,443.58. Merrill Lynch appealed the order and the outcome of the appeal is currently pending.

On January 5, 2011, Merrill Lynch consented to an AWC with FINRA. FINRA summarized its findings with respect to several investigations finding that Merrill Lynch had: (1) failed to exercise reasonable diligence with respect to certain best execution matters in violation of NASD Rules 2110, 2320, 3110, SEC Rule 17a-3 and MSRB Rules G-17 and G-30(a); (2) misreported or failed to report to TRACE certain transactions in violation of NASD Rules 6230 and 2110; (3) failed to report a total of 13,239 positions in conventional options by the close of business the next day in violation of NASD Rules 2110 and 2860(b)(5); (4) misreported to NASD (currently FINRA) and NYSE certain short interest positions in violation of NASD Rules 3360 and 2210 and NYSE Rule 421.10; (5) incorrectly or failed to report certain trades in the NASD/Nasdaq Trade Reporting Facility and Over the Counter Reporting Facility in violation of NASD Rules 6130(b) and (g), 2110 and 3632(a)(2); (6) failed to display immediately 64 customer limit orders in Nasdaq securities in its public quotation in violation of SEC Rule 604 of Regulation NMS; (7) accepted short sale orders in violation of SEC Rule 203(b)(1) of Regulation SHO; and (8) made available a report on the covered orders in national market system securities that it received for execution which included incorrect information in violation of SEC Rule 605 of Regulation NMS. Without admitting or denying the findings in the AWC, Merrill Lynch consented to a censure and a fine of \$304,000, allocated between the various offences listed above. FINRA also ordered Merrill Lynch to pay restitution to certain listed investors in the total amount of \$48,416.83, allocated between the listed investors.

On December 7, 2010, the SEC issued an administrative and cease-and-desist order in which it found that BAS had willfully violated Section 15(c)(1)(A) of the Exchange Act by participating in improper bidding practices involving the temporary investment of proceeds of tax-exempt municipal securities in reinvestment products from at least 1998 through 2002. In the order, BAS is: (1) censured; (2) ordered to cease and desist from committing or causing such violations and future violations; and (3) ordered to pay disgorgement plus prejudgment interest in the aggregate amount of \$36,096,442.00 to certain entities specified in the Order. BAS consented to the order without admitting or denying the SEC's findings. In its order, the SEC noted the cooperation of BAS in the SEC investigation and in related government investigations, as well as remedial actions undertaken by BAS.

On November 10, 2010 Merrill Lynch consented to an AWC with FINRA. FINRA alleged that from June 2002 through February 2007, Merrill Lynch failed to establish and maintain supervisory systems and procedures reasonably designed to achieve compliance with industry suitability standards related to the sale of certain 529 plans ("NextGen Plans"). Without admitting or denying the findings contained in the AWC, Merrill Lynch agreed to (1) a censure; (2) a fine of \$500,000 and (3) certain undertakings including (a) the distribution of a stand-alone letter ("529 Letter") to each current customer who resided in a state that offered 529-related state tax benefits at the time the customer opened an advisor sold NextGen Plans at Merrill Lynch during the relevant time period; (b) assisting customers with transferring or rolling-over any customers investment in the NextGen Plans into a 529 plan of the customer's choice in the customer's home state; and (c) reporting to FINRA's enforcement staff periodically, until December 31, 2011 about each oral and written inquiry, concern or complaint received by the Firm concerning the NextGen Plans from recipients of the 529 Letter, along with a description of how Merrill Lynch resolved such inquiry, concern or complaint.

On August 18, 2010, Merrill Lynch consented to an AWC with FINRA. FINRA alleged that Merrill Lynch: (1) between September 2006 and June 2008 failed to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed to identify and ensure that customers received appropriate "breakpoints" and "rollover and exchange" discounts (collectively, "sales charge discounts") on eligible purchases of UITs, in violation of NASD Rules 3010 and 2110; (2) failed to apply sales charge discounts to customers' eligible UIT purchases in violation of NASD Rule 2110; and (3) approved the use of UIT sales literature by its sales force that was inaccurate and misleading in violation of NASD Rule 2210. Without admitting or denying the findings in the AWC,



Merrill Lynch agreed to: (1) a censure; (2) a fine of \$500,000; and (3) certain undertakings including (a) providing remediation to customers who, during the period of January 1, 2006 through the date of the AWC purchased UITs and qualified for, but did not receive the applicable sales charge discount and (b) submitting to FINRA a proposed plan to identify and compensate customers who qualified for, but did not receive the applicable UIT sales charge discounts.

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 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 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 September 24, 2008, Merrill Lynch consented to an AWC. FINRA alleged that Merrill Lynch violated numerous SEC, FINRA and MSRB Rules in that Merrill Lynch: (1) failed to report correctly transactions to numerous order and trade reporting and tracking systems maintained by FINRA and NASDAQ; (2) failed to provide written notification disclosing to its customers that transactions were executed at an average price and its executing capacity in a transaction; (3) failed to preserve for the required period brokerage order memoranda; (4) failed to mark properly orders as short in short sale transactions; (5) incorrectly designated certain symbols in various securities transactions;



(6) failed to report to the FINRA/NASDAQ Trade Reporting Facility last sale reports of transactions in designated securities; and (7) failed to maintain a supervisory system designed to achieve adequate compliance with the Trade Reporting and Compliance Engine ("TRACE"), quality of markets, transaction reporting, short sales, and the Order Audit Trail System ("OATS"), among other things. Without admitting or denying the findings in the consent, Merrill Lynch consented to the following sanctions: (1) a censure; (2) a fine of \$242,500; (3) payment of \$11,358.65, plus interest, in restitution; and (4) various undertakings including revision of its written supervisory procedures regarding TRACE, quality of markets, OATS receiving inter-firm route matching statistics, transaction reporting, short sales, short sales bid and tick test compliance, OATS clock synchronization, safe harbor compliance, recordkeeping, limit order protection, the one percent rule, and the three-quote rule, among other things.

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 May 31, 2006, Merrill Lynch, without admitting or denying the findings contained therein, consented to the issuance of an order. The SEC found that Merrill Lynch violated Section 17(a)(2) of the Securities Act, by managing auctions for auction rate securities in ways that were not adequately disclosed or that did not conform to disclosed procedures. Based on these findings, the order required that Merrill Lynch: (1) cease and desist from committing or causing any violations or future violations of Section 17(a)(2) of the Securities Act; (2) be censured; (3) pay a civil money penalty of \$1,500,000; and (4) comply with certain undertakings to provide customers with written descriptions of Merrill Lynch's material auction practices and procedures and to implement procedures reasonably designed to detect and prevent any failures by Merrill Lynch to conduct auctions for auction rate securities in accordance with disclosed procedures.

On March 13, 2006, Merrill Lynch, without admitting or denying the findings contained therein, consented to the issuance of an administrative order by the SEC. The SEC found that Merrill Lynch failed to: (1) furnish promptly to representatives of the Commission electronic mail communications ("e-mails") as required under Section 17(a) of the Exchange Act and Rule 17a-4(j) thereunder; and (2) retain certain e-mails related to its business as such in violation



of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder. Based on these findings, the order required that Merrill Lynch: (1) cease and desist from committing or causing any violation or future violation of Section 17(a) of the Exchange Act and Rules 17a-4(b)(4) and 17a-4(j) thereunder; (2) be censured; (3) pay a civil money penalty of \$2,500,000; and (4) comply with certain undertakings relating to the retention of e-mails and the prompt production of e-mails to the SEC.

On March 15, 2006, Merrill Lynch consented to an AWC with NASD. NASD found that from 2001 through 2004, Merrill Lynch lacked an adequate supervisory system and written supervisory procedures for its Financial Advisory Center ("FAC") (n/k/a the Merrill Edge Advisory Center). Among other things, the Consent alleged that the firm failed to: (1) establish, maintain and enforce reasonable procedures regarding mutual fund recommendations (including switch transactions); (2) place a sufficient number of properly trained and qualified supervisors to monitor activities within the FAC; (3) conduct annual compliance audits for the FAC's two most active years; (4) provide adequate disclosure to customers regarding mutual fund share class choices in violation of NASD Conduct Rules 3010 and 2110; and (5) maintain a supervisory system and written procedures reasonably designed to achieve compliance with NASD Conduct Rule 2830. Merrill Lynch consented to a censure and a fine of \$5 million and certain undertakings including: (1) a three year prohibition on sales contests to promote the sale of mutual funds or other securities by registered personnel employed at the FAC; (2) requiring investment services advisors to obtain the prior approval of a registered securities principal for any mutual fund switch recommendation; (3) monitoring of customer calls at the FAC for a certain limited period of time; and (4) retention of an independent consultant and the implementation of new procedures.

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.

On November 15, 2002, the NYSE entered a decision in which it found that between approximately July 1999 through February 2002, Merrill Lynch employed 23 individuals who were subject to statutory disqualification as the result of a criminal conviction prior to being hired by the Firm. NYSE alleged that notwithstanding the fact that at or about the time of hire, each of the 23 individuals disclosed the existence of the criminal convictions to Merrill Lynch, the firm failed promptly to investigate or make inquiry into the information provided by the employee and allowed the employee to be hired in violation of NYSE Rules 346(f), 351(a)(9) and 342 and federal securities laws. Merrill Lynch consented to (1) a censure; (2) a fine of \$300,000 and; (3) a requirement that among other things Merrill Lynch retain an outside consultant, to perform a review and prepare a report, that the firm would be required to adopt, of the firm's systems, policies and procedures, including recommendations for different or additional systems, policies or procedures, if necessary, relating to the hiring of individuals who are subject to statutory disqualification including those who disclosed their criminal convictions during the hiring process.

#### **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, Merrill Lynch acts as a broker (i.e., agent) for corporate, institutional and 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. Merrill Lynch also acts 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. Merrill Lynch operates the firm's U.S. retail branch system, and also provides 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](http://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), Anthony J. Guardino (CRD# 2907957), Sallie L. Krawcheck (CRD# 2269652), Thomas K. Montag (CRD# 1474696), Isaac Osaki (CRD# 4910551), Douglas G. Preston (CRD# 2586917), Robert Qutub (CRD# 4623123), Michael B. Radest (CRD# 1687387), and Bruce R. Thompson (CRD# 2148942). 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.

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 record-keeping services; origination, brokerage, dealer and related activities in swaps, options, forwards, exchange-traded futures, 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 clients of the MFA Program, 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 BlackRock Funds, including BlackRock money market funds, and BofA Funds are Related Companies. Program Accounts may be invested in these Related Funds. We may receive compensation when you invest in shares of these funds in a Program Account. We are a substantial shareholder in BlackRock and a wholly-owned subsidiary of Bank of America. We potentially benefit from our economic interest in BlackRock, 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 BlackRock 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 Nuveen. Although Nuveen 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 Nuveen Funds or other Nuveen products and may benefit from increased sales of such Funds/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 (which are considered in the Credit Amount) and, like Unrelated Funds, incurs other expenses. The current annual rates of investment management fees paid by the BlackRock Funds to BlackRock, and by the BofA funds to a Bank of America affiliate, range from 0.05% to 1.20%, and 0.20% to 0.25%, respectively, 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 program, investment products and securities that are suitable for each client based upon the client's 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.

We do not recommend or select other investment advisers in connection with the MFA Program.

## **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;
- The reporting and clearance of employee personal trading;
- The prevention of misuse of material non-public information; and
- The 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 certain personnel obtain specific approval of their securities transactions and have implemented procedures for monitoring these transactions as well as those of all employees.

**PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

In the United States, Merrill Lynch acts as a broker (i.e., agent) for corporate, institutional and 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 dealer in the purchase and sale of mutual funds, money market instruments, government securities, high-yield bonds, municipal securities, financial futures contracts and options. We and other affiliates also conduct the futures business and foreign exchange activities. 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 result of the involvement in multiple business activities, we and our employees may have interests unrelated to managing Program Accounts in the MFA Program which may give rise to potential conflicts of interest, including those discussed below. This discussion does not seek to identify all actual or potential conflicts. Information about certain additional conflicts are described throughout this Brochure and in many of the contracts and offering documents that govern the specific products and services we offer.

We and our affiliates and employees benefit from the compensation paid to us by you and other clients in the MFA Program. Our Financial Advisors or other employees who introduce clients to the MFA Program and provide ongoing services to these clients receive compensation in connection with the MFA Program.

With certain limited exceptions, each Fund or its respective principal underwriter or other agent has entered into an agreement with us, pursuant to which we have agreed to perform sub-accounting and related services (including recordkeeping, processing, reporting and dividend reinvestment services) with respect to shareholders of these Funds who maintain their shares in a Merrill Lynch securities account (including clients in the MFA Program). Service Fees vary by Fund, and the aggregate amount of Service Fees received by us with respect to each client's investment in Funds will depend on the number of Funds in the Program Account and the value of the client's assets invested in such Funds. Service Fees are not paid directly by the client, but are either borne by the Fund itself, like other Fund expenses, or by the Fund's principal underwriter or other agent. If the Program Account is a Retirement Account, the Service Fees paid to us with respect to any particular Fund in the Program Account is at the annual rate of 0.10% of the value of the investment in such Fund.

In addition to Service Fees, we or our affiliates receive fees paid by certain ETFs or similar product sponsors or their 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.

The investment advisers for the BlackRock Funds and BofA Funds are Related Companies of Merrill Lynch and Program Accounts may be invested in such Related Funds. Each of the Related Funds pays investment management fees to its investment adviser (which are considered in the Credit Amount) and, like Unrelated Funds, incurs other expenses. The current annual rates of investment management fees paid by the BlackRock Funds to BlackRock, and by the BofA funds to a Bank of America affiliate, range from 0.05% to 1.20%, and 0.20% to 0.25%, respectively, of average daily net assets and are described in each Fund's prospectus. In addition, we and/or our affiliates receive Rule 12b-1 fees with respect to shares of certain BlackRock money market funds, as well as BofA Funds in which a Program Account (other than Retirement Account investments in BlackRock money market funds) may be invested, and which are used in calculating the Credit Amount. We and our affiliates also may provide other services to the Related Funds for compensation (which is not considered in the Credit Amount), such as transfer agency, administrative, accounting and printing services. These fees (as well as Fund expenses) will vary among the Related





Funds as described in the Funds' prospectuses, including their statements of additional information and are in addition to the Program Fees. Solely with respect to Program Accounts that are Retirement Accounts, and that are invested in a Related Fund, the Fund may pay to a Merrill Lynch affiliate transfer agency or sub-accounting fees at an annual rate that is no greater than 0.10% of the investment in the Fund.

As indicated above, if you select any of the BlackRock Strategies, the Program Account will be invested solely in shares of BlackRock Funds, including BlackRock money market funds. BlackRock will provide investment advice to us to assist in the management of Program Accounts invested in the BlackRock Strategies at no additional expense to you. BlackRock's advice will relate to asset allocation and fund selection. (See section entitled *Investment Selection in the MFA Program*). Since BlackRock advises all the funds included in the BlackRock Strategies, BlackRock may be faced with a potential conflict of interest in recommending particular BlackRock Funds. However, BlackRock has confirmed to us that such potential conflicts of interest will not affect its investment advice. In addition, the selection of one of the BlackRock Strategies will result in the receipt of greater aggregate compensation for us and our affiliates than if you had selected another strategy.

We also have arrangements with certain Funds or their principal underwriters or other agents, pursuant to which we may receive or have received certain additional compensation from these Funds or principal underwriters or other agents ("Additional Compensation"). This Additional Compensation may be based upon the length of time our customers remain invested in these Funds or gross sales of Fund shares by Merrill Lynch. Solely with respect to assets in Retirement Accounts, we have undertaken that it will not accept any Additional Compensation in connection with assets in these Program Accounts.

In some cases, we may receive or have received certain payments from Unrelated Fund sponsors (or Related Fund sponsors before the funds became Related Funds) or their affiliates in connection with us becoming a selling agent for the shares of these Funds.

Certain of the Funds, including Related Funds, may utilize us and our affiliates for brokerage and related services and will pay us for these services, subject to any applicable legal requirements.

Outside of MFA, we may recommend that our MFA clients, including those with Program Accounts, invest in a variety of limited partnerships and limited liability companies, for which certain of our affiliates may act as general partners or managing members. The investments of the limited partnerships may vary but include, without limitation, securities, real estate and futures.

In effecting transactions on behalf of clients, including those clients receiving advisory services, we or an affiliate may act as agent for its own account, as permitted by applicable law. Similarly, we or an affiliate may, in transactions involving such clients' securities, act as agent while also representing another client on the other side of the transaction. We and our affiliates may profit from these positions or transactions in securities.

If free credit or cash balances held in the MFA Program Accounts are deposited in individual bank deposit accounts, we will receive compensation from participating depository institutions, including our affiliates, and this compensation will not be considered in the Credit Amount.

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

**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 MFA Program 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.

Investment management decisions in the MFA Program are based on a number of factors. There may be occasions where the IMG provides a favorable analysis of a particular mutual fund but does not include the fund within a Program Account. In addition, certain Funds may have conditions or restrictions regarding the purchase or holding of Fund shares, including minimum purchase requirements and fees for redemption of shares within a specified period of time, which may affect our decision to purchase such shares for a Program Account. More complete information about any of the Funds, including management fees and other charges and expenses, is contained in the Fund's prospectus. You should read the respective prospectuses carefully before making an investment.

IMG may share its analyses of Funds with Financial Advisors and others within Merrill Lynch or our affiliates. In certain cases, this may precede the implementation of investment management decisions in Program Accounts. Financial Advisors may consider such analyses in connection with services provided to brokerage and other customers who are not clients participating in the MFA Program. Because of the nature of mutual funds and the fact that shares are purchased or redeemed at the next determined net asset value, we believe that providing IMG analyses to others within Merrill Lynch or our affiliates should not disadvantage MFA Program clients.

In addition, we or our affiliates may have a position in or enter into "proprietary" transactions in securities purchased or sold for clients in the normal course of its business as a broker-dealer. We or our affiliates may benefit from those securities positions or transactions.

We address these conflicts through disclosure in this Brochure. Moreover, our Financial Advisors are required to recommend investment advisory programs, investment products and securities 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. 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-approval of certain securities transactions, disclose his or her investment accounts, provide an annual holdings report, and provide a quarterly transaction report.

**BROKERAGE PRACTICES**

Transactions in the Program Accounts are effected by us or an affiliate. Through your client agreement, you have directed us as agent to use our (or an affiliate's) own execution services to purchase, exchange and redeem Fund shares for the Program Account and to take any other necessary action to manage for the Program Account, including the completion and settlement of transactions in the Program Account, according to the your instructions. We have an agreement with the principal underwriter or distribution coordinator of each Fund, which authorizes us to



sell shares of the Fund to clients and/or take purchase orders for the Fund through the MFA Program. Not all investment advisers require their clients to direct brokerage. We and our affiliates will not receive any commissions, sales charges or other compensation in connection with the sale of Fund shares, other than as described in your client agreement and this Brochure. For more information about the compensation we, our affiliates and employees receive in connection with the MFA Program and the associated conflicts, please refer to the section entitled *Participation or Interest in Client Transactions*.

Mutual fund orders related to the management of the Program Accounts may be combined with other mutual fund purchases and sales across our platform for purposes of submitting consolidated purchase or redemption requests to the relevant transfer agent for each Fund. We purchase and redeem all Fund shares for the Program Account at net asset value without the imposition of any front-end or contingent deferred sales charges.

## REVIEW OF ACCOUNTS

IMG reviews the investment strategies offered in the Program and will buy or sell Funds within the strategies to realign the strategy with the target asset allocation. IMG will also buy, sell and replace specific Funds based on its ongoing analysis of the Funds. BlackRock reviews the investment strategies and Funds for the BlackRock Strategies.

Your Financial Advisor is available to review your Program Account upon request, but no specific factor will trigger a review of your Program Account. We advise you to review your Program Account and the performance of your investments. Any review we perform does not substitute for your continued review of your Program Account.

## CLIENT REPORTS

For your MFA Program Account, we will send, among other things, the following reports and Fund information:

- Periodic written performance reports;
- Copy of the prospectus of each Fund in your Program Account to the extent required by law; and
- Year-end tax reporting statements (for non-Retirement Accounts).

Through the Profiling Questionnaire or other written request, you may elect not to receive confirmation of transactions for the Program 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 initial direction in the Profiling Questionnaire regarding receipt of trade-by-trade confirmations will apply to all of the Program Account(s) in the MFA Program, until you change such direction. Your election to receive periodic statements in lieu of trade-by-trade confirmations is entirely optional and: (i) will not affect the calculation of or amount of the Program Fees; (ii) is not a condition to entering into or continuing participation in the MFA Program; and (iii) you may rescind your election at any time by written notice to us with respect to any Program Account.

You may request, and we will provide 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 Merrill Lynch Online ("MLOL"), by checking your account on MLOL. 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. In addition, please be



advised that supplemental descriptive account reports may be available through separate exhibits, about which you should speak with your Financial Advisor.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

### **COMPENSATION FOR CLIENT REFERRALS**

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 Program Account. This fee will generally be a percentage of the investment advisory fee ordinarily credited to your Financial 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 Program Account remains enrolled in program 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 payable by you 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.

Employees of Merrill Lynch may refer advisory clients to Bank of America, N.A., including its private bank, US Trust, Bank of America Private Wealth Management, and its affiliates for products and services. Similarly, employees of the Bank of America, N.A. and other affiliates may refer clients to Merrill Lynch 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.

### **OTHER COMPENSATION**

Certain of the Funds, including Related Funds, or their principal underwriters or other agents, reimburse us to cover various costs arising from sales and marketing materials, client and prospective client meetings, or educational and training meetings held with Financial Advisors and our other personnel relating to the MFA Program and asset management. These Funds or their principal underwriter or other agents may also participate in other conferences and seminars unrelated to the MFA Program but sponsored by us and may reimburse us to cover costs of those conferences and seminars. The Funds' principal underwriters, investment managers or other agents may also make charitable contributions in connection with our sponsored or client-related events. This may create an incentive for us or your Financial Advisors to recommend certain Funds to Program Accounts.

In some cases, we may receive or have received certain payments from Unrelated Fund sponsors (or Related Fund sponsors before the funds became Related Funds) or their affiliates in connection with us becoming a selling agent for the shares of these Funds. This may create a potential conflict for us and our Financial Advisors to recommend these Funds to the Program Accounts.

We address these conflicts through disclosure in this Brochure. Our Financial Advisors are required to recommend investment advisory programs, investment products and securities that are suitable for each client based upon the client's investment objectives, risk tolerance and financial situation and needs.

## **CUSTODY**

Program Accounts generally will be custodied with us in our capacity as a broker-dealer and qualified custodian. You may custody your Program Account at another broker-dealer with our written consent. If your Program Account is custodied with us, we will provide you with periodic account statements (no less frequently than quarterly). You



should carefully review those statements. In addition, you will receive periodic written performance reports as part of the MFA Program.

If your Program Account is not custodied with us, you are urged to compare the account statements you receive from us with the performance reports relating to your Program Account, and to contact your Financial Advisor with any questions.

#### **INVESTMENT DISCRETION**

To participate in the MFA Program, you must enter into an investment advisory agreement with us in which, among other things, you grant us the discretionary authority to make purchases, exchanges and redemptions of Fund shares. This discretionary authority generally includes the determination of which Fund shares and the total amount to be bought, exchanged or redeemed without obtaining your specific consent before a transaction is effected. You are also required to open and fund a Merrill Lynch CMA®, RCMA® or other securities account at Merrill Lynch to facilitate participation in the MFA Program.

As discussed above, you may place reasonable restrictions on the management of your Program Account, including instructing us to refrain from investing in certain Funds that are then eligible for purchase in the MFA Program. Again, any such restriction will not apply to any of the underlying security holdings within a Fund.

#### **VOTING CLIENT SECURITIES**

We will not vote or advise you about the voting of proxies for the securities held in your account. Similarly, we will not act for or advise you regarding legal proceedings, including bankruptcies or class actions, involving securities held in your account. Any information or documents received for distribution to clients with regard to the above will be sent to you. We also will promptly send to you all proxies and related shareholder communications for the securities held in your account. If your MFA account is subject to the provisions of ERISA, you represent that plan documents and applicable law authorize voting authority to be reserved to the trustee(s) either in the discretion of the trustee(s) or pursuant to the discretion of a named fiduciary. To the extent that instructions regarding the voting of proxies are not received and as permitted by law, we will comply with the rules of the New York Stock Exchange and the SEC relating to such matters.

#### **FINANCIAL INFORMATION**

Not applicable.

**GLOSSARY**

“Additional Compensation” means certain additional compensation Merrill Lynch may receive or have received from certain Funds or principal underwriters or other agents.

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

“AIPS” means the Merrill Lynch Automated Investment Program.

“AWC” means a letter of acceptance, waiver and consent.

“BAI” means Banc of America Investment Services, Inc.

“Bank of America” means Bank of America Corporation.

“BAS” means Banc of America Securities LLC.

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

“BlackRock Funds” means funds advised, managed and sponsored by BlackRock.

“BlackRock Strategies” means investment strategies in which the assets in a client’s account will be invested only in shares of Funds advised by BlackRock.

“BofA Funds” means mutual funds advised by investment affiliates of Bank of America, including BofA™ Global Capital Management Group, LLC.

“Brochure” means the Merrill Lynch program brochure relating to the Merrill Lynch Mutual Fund Advisor Program, as amended or updated from time to time.

“CDSC” means a contingent deferred sales charge.

“Code of Ethics” means Merrill Lynch’s Investment Adviser Code of Ethics.

“Columbia Management” means Columbia Management Advisors, LLC.

“Contributed BlackRock Fund Shares” means any class of shares of BlackRock Funds except Class B shares unless otherwise permitted.

“Consent” means a letter of acceptance, waiver and consent.

“Credit Amount” means a credit amount that the Program Fees deduct from the maximum gross program fee rate.

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

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

“ETF” means exchange traded fund.



**“Financial Advisor”** means your Merrill Lynch Financial Advisor or, for certain clients, a representative of the Merrill Edge Advisory Center.

**“FINRA”** means the Financial Services Regulatory Authority.

**“Funds”** means Related Funds and Unrelated Funds offered through the MFA Program.

**“Initial Allocation Date”** means the date when Merrill Lynch first allocates client assets among the Funds according to the MFA Program client agreement.

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

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

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

**“MFA Investment Strategy Profile”** means the profile that clients review regarding each investment strategy and its investment approach and which details certain composite account performance results (if available).

**“MFA Program”** means the Merrill Lynch Mutual Fund Advisor Program.

**“MFA Shares”** means Funds held through the MFA Program.

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

**“MLOL”** means Merrill Lynch Online.

**“Monthly Portfolio Appraisal Date”** means the last Friday of each month, but the last business day of December.

**“NextGen Plan”** means the NextGen College Investing Plan.

**“Non-Rule 12b-1 Shares”** means shares of BlackRock Funds not subject to Rule 12b-1 fees.

**“Nuveen”** means Nuveen Investments, Inc. and its affiliates.

**“Other Securities”** means securities that are not eligible Fund shares.

**“Order”** means an order issued by the SEC.

**“Program”** means the Merrill Lynch Mutual Fund Advisor Program.

**“Program Accounts”** means accounts enrolled in the Program.

**“Program Fees”** means the annual asset-based fee, payable quarterly in advance, that a client pays which covers the investment advisory services, transactions in Program Accounts and custody of assets in such accounts provided by Merrill Lynch.

**“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. Nuveen is not considered a Related Company.



**“Related Fund”** means a mutual fund, including money market mutual funds, advised by Merrill Lynch, its affiliates, or a Related Company.

**“Retirement Accounts”** means tax-qualified retirement plans that are subject to ERISA, 403(b) Plans, tax-qualified plans of self-employed persons, and individual retirement accounts

**“Rule 12b-1 Fees”** means fees pursuant to Rule 12b-1 under the U.S. Investment Company Act of 1940, as amended.

**“Rule 12b-1 Shares”** means shares of BlackRock Funds subject to Rule 12b-1 fees.

**“SAI”** means Statement of Additional Information.

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

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

**“Service Fees”** include, but are not limited to including underlying investment management fees, Rule 12b-1 fees, and shareholder subaccounting or related service fees, including recordkeeping, processing, reporting and dividend reinvestment services.

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

**“UITs”** means unit investment trusts.

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

**“Unrelated Fund”** means a mutual fund that is not advised by Merrill Lynch, its affiliates or a Related Company, and is selected by Merrill Lynch for inclusion in the MFA Program, including money market mutual funds.

**“401(k) plans”** means retirement savings accounts subject to section 401(k) of the U.S. Internal Revenue Code of 1986, as amended.

**“403(b) Plans”** means accounts subject to section 403(b)(7) of the U.S. Internal Revenue Code of 1986, as amended.





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Printed in the U.S.A.

March 2011