

Merrill Lynch BookMarkSM

BROCHURE

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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 BookMarkSM. If you have any questions about the contents of this brochure, please contact us at (646)-855-3507. 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.

Investment products provided by Merrill Lynch 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.

March 31, 2012



MATERIAL CHANGES

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

Disciplinary Event

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

Other than the “Disciplinary Event” noted above, no material changes were made to this Merrill Lynch Program’s Brochure since April 2011.



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ADVISORY BUSINESS

Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch,” “we,” “us,” or “our”), 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 BookMarkSM (“BookMark”) offered by Merrill Lynch. Capitalized terms that are not defined in this Brochure have the meanings provided in the Glossary. For purposes of this Brochure, “you” refers to the client.

BOOKMARK

Our Global Bond Index & Analytics Research Group (“Global Index Group”) offers customized fixed income investment performance benchmark index services referred as BookMark. BookMark is designed to assist institutional clients in measuring the performance of certain of their investment portfolios. In creating benchmark indices, BookMark takes into account, among other things, pertinent accounting and tax considerations.

Subject to the terms of the agreement (the “Agreement”), we will design and construct one or more customized investment performance indices (the “BookMark Indices” and each, a “BookMark Index”) for you. Each BookMark Index may take into account, among other things, certain tax and accounting considerations, as well as other applicable requirements, as you specify and stipulate in the applicable index rules of construction that we create and that you approve (the “Index Rules”). The Index Rules for a BookMark Index may be amended from time to time in accordance with the terms of the Agreement. We will provide you with proposed inception date constituents for the BookMark Index being constructed for your approval. We will also develop proprietary index rebalancing applications for each BookMark Index that reflect the applicable Index Rules (the “Rebalancing Applications”). In addition, for each BookMark Index, you will provide applicable data inputs (“Client Inputs”), as specified in a schedule to the Agreement, which you will update periodically in writing prior to the periodic rebalancing of the BookMark Index discussed below.

Upon completion of the development of a BookMark Index, we will deliver to you an initial set of certain BookMark Index performance metrics and statistics described in a schedule to the Agreement (the “BookMark Results”). On a periodic basis thereafter, we will rebalance each BookMark Index by applying the Rebalancing Applications and updated Client Inputs to our proprietary index database to produce updated BookMark Results. The timing of the delivery of such updated BookMark Results will be according to the terms of the Agreement, and will depend upon the receipt of updated Client Inputs and whether the Index Rules have been amended or the constituents have been reset to match portfolio characteristics.

We will also publish certain information relating to each BookMark Index for your access, which may include, in whole or in part, the BookMark Results, issues included in the BookMark Index and performance metrics and characteristics thereof (“Constituent Data”), and other related index level information generally published by the Global Index Group on a Merrill Lynch Index Platform (as defined below) (“Additional BookMark Index Data”). Such information may be published by Merrill Lynch on one or more of the following platforms: the IND pages on Bloomberg, the Merrill Lynch institutional client website (www.baml.com/mercury) and/or the Merrill Lynch public index website (www.mlindex.ml.com) (each, a “Merrill Lynch Index Platform”), or such other third party distribution platform agreed to by us and you, subject to the terms of the Agreement. You will be able to access such information by using a reference ticker assigned to the BookMark Index. To the extent that we make any such information available on these sites, such information will not be restricted



from other users of the Merrill Lynch Index Platform. However, the reference ticker and your name will not appear on any published list of Merrill Lynch indices or otherwise be disclosed except in accordance with the Agreement.

The BookMark Results, together with the Additional BookMark Index Data and the Constituent Data, are collectively referred to as the “BookMark Index Data.” The client is only permitted to use components of the BookMark Index Data as agreed to in the Agreement.

BookMark is not intended to provide investment advice with respect to your investment portfolio or the management of your assets. BookMark is solely limited to the services described in this Brochure and in the service agreement, and does not extend to any brokerage, other investment advisory or other arrangements or services that you may have, or enter into, with Merrill Lynch or any of our affiliates. Your relationship with us in connection with BookMark begins on the date of the Agreement, and BookMark is limited only to the construction and maintenance of the BookMark Indices and the delivery of the BookMark Index Data.

As mentioned above, BookMark is not intended to provide investment advice, and we will have no liability whatsoever for any investment decision, or results thereof, that you or any permitted user make under the Agreement in connection with the use of BookMark or any information or data provided therein or otherwise obtained or derived therefrom. This limitation, however, does not in any way constitute a waiver or limitation of any rights accorded you under state or federal securities laws for the advisory services provided under the Agreement for BookMark.

BookMark is offered only to institutional clients. We also offer a wide variety of advisory services to our institutional and retail clients, including (but not limited to) Merrill Lynch Consults® Service, Merrill Lynch Consulting Services, Merrill Lynch Mutual Fund Advisor Program, Merrill Lynch Personal Advisor® Program, Merrill Lynch Personal Investment AdvisorySM Program, Merrill Lynch Strategic Portfolio Advisor® Service, and Merrill Lynch Unified Managed Account. Other advisory services are offered by us and our affiliates. Impersonal investment advice (general advice not tailored to the specific needs of any individual) in the form of publications or research may also be available. In addition, Merrill Lynch offers financial planning services, including (but not limited to) the Financial Foundation® Report and the Private Planning ServiceSM. More information about these programs and services is contained in the applicable Merrill Lynch brochure (or Merrill Lynch Form ADV, Part 2A) and is available upon request or through the SEC’s website at www.adviserinfo.sec.gov. Special arrangements with certain clients to provide particular or unique services for clients of a specific Financial Advisor or branch office may also be established.

INVESTMENT RESTRICTIONS

BookMark provides customized fixed-income investment performance benchmark index services for BookMark Clients. However, BookMark does not include any evaluation or recommendation by Merrill Lynch of the investment guidelines or security selection for your investment portfolio or management of your assets. We generally will not, through BookMark, have access to or knowledge of your investment portfolio holdings and transactions, nor will we, through BookMark, compile or record any actual portfolio performance results thereof.

WRAP FEE PROGRAMS

Merrill Lynch does not make BookMark available through wrap fee programs.

**ASSETS UNDER MANAGEMENT**

As of December 1, 2011, Merrill Lynch had assets under management of \$321 billion, of which \$175 billion was managed on a discretionary basis and \$145 billion was managed on a non-discretionary basis. There are no assets under management in connection with the provision of BookMark services.

FEES AND COMPENSATION

BookMark consists of various components of service that are customized for you. Such components may include, but are not limited to:

- Initial BookMark Index design and construction;
- Delivery of initial BookMark Results;
- Periodic maintenance, which includes:
 - rebalancing of the BookMark Index,
 - delivery of updated BookMark Results, and
 - posting of the BookMark Index Data on one or more Merrill Lynch Index Platforms; and
- Revisions to an existing BookMark Index after its inception date, which may include, among other things:
 - amendments to the Index Rules,
 - resetting of the BookMark Index constituents to match portfolio characteristics, and
 - retroactive BookMark Index changes and modifications.

There is no basic fee schedule for BookMark. Fees for each of the components of BookMark are separately negotiated with you and vary depending upon the complexity of constructing your BookMark Index and other factors such as the number of indices. In certain cases, an equivalent service is provided without charge to you as an incidental service in connection with our brokerage business. Moreover, fees and other requirements may vary as a result of prior policies, including different pricing at different times. Additional components or variations of service may be available if you request and we agree and will require the payment of additional fees.

Fees will be determined and agreed to by us and you prior to entering into the Agreement for BookMark, and will be reflected in a schedule to the Agreement.

CALCULATION AND DEDUCTION OF ADVISORY FEES

Fees for BookMark are payable in accordance with the Agreement, but generally are required to be paid as invoiced at the end of the billing period covered by BookMark.

OTHER FEES AND EXPENSES

You have no obligation to open a securities account with us, or to use any of the products or services we or our affiliates offer (such as credit, mortgage, employee benefits or trust services) either before or after receiving BookMark. Should you decide to use or purchase Merrill Lynch products or services or those of an affiliate, we, our affiliates and certain of our employees will receive fees and compensation for these products and services. Such fees and compensation may include commissions, spreads, markups, or markdowns and mutual fund advisory and distribution fees.



In addition to fees for BookMark, if we are required to collect or pay any sales, gross receipts, excise or use taxes that are levied on us for providing BookMark, then you will be obligated to pay or reimburse us for such taxes.

PREPAID FEES

We do not charge fees for BookMark in advance of providing the service.

COMPENSATION FOR THE SALE OF SECURITIES

Our personnel offering BookMark are not compensated based on the sale of securities in connection with providing services for BookMark.

We, our affiliates and employees benefit from the compensation paid to us. You are not required to utilize any other Merrill Lynch brokerage or investment advisory service. That said, you may use other products or services available from or through us and, in such case, pay additional compensation. Sales representatives offering these services receive compensation from us. This practice creates a potential conflict of interest that may give us and our sales representatives an incentive to recommend advisory services based on the compensation received, rather than on your needs. 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 this conflict through disclosure in this Brochure. In addition, our Global Research group ("Global Research"), of which the Global Index Group is a part, has extensive policies and procedures regarding potential conflicts of interest affecting analysts, including members of the Global Index Group.

CONDUCTING BUSINESS THROUGH MERRILL LYNCH

Bookmark clients are neither required to act on any of the information provided through BookMark, nor are they required to transact business with Merrill Lynch.

LIMITATIONS ON MERRILL LYNCH'S ROLE AND BOOKMARK

We are dually registered as a broker-dealer and an investment adviser, and we offer both brokerage and investment advisory services. To the extent that we may be deemed to be acting as an investment adviser under the Agreement in connection with BookMark, your relationship with us pursuant to BookMark is strictly limited to the provision of BookMark, as described in the Agreement, and does not extend to any brokerage, investment advisory or other arrangements or services that you may have, or enter into, with us or any of our affiliates. If you desire to engage us for additional services, whether brokerage, investment advisory or otherwise, you should carefully consider the differences among these types of services before using them and must enter into a separate agreement for such services. Any such arrangement will be separate and apart from any relationship created by the Agreement.

Without limiting the generality of the foregoing, you should understand that we are not providing, through BookMark or any related activities or services that we may be engaged in or provide after the date of the Agreement, any investment advice with respect to your investment portfolio or management of your assets. If you were to engage in securities transactions with us, we would not be acting as an investment adviser with respect to such transactions absent a specific written agreement by us to so act.

We are also a broker-dealer and offer brokerage services to clients, including trade execution and custody. There are important differences between brokerage and investment advisory services, including the type of



advice and assistance provided, the fees charged, and the rights and obligations of the parties. Brokerage services are regulated under different laws and rules than advisory services. Among our many obligations as a broker-dealer, we will execute transactions upon your instruction, deal fairly with you, and make recommendations that are suitable in light of your stated risk tolerance, financial needs and investment objectives. As an investment adviser, we must act solely in your best interest, provide certain specific disclosures and generally act in accordance with the standards of a fiduciary as that term is interpreted under applicable law. Of course, the above is an exceedingly brief summary, and numerous laws and regulations apply to each capacity as well as to the specific products or services being provided. It is important for you to understand these differences, particularly when determining which service or services you might select. You should carefully read all the applicable agreements and disclosures for any other services you are considering.

SOURCES OF REVENUE

As a broker-dealer, we offer 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 1% of our revenues are expected to be generated from BookMark on an annual basis.

FEE OFFSET FOR EXECUTION CHARGES

We do not reduce our BookMark fees to offset commissions or markups you may bear in connection with your investment portfolio or the management of your assets.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Neither Merrill Lynch nor our employees receive performance-based fees for BookMark.

TYPES OF CLIENTS

BookMark is generally offered to insurance companies, banks, investment companies, pension and profit sharing plans, corporations or other institutional clients. You are not required to open or maintain an account with us in order to obtain BookMark.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

BookMark does not make specific investment recommendations or analyze particular securities. Rather, the BookMark Indices are constructed and rebalanced and we provide BookMark Index Data, as indicated above.

Principal sources of information used to construct a BookMark Index and generate the BookMark Index Data include your investment policy requirements that are used to develop the Index Rules and Client Inputs, proprietary index rebalancing applications that reflect the applicable Index Rules, rating agency information and bonds' terms and conditions data.

BookMark does not provide any investment advice for your investment portfolio or management of your assets.

CLIENT RESPONSIBILITIES

You are solely responsible for providing to us, on a timely basis and in writing, Client Inputs and the parameters used for the development of the Index Rules, and any updates, changes or revisions thereto, and



for making certain that each of the Index Rules and Client Inputs are at all times accurate and complete. Your failure to provide timely and accurate inputs to us in connection with BookMark will affect the provision, quality and accuracy of the related BookMark Index and BookMark Index Data and we shall have no liability in such cases.

We will only implement changes or revisions that are approved in writing by your authorized persons. You are solely responsible for ensuring that your list of authorized persons is kept current and accurate and that you provide us with any updates or revisions to such list on a timely basis and in writing.

RISK DISCLOSURE

You should understand that in providing BookMark, we may rely on third party sources for information that we believe to be reliable in producing a BookMark Index and BookMark Index Data, but in no way do we guarantee the quality, accuracy and/or completeness of such third party information or BookMark or any other information or data related thereto (including, without limitation, the BookMark Index and BookMark Index Data) that you or any other authorized user or other person or entity otherwise obtain or derive in connection with the use of BookMark. We make no express or implied warranties, and disclaim all warranties of merchantability or fitness for a particular purpose or use, with respect to any part of BookMark or any other information or data related thereto (including, without limitation, the BookMark Index and BookMark Index Data). Without limiting any of the foregoing, in no event will we or any of our partners, affiliates, employees, officers, directors or agents have any liability for indirect, punitive, special or consequential damages (including lost profits) to you or any other person or entity, even if we have been notified of the possibility of such damages.

MATERIAL RISKS

BookMark does not provide investment advice or investment recommendations or analyze particular securities. You are solely responsible for your investment and trading strategies and the resulting investment performance.

DISCIPLINARY INFORMATION

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

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



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

On March 11, 2009, the SEC issued an order against Merrill Lynch alleging that from 2002 to 2004, several Merrill Lynch retail brokers permitted day traders to hear confidential information regarding Merrill Lynch institutional customers’ unexecuted orders as they were transmitted over Merrill Lynch’s squawk box system. According to the SEC, Merrill Lynch lacked written policies or procedures to limit access to the equity squawk box, to track which employees had access to the equity squawk box or to monitor employees’ use of the equity squawk box in violation of Section 15(f) of the Exchange Act and Section 204A of the Advisers Act. Without admitting or denying the SEC’s findings, Merrill Lynch consented to the entry of the order that: (1) found violations of Section 15(f) of the Exchange Act and Section 204A of the Advisers Act for allegedly failing to maintain written policies and procedures reasonably designed to prevent the misuse of customer order information; (2) required that Merrill Lynch cease and desist from committing or causing any future violations of the provisions charged; (3) censured Merrill Lynch; (4) imposed a \$7,000,000 civil money penalty; and (5) required Merrill Lynch to comply with certain undertakings regarding the enhancement of certain policies and procedures.

On January 30, 2009, the SEC issued an order against Merrill Lynch regarding the Merrill Lynch Consulting Services program and the offering of those services through a Florida branch office for a period of several years concluding in 2005. The Order found that material misrepresentations had been made and certain conflicts of interest not disclosed, and that Merrill Lynch had not maintained adequate records or reasonably supervised certain Florida investment advisory representatives. Without admitting or denying the non-jurisdictional findings thereof, Merrill Lynch consented to a censure, to cease and desist from violations of



sections 204 and 206(2) of the Advisers Act and Rule 204-2(a) (14) thereunder, and a fine of \$1,000,000. In accepting the settlement, the SEC noted the voluntary and significant remedial acts promptly undertaken by Merrill Lynch.

On May 1, 2008, the SEC issued an administrative order in which it found that BAI had willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act, Sections 206(2), 206(4) and 207 of the Advisers Act and Advisers Act Rule 206(4)-1(a)(5) for failing to disclose to clients that in selecting investments for discretionary mutual fund wrap fee accounts, it favored two mutual funds affiliated with BAI. In the Order the SEC also found that Columbia Management Advisors, LLC ("Columbia Management"), as successor in interest to Banc of America Capital Management, LLC willfully aided and abetted and caused BAI's violations of Sections 206(2) and 206(4) of the Advisers Act, and Advisers Act Rule 206(4)-1(a)(5). In the order, BAI and Columbia Management were censured and ordered to cease and desist from committing or causing such violations and future violations. In addition, BAI was ordered to pay disgorgement plus prejudgment interest in the aggregate amount of \$793,773.00 to certain entities specified in the Order, and a civil monetary penalty of \$2,000,000; and Columbia Management was ordered to pay disgorgement plus prejudgment interest in the aggregate amount of \$516,382 to certain entities specified in the Order, and a civil monetary penalty of \$1,000,000. BAI and Columbia Management consented to the Order without admitting or denying the SEC's findings. BAI also agreed to certain undertakings contained within the Order.

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

On March 4, 2005, Merrill Lynch entered into a consent order with the State of New Jersey Office of the Attorney General Department of Law and Public Safety and the New Jersey Bureau of Securities ("Attorney General"). The Attorney General alleged: (1) market timing conduct by three Merrill Lynch Financial Advisers engaged in market timing on behalf of their principal client, a hedge fund and that despite warnings from supervisors that they were violating Merrill Lynch's policies, the financial advisers continued to market time for the client until they were fired in October 2003, using among other things, multiple accounts and undisclosed agreements to conduct and disguise their trading; (2) that Merrill Lynch failed to adequately supervise certain activities in connection with the conduct described above including failure to keep adequate books and records in violation of the Exchange Act and New Jersey law; (3) the client entered into variable annuity contracts and certain other variable life insurance contracts with certain non-proprietary insurance carriers through the Financial Advisors to engage in short term trading in the investment sub-accounts of these products and although the client's reallocation instructions were relayed through the Financial Advisors to the insurance companies, Merrill Lynch gave no specific instruction to the FAs concerning the reallocation of the underlying sub-accounts of variable products; and (3) that Merrill Lynch failed to adequately enforce its established policy prohibiting market timing. Without admitting or denying the findings in the order, Merrill Lynch agreed to pay a civil monetary penalty of \$10 million and to certain undertakings including implementation of new procedures to maintain, as a required book and record under New Jersey and federal securities laws, records of all client reallocation requests made through a Merrill Lynch employee that involve mutual funds held as sub-accounts of variable annuity products of outside insurance carriers.



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

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

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Merrill Lynch, a wholly-owned subsidiary of Bank of America, is a leading global investment banking firm and a registered broker-dealer, investment adviser and futures commission merchant. In the United States, 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.

For purposes of Form ADV Part 2, MLPF&S management persons include William C. Caccamise (CRD# 2547189), Gloria R. Greco (CRD# 4795234), Joseph A. Guardino (CRD# 2907957), Thomas K. Montag (CRD# 1474696), Douglas G. Preston (CRD# 2586917), William E. Tirrell (CRD#4613313), Michael B. Radest



(CRD# 1687387), and John M. Hogarty (CRD#2876432). In addition, Thomas J. Latta (CRD# 1696503), John R. Manetta (CRD# 2163095), James G. Russell (CRD# 1053157), Lisa Shalett (CRD# 2895449), Anil Suri (CRD# 2540257), Michael J. Walsh (CRD# 2138122), and Christopher J. Wolfe (CRD# (2055127) are also considered management persons as a result of their membership on the IMG Investment Committee. In the future, additional Merrill Lynch personnel may be considered management persons and, as such, may be registered, or have applications pending to register, as registered representatives and associated persons of Merrill Lynch to the extent necessary or appropriate to perform their job responsibilities.

ML&Co., a wholly-owned subsidiary of Bank of America, through its subsidiaries and affiliates, provides broker-dealer, investment banking, financing, wealth management, advisory, asset management, insurance, lending and related products and services on a global basis. These products and services include securities brokerage, trading and underwriting; investment banking, strategic advisory services (including mergers and acquisitions) and other corporate finance activities; wealth management products and services including financial, retirement and generational planning; asset management and investment advisory and related recordkeeping services; origination, brokerage, dealer and related activities in swaps, options, forwards, 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 sales representatives, may suggest or recommend that clients, including clients receiving BookMark, use our securities account, execution and custody or other services, or such services of an affiliate. Similarly, sales representatives may suggest or recommend that clients purchase Merrill Lynch products or products of an affiliate. Where Merrill Lynch's or an affiliate's services are used or products are purchased by clients, we and our affiliates will receive fees and compensation. Sales representatives may, as permitted by applicable law, receive compensation (the amount of which may vary) in connection with these products and services.

We address these conflicts through disclosure in this Brochure. 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 clients as well as between clients and our business.

We do not recommend or select other investment advisers in connection with BookMark.

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

CODE OF ETHICS

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

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



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

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

In addition, Global Research, of which the Global Index Group is a part, has extensive policies and procedures regarding potential conflicts of interest affecting analysts, including members of the Global Index Group. 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. One such restriction is the “24-Hour Rule” under which employees, in certain instances such as where a research opinion has changed or where a new opinion has been issued, are prohibited from trading until 24 hours after the information has been made available to the public. In addition, we have special policies requiring that 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 client accounts which may give rise to potential conflicts of interest.

We, through our sales representatives, may suggest or recommend that clients receiving BookMark also use Merrill Lynch securities accounts, execution and custody or other services, or such services of an affiliate. Similarly, sales representatives may suggest or recommend that clients purchase our products or products of an affiliate, including insurance products, mortgage, trust and credit services, and mutual funds. 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. Sales representatives may, as permitted by applicable law, receive compensation (the amount of which may vary) in connection with these products and services. Compensation received in connection with clients’ purchase or sale of stocks, bonds, mutual funds, other securities or insurance products through us or our affiliates may include commissions, spreads, markups and markdowns, and distribution or other fees. We will also benefit from the possession or use of free credit balances in client accounts, subject to the restrictions imposed by Rule 15c3-3 under the Exchange Act.

As a broker-dealer effecting transactions on behalf of clients, including those clients who receive BookMark, we or an affiliate may act as agent or as principal for our 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. In addition, we or our affiliates may have a position in, or enter purchase or sale orders for, securities recommended to clients in the normal course of



our business as a broker-dealer. We and/or our affiliates may profit or receive compensation from such positions or transactions in securities.

We, acting in our broker-dealer capacity, may recommend that BookMark clients 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.

We address these conflicts through disclosure in this Brochure. Moreover, our sales representatives are required to recommend investment advisory programs that are suitable for you based upon your investment objectives, risk tolerance and financial situation and needs. In addition, we have established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest – both those arising between and among client accounts as well as between client 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 sales representatives to pre-approve certain securities transactions, disclose their investment accounts, and provide or cause Merrill Lynch to receive annual holdings reports and quarterly transaction reports.

INVESTMENTS 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 BookMark 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 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.

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 our business as a broker-dealer. We or our affiliates may benefit from those securities positions or transactions.

Many of the conflicts related to participation or interest in client transactions and personal trading are less pronounced in BookMark because BookMark does not involve making investment recommendations or analyzing particular securities. We nevertheless attempt to address conflicts of interest through disclosure in this Brochure and other disclosure documents. Merrill Lynch sales representatives 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 client accounts as well as between client accounts and our business. For example, our personnel also are subject to personal trading restrictions as detailed in our policies and procedures and Code of Ethics. These policies and procedures and the Code of Ethics require our sales representatives to preapprove certain securities transactions, disclose their investment accounts, and provide or cause Merrill Lynch to receive annual holdings reports and quarterly transaction reports.



BROKERAGE PRACTICES

Merrill Lynch does not select broker-dealers or engage in securities transactions in connection with BookMark.

REVIEW OF ACCOUNTS

BookMark does not provide any investment advice with respect to your investment portfolio or the management of your assets. Accordingly, there are no account reviews.

CLIENT REPORTS

We do not provide regular periodic reports of client accounts in connection with BookMark. That said, we do provide reports containing the BookMark Index results and characteristics upon completion of the development of a BookMark Index. On a periodic basis thereafter, we will rebalance each BookMark Index by applying the Rebalancing Applications and updated Client Inputs to our proprietary index database to produce updated BookMark Results. The timing of the delivery of such updated BookMark Results will be according to the terms of the Agreement, and will depend upon the receipt of updated Client Inputs and whether the Index Rules have been amended or the constituents have been reset to match portfolio characteristics.

CLIENT REFERRALS AND OTHER COMPENSATION

OTHER COMPENSATION

We and our affiliates may have a variety of banking, financial, or service relationships with the unaffiliated issuers of the securities included in a BookMark Index. In such relationships, we and our affiliates may receive compensation. We disclose in our research reports (as that term has been defined by the SEC and FINRA regulations), in accordance with applicable law and regulation, our conflicts of interest and those of our research analysts that are or may be material in the context of the relevant research report. In addition, Global Research, of which the Global Index Group is a part, has extensive policies and procedures regarding potential conflicts of interest affecting analysts, including members of the Global Index Group.

COMPENSATION FOR CLIENT REFERRALS

We have entered or may enter into marketing arrangements with third parties who, for compensation, will provide consulting or other services to us along with marketing of our various financial planning or other services or otherwise refer prospective clients to us. Each such marketing arrangement is or will be governed by a written agreement between us and the third party and will be disclosed to you, as required by law.

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

CUSTODY

We do not have custody of client funds or securities in connection with BookMark.



INVESTMENT DISCRETION

BookMark does not involve making investment recommendations or analyzing particular securities. Accordingly, we do not accept discretionary authority in connection with BookMark.

VOTING CLIENT SECURITIES

BookMark does not involve making investment recommendations or analyzing particular securities. Accordingly, BookMark does not involve the voting of client securities.

FINANCIAL INFORMATION

Not applicable.



GLOSSARY

“Additional BookMark Index Data” means other related index level information generally published by the Global Index Group on a Merrill Lynch Index Platform.

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

“Agreement” means the agreement between the client and Merrill Lynch, as amended or updated from time to time.

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

“Bank of America” means Bank of America Corporation.

“BookMark” means the Merrill Lynch BookMarkSM.

“BookMark Index” or “BookMark Indices” means one or more customized investment performance indices.

“BookMark Index Data” means the BookMark Results, together with the Additional BookMark Index Data and the Constituent Data.

“BookMark Results” means an initial set of certain BookMark Index performance metrics and statistics described in a schedule to the Agreement.

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

“Client Inputs” means the applicable data inputs that a client will provide for each BookMark Index, as specified in a schedule to the Agreement, and will update in writing prior to the periodic rebalancing of the BookMark Index.

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

“Constituent Data” means certain information concerning the issues included in the BookMark Index and the performance metrics and characteristics of such issues published or otherwise provided by Merrill Lynch.

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

“ETF” means an exchange-traded fund.

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

“Financial Advisor” means a Merrill Lynch Financial Advisor.

“Global Index Group” means the Global Bond Index & Analytics Research Group.

“Global Research” means Merrill Lynch’s Global Research group.

“Index Rules” means the applicable index rules of construction created by Merrill Lynch and approved by the client.

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

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

“Merrill Lynch Index Platform” means the IND pages on Bloomberg, the Merrill Lynch institutional client website (www.baml.com/mercury) and/or the Merrill Lynch public index website

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



“Rebalancing Applications” means the proprietary index rebalancing applications that Merrill Lynch develops for each BookMark Index that reflect the applicable Index Rules.

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

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