

# Merrill Lynch Managed Account Service<sup>SM</sup>

## DISCLOSURE STATEMENT

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
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New York, NY 10036  
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[www.ml.com](http://www.ml.com)

This wrap fee program brochure provides information about the qualifications and business practices of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") relating to the Merrill Lynch Managed Account Service. If the client has 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.

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

Additional information about Merrill Lynch also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**November 22, 2011**



Bank of America Corporation

## Review—Notice of FINRA Settlement

December 2011

### **Important Notice for Advisory Clients of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Managed Account Advisors, LLC**

The following disclosure is added to the Form ADV Part 2A brochure for each of the programs listed below, in the section entitled “Additional Information – Disciplinary Information”:\*

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.

\*Merrill Lynch Consults®, Merrill Lynch Unified Managed Account, Merrill Edge Advisory Account, Strategic Portfolio Advisor®, Merrill Lynch Managed Account Service, Merrill Lynch Personal Advisor®, Merrill Lynch International Asset Power®, Merrill Lynch Personal Investment Advisory, Merrill Lynch Mutual Fund Advisor®, Merrill Lynch Advice Access, Merrill Lynch Private Planning, Merrill Lynch BookMark, Merrill Lynch Financial Foundation®, NextGen College Investing Plan, Hard Dollar Research, and Merrill Lynch Consulting Services

## Update to Your ADV Part 2A Brochure (December 15, 2011)

The section titled “Additional Information – Other Financial Industry Activities and Affiliations” provides a list of the management personnel of Merrill Lynch, Pierce, Fenner & Smith Incorporated. As of December 15, 2011, this list reads as follows:

*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).*



## **MATERIAL CHANGES**

On March 31, 2011, Merrill Lynch filed its annual update for its MAS Program brochure ("Brochure") in accordance with new regulatory requirements. Please note that it is different in structure and content from the previous Form ADV, Part II. Capitalized terms that are not defined in this section have the meanings provided in the Glossary.

### **April 22, 2011, Brochure Update**

In November 2010, Bank of America Corporation reduced its ownership interest in BlackRock to 7.1%, nonvoting and, on April 7, 2011, Bank of America Corporation reduced its representation on the BlackRock Board of Directors. As a result of these changes, Merrill Lynch is updating this disclosure statement to no longer include BlackRock as a Related Company and BlackRock Funds, Investment Managers, or products as Related Funds, Related Managers, or related products.



## TABLE OF CONTENTS

<b>SERVICES, FEES AND COMPENSATION</b>	<b>1</b>
<b>DESCRIPTION OF MAS</b>	<b>1</b>
OVERVIEW OF MAS SERVICES	2
INVESTMENT MANAGERS	2
MARGIN, UNCOVERED OPTIONS AND SHORT SALES STRATEGIES	3
REASONABLE INVESTMENT RESTRICTIONS	4
RISK AND TAX DISCLOSURE	4
<b>FUNDING AND OPERATION OF MAS ACCOUNTS</b>	<b>6</b>
FUNDING, WITHDRAWALS AND ADDITIONAL OF ASSETS IN MAS ACCOUNTS	6
FUNDING ACCOUNTS	6
RETIREMENT ACCOUNTS	6
CUSTODIAL ARRANGEMENTS	7
INVESTMENTS OF CASH BALANCES	7
TRADING IN MAS ACCOUNTS	8
PROXY VOTING AND OTHER LEGAL MATTERS	10
<b>ACCOUNT FEES</b>	<b>10</b>
CALCULATION OF ACCOUNT FEES	11
DEDUCTION OF ACCOUNT FEES	12
ABILITY TO OBTAIN THE MAS SERVICES SEPARATELY	13
OTHER FEES AND EXPENSES	13
MARGIN, UNCOVERED OPTIONS AND SHORT SALES STRATEGIES	15
INVESTMENT OF CASH BALANCES	15
COMPENSATION FOR MAS	15
<b>ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS</b>	<b>16</b>
<b>CLIENT ELIGIBILITY</b>	<b>16</b>
<b>ACCOUNT MINIMUMS</b>	<b>16</b>
<b>CLOSING AN ACCOUNT AND/OR TERMINATING THE CLIENT AGREEMENT</b>	<b>17</b>
<b>PORTFOLIO MANAGER SELECTION AND EVALUATION</b>	<b>17</b>
<b>SELECTION OF INVESTMENT MANAGERS</b>	<b>17</b>
INVESTMENT MANAGERS	18
<b>RELATED PERSONS</b>	<b>18</b>
<b>CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS</b>	<b>19</b>
<b>CLIENT CONTACT WITH PORTFOLIO MANAGERS</b>	<b>19</b>
<b>ADDITIONAL INFORMATION</b>	<b>20</b>
<b>DISCIPLINARY INFORMATION</b>	<b>20</b>



<b>OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS</b>	<b>26</b>
RECEIPT OF COMPENSATION FROM INVESTMENT ADVISERS	27
<b>CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING</b>	<b>28</b>
CODE OF ETHICS	28
PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS	28
INVESTMENT IN SECURITIES BY MERRILL LYNCH AND OUR PERSONNEL	30
<b>REVIEW OF ACCOUNTS</b>	<b>31</b>
CLIENT REPORTS	31
<b>CLIENT REFERRALS AND OTHER COMPENSATION</b>	<b>32</b>
OTHER COMPENSATION	32
COMPENSATION FOR CLIENT REFERRALS	32
<b>FINANCIAL INFORMATION</b>	<b>33</b>
<b>GLOSSARY</b>	<b>34</b>



## SERVICES, FEES AND COMPENSATION

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

### **DESCRIPTION OF MAS**

This Brochure relates to the Merrill Lynch Managed Account Service<sup>SM</sup> (“MAS”), an investment advisory and brokerage service offered by Merrill Lynch. This Brochure also contains important information relating to clients’ responsibilities for their accounts, certain conflicts of interest involved with the services offered, and other matters. You should read this Brochure carefully when deciding whether the services are appropriate for you, and ask your Financial Advisor any questions you may have.

In MAS, you select one or more investment managers (each, an “Investment Manager”). You then instruct us to accept orders from your Investment Manager for one or more of your MAS accounts (each an “Account”). Importantly, we will not have discretionary authority over the assets in your Account.

You have sole discretion in the selection of your Investment Managers and Strategies, and, except as described below, we have not and will not evaluate any Investment Manager or your Investment Manager’s investment style or Strategy for compatibility or suitability with your objectives. Further, we do not and will not conduct any due diligence on, or ongoing monitoring of, any Investment Managers.

To open an Account, you must enter into an investment advisory agreement with us (the “Client Agreement”) and designate your Investment Manager. You must also complete documentation for your underlying Merrill Lynch securities account that provides us with information regarding your overall circumstances, financial goals and risk profile, as well as your Account’s investment objective and other important information with respect to your Account (the “Underlying Account Documentation”). Because we may rely on the information furnished in the Underlying Account Documentation to advise you with respect to your Account, it is important that you understand and represent in the Client Agreement that the information furnished therein is accurate and complete in all material respects and that you will promptly notify the Financial Advisor of any material changes. If you select certain types of Investment Managers, you will be required to execute additional documentation, as described more fully in the section entitled *Investment Managers* below.

The scope of any investment advisory relationship we have with you is defined in the Client Agreement you sign for MAS. When you are enrolled in MAS, we act as your investment adviser only for your Account and not any other assets or accounts, unless otherwise separately agreed to by us in writing. Our advisory relationship begins when we enter into an Agreement with you, which occurs at the later of the date of acceptance of the signed agreement by us.

In addition to MAS, Merrill Lynch offers a wide variety of investment advisory services, including (but not limited to) Merrill Lynch Consults<sup>®</sup> Service, the Merrill Lynch Consulting Services, the Merrill Lynch Mutual Fund Advisor<sup>®</sup> Program, the Merrill Lynch Personal Investment Advisory<sup>®</sup> Program, the Merrill Lynch Strategic Portfolio Advisor<sup>®</sup> Service, and the Merrill Lynch Unified Managed Account. Other advisory services are offered by our affiliates. Impersonal investment advice (general advice not tailored to the specific needs of any individual) in the form of publications or research may also be available. In addition, we offer financial planning services, including (but not limited to) the Financial Foundation<sup>®</sup> 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 2) and is available upon request or through the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **OVERVIEW OF MAS SERVICES**

As described more fully below, we execute securities transactions upon the instructions of your Investment Manager. We also provide clearance and settlement of transactions, custody of Account assets, and additional services provided to all our clients with assets held by us as a custodian. These services also include:

- Automatic sweep of cash in your Account (whether held in your Account for temporary reasons or as part of an asset allocation strategy) into an affiliated bank deposit account, money market mutual fund (or other options available at the time), if a sweep option is available with your underlying securities account;
- Margin facilities;
- Periodic performance measurement reports ("Performance Reports"); and
- The ability to receive periodic (as opposed to trade-by-trade) confirmation delivery and the ability to direct your Investment Manager to vote proxies and receive other issuer-related materials such as annual and quarterly reports.

### **INVESTMENT MANAGERS**

We designed MAS to accommodate your selection of an Investment Manager or Strategy of an Investment Manager that is not currently available in a Merrill Lynch investment advisory program to exercise discretion and provide investment advice in a Merrill Lynch securities account. You should understand you assume important responsibilities regarding your Investment Manager. You are solely responsible for negotiating your agreements with your Investment Managers, and neither Merrill Lynch nor our Financial Advisors will participate or advise you regarding the terms of such agreements, the advisability of entering into such agreements, or of continuing the retention of your Investment Manager. We strongly encourage you to contact your Investment Manager on a periodic basis to:

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

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

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

- Perform any ongoing due diligence review with respect to your Investment Manager;



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

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

#### **MARGIN, UNCOVERED OPTIONS AND SHORT SALES STRATEGIES**

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

In certain circumstances, your Investment Manager may write uncovered options and sell stock short in your Account. If you permit your Investment Manager to write uncovered options, you will be exposed to potentially significant losses. For a call option, if the value of the underlying instrument increases above the exercise price, you can incur large and unlimited losses until the option expires or other contract remedies are pursued. For a put option, you bear the risk of loss if the value of the underlying instrument declines below the exercise price. If your Investment Manager writes combination or straddle options (where your Investment Manager writes both a put and a call option on the same underlying instrument), your potential risk of loss is unlimited. Further, if a secondary market in options were to become unavailable, your Investment Manager could not engage in a closing transaction and you would remain



obligated until expiration or assignment. To engage in options transactions, you need to execute an option account agreement and, under the terms of that agreement, if you do not meet applicable margin payment requirements, we may liquidate stock, options or other account positions in your Account, with little or no prior notice to you.

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

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

#### **REASONABLE INVESTMENT RESTRICTIONS**

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

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

By enrolling in MAS, you need to be aware of, and be willing to assume, the risks involved with investing in securities and other investment products, and you could lose all or a portion of the amount invested. You also need to understand that all investments involve risk (the amount of which may vary significantly), that investment performance cannot be predicted or guaranteed, and that the value of your Account holdings will fluctuate due to market conditions and other factors.

You should read the prospectus or disclosure document, as applicable, for any security or investment product in which your Investment Manager invests, which contains important information about risk factors relating to the security or investment product.

Any benchmarks referred to in connection with your Account and included in any Performance Report are not assurances or guarantees of the performance of any investments in or of your Account. Market movements, the investment decisions of your Investment Manager, and other factors may result in significant differences between the performance of Account assets and any investment objectives made known to us. You acknowledge that the investments made and the actions taken for your Account will be subject to various market, liquidity, currency, economic and political risks, and may decline in value. You further acknowledge that we do not assume responsibility for or endorse the investment decisions made by your Investment Manager, which may involve additional and significant risks.

MAS has been designed to accommodate your selection of your Investment Manager. By deciding to allow your Investment Manager to give investment directions to us, you assume the risks associated with your Investment Manager's investment decisions. (See the section entitled *Investment Managers* above.) Accordingly, if your Investment Manager assembles a Concentrated Position in your Account, you assume the risk of a substantial loss in value to the entire Account if there is a decline in the concentrated position or industry sector. Similarly, if your Investment Manager effects trades in securities that we do not follow



or has a contrary recommendation, you do so at your own risk. Moreover, if your Investment Manager chooses to make use of margin to effect transactions in your Account, you assume the risk associated with margin transactions, including that losses in the value of an asset purchased on margin are magnified as a result of the use of borrowed money. Generally, we believe that these investment styles add risk to a portfolio that you should not assume unless you are prepared to experience significant losses in the value of your Account. Ultimately, as between you and us, you bear the risk of all of these decisions.

If your Investment Manager uses Concentrated Positions, you assume additional risk, including:

- You may incur substantial losses in your Account based upon the loss in value of a single security or industry sector; and
- A large concentrated position may substantially impact your Investment Manager's ability to diversify your Account.

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

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

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

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



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

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

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

#### **FUNDING AND OPERATION OF MAS ACCOUNTS**

##### **FUNDING, WITHDRAWALS AND ADDITIONAL OF ASSETS IN MAS ACCOUNTS**

You are responsible for notifying your Investment Manager of any deposits made into your Account and to instruct your Investment Manager to liquidate positions in the event you wish to withdraw assets from your Account. We have no responsibility to invest cash deposits (other than cash sweeps described below) or liquidate positions for withdrawal, tax purposes or for other situations, nor do we have responsibility for any losses that may result from your failure to notify your Investment Manager. Unless otherwise agreed, your Account will be credited with any dividends, interest and principal paid on assets held in your Account.

##### **FUNDING ACCOUNTS**

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

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

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

##### **RETIREMENT ACCOUNTS**

If you are a Retirement Account client, you should understand that our services described herein are offered in order to assist plan fiduciaries as we carry out their investment-related responsibilities and are not intended to be a basis for your decisions. Moreover, these services should not substitute for or diminish the careful deliberation and determination of your plan fiduciaries, after appropriate consultation with your other professional advisers and the review of relevant plan documentation.

**CUSTODIAL ARRANGEMENTS**

Generally, we or one of our affiliates will act as the custodian for the assets held in your Account. Assets will be maintained in one or more central asset accounts established at Merrill Lynch through the applicable securities account. Pursuant to the Client Agreement, you have agreed to open any necessary securities accounts and execute the Underlying Account Documentation. If you already have an existing Merrill Lynch securities account and instruct us to open a similar type of account for MAS, the Underlying Account Documentation for your existing account will apply with full force and effect to your new account.

In limited circumstances, if we agree, you may use a custodian that is not our affiliate (an “Unrelated Custodian”) to maintain custody of your Account assets. If you choose an Unrelated Custodian, you will be responsible for all related custodial fees and expenses that will be in addition to the Merrill Lynch Fee (as described in the section entitled *Account Fees* below). Furthermore, the performance reports we provide for your Account will be based upon information provided by the Unrelated Custodian, which we will use for purposes of calculating the Merrill Lynch Fee. We will not be responsible for verifying the accuracy of such information or any losses or errors by an Unrelated Custodian with respect to your Account. You have agreed to promptly notify your Investment Manager with respect to any additions of assets to your Account maintained at the Unrelated Custodian and have agreed that we will not be responsible or liable for any losses due to your failure to provide such prompt notification.

Any assets held in your Account must be free from any lien, charge or other encumbrance (other than a lien, charge or other encumbrance in favor of us or our affiliates). Such assets must remain so, unless you notify us and we agree. You must notify us in writing prior to effecting loans secured by securities in your Account (including loans by our affiliates) (commonly referred to as “collateralizing”). You understand that we will not provide advice on or oversee any of your collateral arrangements. In the event of any conflict between the terms of the Client Agreement and your collateral arrangements, the terms of the Client Agreement will prevail. You must also disclose to any lender the terms of the Client Agreement. No specific securities in your Account must be held as collateral to secure your loan. You should be aware of the adverse effects of collateralizing Accounts, including, but not limited to, the fact that the lending institution may require additional collateral or liquidation of securities held in your Account to meet a call, as well as the related tax consequences. You must promptly notify us of any default or similar event under your collateral arrangements as defined in the respective collateral arrangements.

Cash balances in Accounts with Unrelated Custodians will not be subject to the same sweep arrangements as securities accounts held at Merrill Lynch (as described in the section entitled *Investments of Cash Balances* below). You or your Investment Manager should establish appropriate sweep arrangements with the Unrelated Custodian. Your assets held by Unrelated Custodians may not be protected by the Federal Deposit Insurance Corporation (“FDIC”), Securities Investor Protection Corporation (“SIPC”) or “excess” SIPC coverage.

**INVESTMENTS OF CASH BALANCES**

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



option may not be available. In that case, you will not be invested in one of the above sweep options as part of the Program.

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

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

### **TRADING IN MAS ACCOUNTS**

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

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

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

However, the Investment Managers are not obligated to solicit competitive bids for each transaction or to seek the lowest available commission cost, so long as they reasonably believe that the broker-dealer selected can be reasonably expected to provide best execution under the circumstances and they determine, in good faith, that the commission cost is reasonable in relation to the value of the brokerage and, where applicable, research services (if any) are provided. The cost advantage associated with using us to execute trades for your account is expected to alter the way in which each Investment Manager satisfies his or her duty to seek best execution.

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



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

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

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

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

We and the MAS Investment Managers may, but are not required to, aggregate orders for the sale or purchase of securities for your account with orders for the same security for our other clients, proprietary accounts or the accounts of our employees and/or related persons, without your prior authorization. In such cases, each account in the aggregated transaction will be charged or credited with the average price and, when applicable, its pro rata share of any fees.

When we execute transactions in foreign ordinary securities outside the United States, we may use the services of foreign Unaffiliated Investment Firms. These foreign Unaffiliated Investment Firms may handle your order as agent and assess a commission charge, or they may transact as principal and receive a dealer spread or markup/down. Additionally, to the extent a foreign currency conversion transaction is required to facilitate trade settlement, the foreign Unaffiliated Investment Firm (or its affiliate) effecting the currency conversion will be remunerated in the form of a dealer spread or markup/down. Although the remuneration received by the foreign Unaffiliated Investment Firm is not disclosed to or by us in net price transactions, we will undertake, upon your written request, to determine or ascertain from the contra-party this remuneration in a given transaction for your Account. The commission charges and/or dealer spreads



of foreign Unaffiliated Investment Firms may also accrue when foreign issuers terminate an ADR facility, thereby necessitating conversion of ADRs to foreign ordinary share form. In such circumstances, the prices obtained for the post-conversion security may be less beneficial to you than if the ADR remained intact. These commission charges and/or dealer spreads are in addition to the Merrill Lynch Fee payable under the Client Agreement.

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

#### **PROXY VOTING AND OTHER LEGAL MATTERS**

We will not vote or advise you about the voting of proxies for securities held in your Account.

Unless otherwise designated on the MAS Client Agreement or other writing addressed to us (or other custodian you select), you direct your Investment Manager for your Account to vote the proxies and receive the other issuer-related material relating to the securities held in your Account, and you represent in the Client Agreement that under any applicable instruments or governing law you are authorized to make such direction. To the extent that we are the custodian and voting instructions are not received, and as permitted by applicable law, we will not be responsible for making any tax credit or similar claim or any legal filing (including, but not limited to proofs of claim) on your behalf. We will comply with the rules and policies of the NYSE and the SEC, consistent with our role as a non-discretionary custodian. In addition, we do not advise or act for you regarding any legal matters for securities held in your Account, including bankruptcies for which you need to decide between a cash and stock settlement, or class actions. Unless otherwise agreed, we will send you the documents we receive for your distribution with regard to such matters.

#### **ACCOUNT FEES**

You will be charged an annual asset-based fee ("Merrill Lynch Fee"), payable quarterly in advance on all assets in your Account, including assets held by an Unrelated Custodian and assets purchased on margin or other extensions of credit by us or our affiliates. The Merrill Lynch Fee covers the services we render, including custodial, transaction, execution, quarterly performance reporting, and fees for other account-related services provided by us or our affiliates with respect to your Account. The Merrill Lynch Fee does not cover the services of Investment Managers. The full amount of the Merrill Lynch Fee payable under the Client Agreement will be charged in accordance with the terms of the Client Agreement, regardless of your use of any of the services offered under MAS or the amount of transactions your Investment Manager chooses to effect in your Account. Typically, the Merrill Lynch Fee is charged on the second Tuesday of January, April, July and October.



The Merrill Lynch Fee schedule is generally as follows:

Dollar Value of Assets in Each MAS Account	Annual Equity/ Balanced/Convertible/ REIT Fee Schedule	Annual Fixed Income Fee Schedule
Up to \$1 million	1.80%	.65%
\$1 – 1,999,999	1.35%	.65%
\$2 – 4,999,999	1.35%	.50%
\$5 – 9,999,999	1.00%	.45%
Over \$10 million	Determined by Mutual Agreement	Determined by Mutual Agreement

For purposes of determining whether a reduced Merrill Lynch Fee rate applies, we will consider the aggregate value and composition of assets in your Account. The Merrill Lynch Fee rate applicable to an Account will not change during a calendar quarter, and any decrease in the Merrill Lynch Fee rate will take effect at the beginning of the next calendar quarter. If composition of your Account changes so that it is no longer eligible for a reduced Merrill Lynch Fee rate, the Merrill Lynch Fee rate will revert back to the initial Merrill Lynch Fee rate for your Account, generally at the beginning of the next calendar quarter.

You should note that any security purchased prior to enrolling in MAS and subsequently transferred into a MAS account may be subject to the Merrill Lynch Fee immediately upon its transfer to MAS. This means that you may pay both an up-front commission (when the security was purchased prior to enrolling in MAS) as well as a Merrill Lynch Fee (once enrolled in MAS) in connection with the purchase of the same security.

The Merrill Lynch Fee you pay may be negotiable depending on a number of factors. Such factors include, but are not limited to, the:

- Amount of your assets;
- Number and size of your related accounts maintained at Merrill Lynch and our affiliates;
- Range and extent of services provided or to be provided to you; and
- Financial Advisor assisting you.

Other pricing arrangements, typically involving multiple accounts, products or services, may also be available to certain clients. While clients entering into such arrangements may pay higher fees for any particular component being offered, such as fees higher than those shown above for MAS, 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 for the inclusion of additional products and services.

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

#### **CALCULATION OF ACCOUNT FEES**

The MAS fee is based on the estimated market value of your Account, including the full value of mutual fund shares used to fund your Account and any assets purchased on margin or other extensions of credit by us or our affiliates, whether in the custody of us or an Unrelated Custodian. Assets in our custody will be



valued on a settlement-date basis as of the last business day of the previous calendar quarter, as we determine. For the initial quarter, the MAS fee is calculated proportionally based upon the number of days left in such quarter from the effective date of the Client Agreement. The initial MAS fee is based on the estimated market value of your Account as of the close of business on the day preceding the acceptance of your Account.

As indicated above, the MAS fee will be applied to all assets in your Account, including cash and certain cash equivalents, including assets in your bank deposit accounts(s) and money market fund shares. Cash balances in Accounts with Unrelated Custodians also will be included in the value of your Account for the calculation of the MAS fee. The MAS fee is in addition to other compensation that we will earn in connection with these assets. The MAS fee also is applied to mutual fund shares held in your Account, although additional shares of mutual funds may not be purchased in your Account. (see *Additional Information – Funds and Related Investing*.) The MAS fee would not generally be charged on these assets if they were held in a commission-based brokerage account.

Account assets will be valued in a manner determined by us, in our sole discretion, and in some cases may be based on estimates, which are obtained from various sources, and information provided by Unrelated Custodians. Values may vary from prices achieved in actual transactions, especially for thinly traded securities, and are not firm bids or offers or guarantees of any type with respect to the value of assets in your Account. For fixed-income securities, the values assume no unusual market conditions and are generally for transactions of \$1 million or more, which may produce values that are higher than the price that would be achieved in the sale of fewer securities. As a result, the MAS fee may be calculated based on values for some securities that are greater than the amount you would receive if the securities were sold from your Account.

No MAS fee adjustment will be made for contributions or partial withdrawals, or for Account appreciation or depreciation, within a billing period.

The Account value used for the MAS fee calculation may differ from that shown on your securities account statement due to a variety of factors including: trade date or settlement date accounting, treatment of accrued income, round lot valuation and other considerations. It should be noted that the valuation of your securities reported in the Performance Report may be subject to occasional repricing in reasonable and appropriate circumstances, but such repricing will not affect, or result in the adjustment of, the previously calculated MAS fee.

#### **DEDUCTION OF ACCOUNT FEES**

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

To the extent permitted by law, all assets in your Account will be subject to a lien for the discharge of your obligation to make timely payment to us, we may sell assets in your Account to satisfy this lien.

**ABILITY TO OBTAIN THE MAS SERVICES SEPARATELY**

You should be aware that the same or similar services and investments available through MAS, including Funds, may be obtained through other Merrill Lynch programs and/or services, on a separate or combined basis. These other Merrill Lynch programs may provide you with services and investments at rates that may be lower than the MAS fee payable under your Client Agreement.

In addition, a relationship with an Investment Manager also may be maintained in a commission-based brokerage account in which commission-based fees are charged on a per transaction basis. It is your responsibility to review these other account types and programs with your Financial Advisor to determine whether they are more appropriate for you than MAS or should be used in addition to MAS.

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

- Your preference for an advisory or brokerage relationship;
- Your preference for a discretionary or a non-discretionary relationship;
- Your preference for a fee-based or commission-based relationship;
- The types of investment products that are available in each program or service;
- Whether a particular investment Strategy as implemented by the Investment Manager in the Account is available through another Merrill Lynch program or service;
- How much trading activity the Investment Manager expects to take place in your Account;
- How much of the Investment Manager's assets are expected to be allocated to cash;
- Whether the Investment Manager allocates assets to mutual funds and the current restriction on purchasing mutual funds in MAS;
- The frequency and type of client profiling reports, performance reporting and account reviews that are available in each program or service; and
- The scope of ancillary services that may be available to you in a brokerage account, but which are not available in an advisory program.

Further, the MAS fee may be higher or lower than the fees charged by other firms offering comparable services.

**OTHER FEES AND EXPENSES**

We want you to know that MAS fee does not cover:

- Management fees you pay to your selected Investment Manager (and set by such manager);
- Transaction charges on trades effected through or with an Unaffiliated Investment Firm (including on fixed-income or over-the-counter transactions in which we act as agent);
- Markups or markdowns by other broker-dealers (including on fixed-income or over-the-counter transactions in which we act as agent);
- Transfer taxes;
- Margin interest;



- Fees charged by us or third parties that are not affiliates in connection with short sale transactions;
- Any mutual fund redemption fees and contingent deferred sales charges for mutual fund shares contributed to your Account;
- Exchange or similar fees (such as for ADRs) charged by third parties, including issuers and fees required by the SEC;
- Electronic fund, wire and other account transfer fees; and
- Any other charges imposed by law or otherwise agreed to with regard to your Account.

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

As noted above, on trades effected through or with us, we will not charge a commission on agency transactions. On principal transactions effected with us, as permitted by law, we will not charge a markup or markdown from the prevailing market price on a per-transaction basis for its execution services. However, principal transactions may be subject to a dealer spread (i.e., the difference between the bid and the offer price), which may result in additional compensation or other benefit to us.

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

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

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

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

**MARGIN, UNCOVERED OPTIONS AND SHORT SALES STRATEGIES**

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

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

**INVESTMENT OF CASH BALANCES**

If cash balances are invested in a money market fund, assets held in such money market fund are subject to the Fund’s management, distribution, transfer agent, and other expenses. If cash balances are invested in a Related Money Market Fund, certain of these fees and expenses are payable to us or a Related Company, which may act in a variety of capacities. These fees and expenses are described in the applicable money market fund prospectus and are paid by the money market fund but are ultimately borne proportionately by each investor. These fees and expenses are in addition to, and will not reduce, Account fees, except as required by law.

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

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

**COMPENSATION FOR MAS**

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

Financial Advisors who assist you in enrolling in MAS receive a portion of the MAS fees. Since a Financial Advisor’s compensation is based on the total MAS fee charged to you, the Financial Advisor has a disincentive to reduce the MAS fee below a level that will negatively impact the Financial Advisor’s revenue



on each account. The amount of compensation a Financial Advisor may receive from your enrollment in MAS may also be more or less than the compensation that the Financial Advisor might receive if you had instead participated in other programs offered by us or our affiliates or had purchased the services provided through MAS separately. If there is a difference in compensation, the Financial Advisor may or may not have a financial incentive to recommend you select MAS over other programs or services offered by us or our affiliates.

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

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

## **ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **CLIENT ELIGIBILITY**

Investors eligible to participate in MAS include individuals, trusts, estates, charitable organizations, banks, insurance companies, thrift institutions, Retirement Accounts, corporations and virtually all other types of organizations.

### **ACCOUNT MINIMUMS**

The minimum account size for a MAS account generally is \$100,000, but we, in our discretion, may accept accounts less than \$100,000. You may open a MAS account with cash, readily marketable securities, or a combination of both. When funding an account with securities, however, you should bear in mind that your Investment Managers may decide to sell all or a substantial portion of such securities and that you will be responsible for any tax or other liabilities (such as CDSC on certain classes of mutual fund shares) resulting from such transactions.

**CLOSING AN ACCOUNT AND/OR TERMINATING THE CLIENT AGREEMENT**

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

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

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

**PORTFOLIO MANAGER SELECTION AND EVALUATION****SELECTION OF INVESTMENT MANAGERS**

Selection of your Investment Managers is at your sole discretion, and, except as described below, we have not and will not evaluate any Investment Manager or your Investment Manager's Investment Style or Strategy for compatibility or suitability with your objectives. Generally, we do not authorize Investment Managers to make any statements pertaining to us, or any Investment Manager's participation in any Merrill Lynch service or program, including MAS. You represent and warrant that you have independently selected each Investment Manager and Investment Style and believe that each Investment Manager and Investment Style is appropriate for your Accounts. You further represent and warrant that you have not asked for, received or relied upon our advice in making each selection.

We make no representations regarding the qualifications of your Investment Manager. We do not endorse, recommend or otherwise suggest that your Investment Manager will make suitable investment decisions for you. We do not undertake to investigate or monitor the suitability of your Investment Manager's investment decisions. To the extent that you become aware of investment decisions by your Investment Manager that are unsuitable for your Account, your Financial Advisor will contact you.

We do not specifically identify or select Investment Managers to participate in MAS, and we do not maintain a roster of approved MAS Investment Managers from which you may select. However, we may have, or may have in the past had, certain relationships or been affiliated with an Investment Manager, as described more fully below.



We do not calculate the performance of Investment Managers, and neither Merrill Lynch nor any third party reviews Investment Manager performance information to verify its accuracy or its compliance with presentation standards. Performance information may not be calculated on a uniform or consistent basis.

You are responsible for the continued review of your Accounts and the performance of your Investment Manager. We are not responsible for the investment decisions your Investment Manager makes. You are responsible for reviewing your Account performance in light of your Account's asset allocation and investment performance, and contacting your Investment Manager if they have questions or concerns. We do not assume responsibility for replacing or recommending the replacement of Investment Managers.

### **INVESTMENT MANAGERS**

Most of your Investment Managers from which we receive investment directions in MAS are Unrelated Managers. However, certain Investment Managers may be, or have been in the past, Related Managers. The status as a Related Manager may create additional conflicts of interest. Unless otherwise noted in this Brochure, the services provided by us and your Financial Advisor to you will not be affected by the type of Investment Manager you have retained, and in MAS, we do not and will not conduct any due diligence on, or ongoing monitoring of, any Investment Managers.

In certain instances your Investment Manager may have referred clients to your Financial Advisor, or Merrill Lynch programs or services, including MAS. In these instances, a conflict of interest may exist between you and your Financial Advisor, Merrill Lynch and/or your Investment Manager. Please ask your Financial Advisor and/or Investment Manager for more information regarding Investment Manager referrals.

#### ***Referral-Arrangement Managers***

In very limited instances, we have entered into contractual arrangements through which we are for referring you to Referral-Arrangement Managers. If you have been introduced to such a Referral-Arrangement Manager, we will provide a written statement describing the terms of the arrangement and a copy of the Referral-Arrangement Manager's brochure.

You also will be required to sign an acknowledgement of your receipt of these materials. Because we are compensated for referring clients to Referral-Arrangement Managers, certain conflicts of interest exist that you should be aware of and consider before choosing a Referral-Arrangement Manager for MAS.

#### ***Legacy Managers***

While we may have previously conducted due diligence or ongoing monitoring of Legacy Managers in the Previous Program, we are not responsible for conducting any due diligence or monitoring in MAS beyond that described in this Brochure and the Client Agreement. You should not consider any prior statements that we or your Financial Advisor may have made concerning a Legacy Manager, including any written materials or Legacy Manager information distributed by us, when deciding whether or not to retain the services of a Legacy Manager.

### **RELATED PERSONS**

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



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

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

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

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

#### **CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

As part of the enrollment process into MAS, you may need to provide information about your financial circumstances, investment objectives, risk tolerance and other relevant information relating to your account. With certain exceptions, this information will not be provided to your Investment Manager.

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

#### **CLIENT CONTACT WITH PORTFOLIO MANAGERS**

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



## ADDITIONAL INFORMATION

### **DISCIPLINARY INFORMATION**

In the past, we have entered into certain settlements with our regulators and other third parties and have been the subject of 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 ("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 markups and markdowns 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 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 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 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 ARS 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 ARS 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.

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), 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 of Merrill Lynch as a result of their membership on the IMG Investment Committee. In the future, additional Merrill Lynch personnel may be considered management persons and, as such, may be registered, or have applications pending to register, as registered representatives and associated persons of Merrill Lynch to the extent necessary or appropriate to perform their job responsibilities.

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

The investment adviser(s) for the BofA Funds are Related Companies. In certain instances and subject to the restrictions discussed below in the section entitled *Participation or Interest in Client Transactions – Funds and Related Investing*, your Investment Manager may invest in these Related Funds. We may receive compensation when you invest in shares of these Funds in a program account. We potentially benefit from our economic interest in Related Companies and our relationship with Bank of America whenever such entities or their affiliates receive compensation for providing investment advisory, administrative, transfer agency, distribution or other services to their Related Funds or other investment products. The extent of this benefit may be greater than when we or our affiliates do not have an economic interest in the firm providing such services. As a result, we may benefit from increased sales of Funds and other investment products of Related Companies and Bank of America affiliates for you to a greater extent than from increased sales of Funds or investment products sponsored by other firms in which we and our affiliates do not have a similar economic interest or relationship.

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

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

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

#### **RECEIPT OF COMPENSATION FROM INVESTMENT ADVISERS**

While we do not recommend or select Investment Managers participating in MAS, we and our affiliates have business relationships with many Investment Managers, including those participating in MAS, separate and apart from MAS. For example, these Investment Managers may direct your transactions to



us and receive research, execution, custodial, pricing and other services offered by us in the normal course of our business. We and our Financial Advisor may receive compensation in connection with such transactions and other services. You are encouraged to speak with a Financial Advisor to discuss any questions that they may have about existing or potential conflicts of interest relating to their Accounts.

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

### **CODE OF ETHICS**

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

- Requirement that all employees comply with all applicable securities and related laws and regulations;
- Reporting and clearance of employee personal trading;
- Prevention of misuse of material nonpublic information; and
- Obligation to report possible violations of the Code of Ethics to management or other appropriate personnel.

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

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

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

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

#### **PRINCIPAL, AGENCY CROSS AND CROSS TRADES**

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

We or one of our affiliates may, at times, act as agent for both buyer and seller in effecting investment transactions involving MAS clients or other advisory clients (“agency cross transactions”), in accordance with applicable law. When we act as agent for both parties to an agency cross transaction, we may receive



compensation from both parties, and will have a potentially conflicting division of loyalty and responsibility. By signing the agreement, you consent to us acting as your agent in effecting agency cross transactions for the account when we consider them advisable and consistent with applicable law. You may revoke the consent at any time by notifying us in writing.

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

### **FUNDS AND RELATED INVESTING**

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

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

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

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

Each mutual fund, or its adviser, principal underwriter or other agent, has entered into an agreement with us and our affiliates for the performance of subaccounting and related services (including account recordkeeping, transaction processing, reporting and corporate action services) for the mutual fund shares held in a Merrill Lynch account. We and our affiliates receive subaccounting fees for the performance of these services, which are either borne by the mutual fund (like other mutual fund expenses) or by its adviser, principal underwriter or other agent. Depending on the mutual fund's or its adviser's, principal underwriter's or other agent's arrangement with us and our affiliates, we or our affiliate will receive from the mutual fund or a fund service provider or its affiliate, subaccounting fees of 0.10% per annum of the



amount invested in such mutual fund or \$16 annually per position in the mutual fund. These subaccounting fee rates are subject to change from time to time.

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

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

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

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

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

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

#### **ACTING AS GENERAL PARTNER**

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

#### **INVESTMENT IN SECURITIES BY MERRILL LYNCH AND OUR PERSONNEL**

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

We or our affiliates may have investment banking or other relationships with certain publicly traded companies; these relationships may from time to time compel us to forego trading in the securities of these companies. In the course of investment banking and other activities, our affiliates may acquire confidential or material nonpublic information that may prevent us or our affiliates, for a period of time,



from purchasing, selling or recommending particular securities for your account. We and our affiliates are not permitted to divulge or to act upon this information with respect to our advisory or brokerage activities.

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

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

We address these conflicts through disclosure in this Brochure. Moreover, our Financial Advisors are required to recommend investment advisory programs and investment products that are suitable for you based upon your investment objectives, risk tolerance and financial situation and needs. In addition, we have established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest – both those arising between and among MAS accounts as well as between MAS accounts and our business. For example, our personnel also are subject to personal trading restrictions as detailed in its policies and procedures and Code of Ethics. These policies and procedures and the Code of Ethics require our Financial Advisors to pre-approve certain securities transactions, disclose their investment accounts, provide an annual holdings report, and provide a quarterly transaction report.

### **REVIEW OF ACCOUNTS**

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

### **CLIENT REPORTS**

#### *Performance Measurement Reports*

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

#### *Client Statements*

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

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



- Will not affect the calculation of or amount of your MAS fees;
- Is not a condition to entering into or continuing participation in MAS; and
- May be rescinded at any time by written notice to us with respect to your account.

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

You may request, and we will provide to you at no additional cost, an interim update and further details concerning any transaction effected between periodic statements either by calling your Financial Advisor or, where you are enrolled in 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.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

### **OTHER COMPENSATION**

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

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

We address these conflicts through disclosure in this Brochure.

### **COMPENSATION FOR CLIENT REFERRALS**

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

Our employees may refer advisory clients to Bank of America, N.A., including its private bank, U.S. Trust, Bank of America Private Wealth Management, and other affiliates for products and services. Similarly,



employees of the Bank of America, N.A. and its affiliates may refer clients to us for brokerage or advisory services. These referrals may involve the payment of referral fees between Merrill Lynch and Bank of America, N.A. or its affiliates.

**FINANCIAL INFORMATION**

Not applicable.



## GLOSSARY

“Account” means each of the client’s securities accounts to which the Client Agreement applies and is managed by a single Investment Manager.

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

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

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

“Bank of America” means Bank of America Corporation.

“BlackRock” means BlackRock, Inc. and its affiliates.

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

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

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

“CDSC” means contingent deferred sales charge.

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

“CDSC” means contingent deferred sales charge.

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

“Concentrated Positions” means investing a large percentage of Account assets in a single security or a single industry sector.

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

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

“ETF” means an exchange-traded fund.

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

“Financial Advisor” means the Merrill Lynch Financial Advisor who provides non-discretionary investment advice to the client in MAS.

“FINRA” means the U.S. Financial Industry Regulatory Authority.

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

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

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



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

“Investment Manager Fee” means the advisory fee that you pay the Investment Manager.

“Legacy Managers” means Investment Managers that participated in a Previous Program.

“MAS” means the Merrill Lynch Managed Account Service.

“Margin Agreement” means the Merrill Lynch Margin Lending Program Client Agreement.

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

“Merrill Lynch Banks” means one or more bank depository institutions affiliated with Merrill Lynch.

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

“MLOL” means Merrill Lynch Online.

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

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

“NYSE” means the New York Stock Exchange LLC.

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

“Performance Reports” means periodic performance measurement reports.

“Previous Program” means a program or service sponsored by Merrill Lynch in which a Legacy Manager generally no longer participates because (i) the Legacy Manager removed itself from the program or service, (ii) Merrill Lynch removed the Legacy Manager from the program or service, or (iii) the program or service was itself terminated by Merrill Lynch and the Legacy Manager was not added to the roster of another Merrill Lynch service or program.

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

“Referral-Arrangement Managers” are Investment Managers that compensate Merrill Lynch for referrals of clients.

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

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

“Related Manager” means an Investment Manager that is a Related Company.

“Related Money Market Fund” means a registered money market fund managed by a Related Company.

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

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

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



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

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

**“SIPC”** means Securities Investor Protection Corporation.

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

**“Trades”** means Investment Manager orders to buy and/or sell securities in the Account.

**“Unaffiliated Investment Firm”** means a bank, broker or dealer other than Merrill Lynch or a Related Company.

**“Underlying Account Documentation”** means documentation for a client’s underlying Merrill Lynch securities account that provides Merrill Lynch with information regarding the client’s overall circumstances, financial goals and risk profile, as well the client Account’s investment objective and other important information with respect to the client’s Account.

**“Unrelated Custodian”** means a custodian that is not Merrill Lynch or a Related Company.

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

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

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