

# Merrill Lynch Consulting Services

## BROCHURE

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This brochure provides information about the qualifications and business practices of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") relating to the Consulting Services. If you have any questions about the contents of this brochure, please contact us at 800-MERRILL (800-637-7455). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Investment adviser registration does not imply a certain level of skill or training.

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

Additional information about Merrill Lynch also is available on the SEC's website at [http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx).

**August 1, 2014**



## **MATERIAL CHANGES**

On March 21, 2014, Merrill Lynch filed its last annual update for its Merrill Lynch Consulting Services brochure (“Brochure” or “Disclosure Statement”). Set forth below is a summary of the material changes to this Brochure since that date. This summary of material changes is designed to make clients aware of information that has changed since the Brochure’s last annual update and that may be important to them. The material changes summarized below were also incorporated within this Brochure. Capitalized terms that are not defined in this Brochure have the meanings provided in the Glossary.

### **FINRA Settlement**

On June 16, 2014, Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”), without admitting or denying the findings, entered into an AWC with FINRA. The AWC related to MLPF&S’ failure to have an adequate supervisory system to ensure that certain clients received Class A shares with sales charge waivers when purchasing certain mutual funds. As a result, those clients paid sales loads when purchasing Class A shares, or purchased Class B or C shares with higher expenses, during various periods. The clients included those having two types of retirement accounts and another type of client in brokerage accounts offered by MLPF&S. MLPF&S reported certain of these issues to FINRA and all impacted clients have been or are in the process of being reimbursed as set forth in the AWC. MLPF&S consented to the imposition of a censure and a fine of \$8 million, and agreed to provide additional reimbursement to impacted clients as set forth in the AWC.



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## ADVISORY BUSINESS

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch," "we," "us," or "our"), an indirect wholly-owned subsidiary of Bank of America, is a global investment banking firm and a registered broker-dealer, investment adviser and futures commission merchant. Merrill Lynch offers a broad range of brokerage, investment advisory, retail and other services and has been registered with the Securities and Exchange Commission ("SEC") as an investment adviser since 1978. This Brochure relates to the Merrill Lynch Consulting Services ("Consulting Services") offered by Merrill Lynch. For purposes of this Brochure, "client" or "you" refers to the client. Capitalized terms that are not defined in this Brochure have the meanings provided in the Glossary.

### CONSULTING SERVICES

Merrill Lynch Consulting Services offer a variety of investment advisory services designed to assist you in managing your portfolio: (1) the Investment Policy Service; (2) the Strategic Allocation Modeling Service; (3) the Manager Identification Service; and (4) the Institutional Performance Report Service ("IPR"). They are collectively referred to as the "Consulting Services." The following are descriptions of the Consulting Services that are currently being offered.

The scope of any investment advisory relationship we have with you is defined in the investment advisory contract you sign for the Consulting Services. When you are enrolled in the Consulting Services, we act as your investment adviser only for your Consulting Services account and not any other assets or accounts, unless otherwise separately agreed to by us in writing. Our advisory relationship begins when we enter into an investment advisory contract with you, which occurs when we accept your signed contract. Preliminary discussions or recommendations before we enter into an advisory contract with you are not intended as investment advice and should not be relied on as such. For all services other than IPR, our advisory relationship ends when we deliver the applicable report to you.

### INVESTMENT POLICY SERVICE

The Investment Policy Service is designed to assist you in creating a written policy statement ("Policy Statement") to document both your investment goals and objectives for an account as well as certain policies governing the investment of assets. The Policy Statement also identifies an investment strategy that seeks to attain your goals. The Policy Statement is generally designed for portfolios that are managed on a discretionary basis by one or more Investment Managers.

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

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



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

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

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

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

### **STRATEGIC ALLOCATION MODELING SERVICE**

The Strategic Allocation Modeling Service offers asset allocation modeling capabilities to assist you in identifying an appropriate long-term asset mix for your specific needs and goals. In a Strategic Allocation Modeling study, sophisticated computer models are used to construct asset allocations and to project potential ranges of returns and market values over various time periods and using various cash flows. The modeling uses our forward-looking capital market assumptions of risk and return for the different asset mixes. The Strategic Allocation Modeling Service is intended to help you test a variety of customized "what if" scenarios to better understand the impact of different asset allocations on your account. The Strategic Allocation Modeling Service is generally designed for portfolios that are managed on a discretionary basis by one or more Investment Managers.

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

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

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

As noted above, the asset class data presented in a Strategic Allocation Modeling study is based on the estimated, forward-looking performance of various asset classes and subclasses used to create the Merrill Lynch forward looking capital markets assumptions (e.g., expected return, expected standard deviation, correlation, etc.). Past performance and the return estimates of the asset classes and the indexes that correspond to these asset classes may not be representative of actual future performance and actual results could differ, based on various factors including the expenses associated with the management of the



portfolio, the portfolio's securities versus the securities comprising the various indexes, and general market conditions. Before a specific asset allocation strategy is selected, other factors such as economic trends, which may influence the choice of investments and risk tolerance, should be considered. We also encourage you to consult with your professional advisors, since we do not provide tax or legal advice that may affect asset classes or allocations used in the modeling. However, we will apply guidelines you supply as directed. Again, compliance with restrictions or guidelines, if any, is your responsibility.

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

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

#### **MANAGER IDENTIFICATION SERVICE**

The Manager Identification Service is designed to assist you with the identification and evaluation of professional Investment Managers and Strategies through the creation and presentation to you of a candidate list so that you can select one or more such managers for the discretionary management of your account. More information regarding the Manager Identification Service is included in the section entitled *Methods of Analysis, Investment Strategies and Risk of Loss*.

If you elect to use the Manager Identification Service, we will collect certain information from you through a questionnaire or other document. This questionnaire is designed to profile various factors for the account such as investment objectives and risk tolerances. Please note, however, that it is your responsibility to provide all necessary information for the Manager Identification Service, particularly any limitations imposed by law or otherwise. Merrill Lynch personnel will take the information you provide to complete the Manager Identification Service.

The Manager Identification Service is completed upon the presentation of the candidate list of Investment Managers and Strategies referred to above. It is your responsibility to select and/or retain any of the Investment Managers presented and to negotiate directly with them the terms of any Investment Manager agreement, including applicable fees. Thereafter, new Manager Identification Service recommendations will only be prepared upon your specific request. We do not provide ongoing due diligence on the Investment Managers you select. Please note that you may determine to select an Investment Manager (or continue the use of an Investment Manager) without the benefit of the Manager Identification Service, or notwithstanding the fact that such Investment Manager has not been reviewed or recommended by us.

Upon specific request of a client, additional Investment Managers may be included in this candidate list. In such a case, Merrill Lynch has not performed any evaluations about the quality of this Investment Manager's service or prior performance. Merrill Lynch expresses no opinion about such Investment Manager and inclusion of this Investment Manager in the Manager ID Service is not an endorsement or recommendation of the Investment Manager.

**INSTITUTIONAL PERFORMANCE REPORT SERVICE (IPR)**

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

The principal source of information for the performance measurement report is data from us, unless the account has a third-party custodian. If you elect to use a third-party custodian, the source of the information for the report is that of the custodian. We also use outside information sources including computer and data analysis firms. This information is obtained from sources believed to be reliable, but reliability cannot be guaranteed. The inclusion of any particular manager, security, or other investment vehicle in this report does not constitute a recommendation, endorsement, or ongoing due diligence by Merrill Lynch of any kind with regard to the suitability or the appropriateness of continued investment.

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

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

When making performance comparisons, you should note that:

- Differences in transaction costs among accounts will affect account comparisons;
- The market indexes shown in the performance measurement report do not include transaction costs. If available, an actual investment in these indexes, or in the securities comprising the indexes, would require an investor to incur transaction costs and performance would be reduced by such costs and their compounded effect;

Performance information from third-party sources may differ from that shown in the performance measurement report. These differences may be due to different methods of analysis, different pricing sources, treatment of accrued income or different accounting procedures. For example, infrequently traded fixed-income securities may be priced according to yields calculated on a matrix system, which may vary





among pricing sources. As another example, if sufficient data is available, the performance measurement reports are prepared on a trade date basis, and their performance information may differ from reports prepared on a settlement date or other basis.

### **OTHER MERRILL LYNCH ADVISORY SERVICES**

In addition to the Consulting Services, we and our affiliates offer a wide variety of advisory services. These include, but are not limited to, the following: Merrill Lynch Investment Advisory Program, Merrill Lynch Consults® (“Consults”), Merrill Lynch Mutual Fund Advisor® Program, Merrill Lynch Personal Advisor® Program, Merrill Lynch Personal Investment Advisory® program, Merrill Lynch Strategic Portfolio Advisor® Service (“Strategic Portfolio Advisor”), and Merrill Lynch Unified Managed Account (“UMA”). We also offer impersonal investment advice (general advice not tailored to the specific needs of any individual) in the form of publications or research. In addition, we offer financial planning services, including (but not limited to) Merrill Lynch Financial Foundation® Report and Merrill Lynch Private Planning Services<sup>SM</sup>. More information about these programs and services is contained in the applicable Merrill Lynch Brochure (or Merrill Lynch Form ADV, Part 2A) and is available upon request or through the SEC’s website at [http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx). Special arrangements with certain clients to provide particular or unique services for clients of a specific Financial Advisor or branch office may also be established.

### **WRAP FEE PROGRAMS**

The Strategic Portfolio Advisor Service includes certain of the Consulting Services described herein on both a bundled and unbundled fee basis. More information about the Strategic Portfolio Advisor Service and other Merrill Lynch programs and services are contained in the applicable Merrill Lynch Brochure (or Merrill Lynch Form ADV, Part 2A) and is available upon request or through the SEC’s website at [http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx).

### **ASSETS UNDER MANAGEMENT**

As of December 27, 2013, Merrill Lynch had assets under management of \$485 billion, of which \$188 billion was managed on a discretionary basis and \$297 billion was managed on a non-discretionary basis. The assets related to the Consulting Services discussed herein and Merrill Lynch financial planning services are not included as Merrill Lynch assets under management.

## **FEES AND COMPENSATION**

Consulting Services offers a variety of investment advisory services fee arrangements designed to assist you in managing your portfolio. We base the fees charged for the Consulting Services on the type of service or the combination of services you select. We may provide and bill on these services individually, as a single service fee, or in combination using aggregate or bundled service fees. Depending on the circumstances, the aggregate of any separately paid fees may be lower or higher than the applicable Consulting Services fees. The following are descriptions of the Consulting Services fee arrangements that are currently being offered.

### **A-LA-CARTE PRICING**

Each service is priced separately, as specified in the Consulting Services Portfolio Information Form (“PIF”). Payment for individual services is typically due in advance either quarterly, semi-annually or annually. Below is a list of standard fees charged for the different services.



- **Investment Policy Service** - The standard fee for drafting a Policy Statement for each pool of assets is \$14,000.
- **Strategic Allocation Modeling Service** - The standard fee for a Strategic Asset Allocation study for each pool of assets is \$30,000.
- **Manager Identification Service** - The standard fee for the Manager Identification Service is \$40,000 for traditional asset classes, and applies to each account or portfolio for which you request the assistance of the service.
- **Institutional Performance Report Service** - You can select the level of report detail that meets your needs. The fees for IPR depend upon the level of the service provided and are as follows:

IPR Level	Fee
Multi-Asset Report - Including Stock and Bond Analysis	\$21,000
Historical Data Analysis added to Multi-Asset Report (fee per year of data)	\$21,000 / 12 mo.
Single Asset Report - Including Stock and Bond Analysis	\$5,000
Historical Data Analysis added to Single Asset Report (fee per year of data)	\$5,000 / 12 mo.
Composite Level Report - Including Stock and Bond Analysis	\$11,000

### **RETAINER FEE ARRANGEMENTS**

The selected Consulting Services are bundled together and a single retainer fee is charged. This arrangement requires our internal approvals and is subject to annual review by us thereafter, based on the services you subscribe to and any other relevant circumstances. Retainer fee payments are due either quarterly, semi-annually or annually.

### **ASSET BASED FEE ARRANGEMENTS**

Asset based fee arrangements are based on the services provided, the standard fee and the amount of assets in IPR in your Consulting Services relationship. This arrangement requires internal Merrill Lynch approvals and is subject to annual review by us thereafter, based upon the services you subscribe to. Asset based fees are available to you only if you subscribe to IPR. Asset based fees are calculated and payable quarterly, typically in advance, based on the estimated market value of the portfolio as of the last business day of the previous calendar quarter, as reported in the Institutional Performance Report. All the assets in that report will be subject to the asset based fee, whether or not those assets are also within our other programs or included in other performance reports.

The fees for the Consulting Services are negotiable. They may be higher or lower than the listed schedules depending on a number of factors, including, but not limited to, the:



- Amount of consultation and customization provided by your Financial Advisor;
- Range and extent of services provided or to be provided to you in the aggregate by us; and
- Other relevant factors such as the number of menu investment choices.

Further individualized services may also be provided on a negotiated basis.

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

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

Unless otherwise agreed to between you and Merrill Lynch, we will provide you with an invoice for your Consulting Services fee. If you select an asset based fee arrangement, your Consulting Services fee will be calculated and payable quarterly, typically in advance, based on the estimated market value of the portfolio as of the last business day of the previous calendar quarter, as reported in the Institutional Performance Report. All the assets in that report will be subject to the asset based fee, whether or not those assets are also within our other programs or included in our other performance reports.

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

You are not obligated to implement any of the advice, suggestions, or recommendations provided through the various Consulting Services or to trade through or with us. However, after having received the Consulting Services, such as those relating to asset allocation or Investment Manager selection, you may decide to change allocations or managers or take other action resulting in new investments or additional securities transactions. The determination as to whether to transact business through or with us or to implement or otherwise follow through with any of the Consulting Services belongs exclusively to you, and, as applicable, your Investment Manager(s) and is not part of Consulting Services. To the extent that trading is effected through us, you will pay us any applicable charges, including commissions, a portion of which may be paid to your Financial Advisor.

#### **PREPAID FEES**

The Consulting Services client agreement may be terminated at your or our direction as described in that agreement. Upon termination, we will refund any prepaid Consulting Services fees on a pro-rata basis as specified in the client agreement or as required by law.

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

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



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

#### **CONDUCTING BUSINESS THROUGH MERRILL LYNCH**

You may be able to separately obtain some or all of the types of services available through the Consulting Services from Merrill Lynch or other firms. Depending on the circumstances, the aggregate of any separately paid fees may be lower or higher than the applicable Consulting Services fees. Further, Consulting Services fees may be higher or lower than the fees charged by other firms for comparable services, assuming such services are available.

#### **SOURCES OF REVENUE**

As a broker-dealer, Merrill Lynch offers a wide variety of products and services. Our principal sources of income, which include commissions and other compensation for the sale of investment products, are derived from our business as a broker-dealer. Less than 1% of our gross revenues are expected to be generated from the Consulting Services on an annual basis.

#### **FEE OFFSET FOR EXECUTION CHARGES**

In the past, we permitted clients to direct brokerage to Merrill Lynch to offset their Consulting Services fees. While we no longer permit new clients to utilize this method, existing clients may use their remaining, existing credits to satisfy their Consulting Services fee.

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

Neither we nor our Financial Advisors receive performance-based fees for the Consulting Services. As described above, the Consulting Services do not make specific investment recommendations or analyze particular securities. The asset allocation recommendations provided in connection with the Consulting Services do not raise the conflicts associated with the side-by-side management of accounts.

### **TYPES OF CLIENTS**

Investment advisory clients may include individuals, trusts, estates, charitable organizations, banks, insurance companies, thrift institutions, pension and profit sharing plans, corporations and all other types of business and governmental entities.

#### **REQUIREMENTS FOR OPENING A CLIENT ACCOUNT**

The Investment Policy and Strategic Asset Modeling Services are generally designed for portfolios that are managed on a discretionary basis by one or more Investment Managers. These services also are generally designed for clients with \$10,000,000 or more in assets. This minimum asset requirement may be waived, at our sole discretion.

The Manager Identification and Policy Statement services are generally designed for clients with \$1,000,000 or more in assets to be managed by an Investment Manager. Some managers restrict their services to clients with assets greater than \$1,000,000. This minimum asset requirement may be waived, at our sole discretion.

IPR does not have a minimum asset requirement.



## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **INVESTMENT POLICY SERVICE**

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### **STRATEGIC ALLOCATION MODELING SERVICE**

Your risk tolerance, stated investment objectives, liquidity needs, suitability of certain asset classes and specific preferences about the choice of asset classes to be included are essential inputs to the asset allocation analysis.

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

Extensive analysis is used to derive the Merrill Lynch forward-looking capital market assumptions, including guidance from BofAML Research, academia, and other sources. Several models are used to derive estimates based in part on the Capital Asset Pricing Model and models based on long-term economic growth and other



metrics and statistics. These studies are designed to provide estimates of long-term asset class risk and return assumptions over future decades and may significantly differ from more short-term forecasts published by our other business units. These inputs are used in optimization models used to derive long-term strategic allocation targets, but may include short-term tactical tilts at your direction. Other nonproprietary sources of information, including information from various computer software systems and consulting firms, may be used to analyze the data and generate the allocation modeling studies. Such information is obtained from sources believed to be reliable, but reliability cannot be guaranteed.

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

### **MANAGER IDENTIFICATION SERVICE**

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

We seek to provide clients with access to professional investment advice and to make available a choice of various Investment Managers. The Merrill Lynch Investment Management & Guidance group ("IMG") uses a multi-factor process for identifying and selecting Investment Managers, incorporating quantitative, qualitative, objective and subjective components. Factors for evaluation include, but are not limited to:

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

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

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

Please note that although we review a candidate's past performance, we do not audit this data to verify either its accuracy or that each investment adviser has calculated past performance in a manner that is



consistent with industry standards or the methodology used by other investment advisers. Further, we may make available for selection Investment Managers that have no prior performance in particular styles. In such cases, we screen these candidates for all other applicable criteria described above and may evaluate past performance achieved in other styles as a consideration for inclusion in Consulting Services.

Using this analysis, we will present you with a list of typically three to five Investment Managers that appear appropriate for you based on your financial objective, risk tolerance, and other requirements. If you request, this list can include Related Managers. We will present this list to you with summary information in a format designed to help you make comparisons among the Investment Managers.

Again, if requested, we or our affiliates may make available Related Managers. We have a conflict of interest when considering the inclusion of Related Managers in Consulting Services or assisting you in selecting a Related Manager, in that doing so will result in us or our affiliates receiving additional compensation. If you want to utilize a Related Manager, you may need to complete additional paperwork. Conflicts of interest related to the inclusion of Related Managers in Consulting Services are further discussed below under the sections entitled *Related Persons* and *Other Compensation*.

We use various sources of information in providing this service. You provide data regarding your investment objectives and risk tolerances for the portfolio intended to be managed by a professional manager, among other things. This information is then compared against data about Investment Managers available to us from a variety of sources, including both nonproprietary databases and subscription services. Information about Investment Managers is obtained from sources believed to be reliable, but reliability cannot be guaranteed.

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

Upon specific request of a client, additional Investment Managers may be included in this candidate list. In such a case, Merrill Lynch has not performed any evaluations about the quality of this manager's service or prior performance. Merrill Lynch expresses no opinion about such a manager and inclusion of this manager in the Manager Identification Service is not an endorsement or recommendation of the manager.

The Manager Identification Service does not present information on all of the Investment Managers that might be potentially appropriate for you. In compiling a list of Investment Manager candidates, we are limited by the scope of databases used and other practical considerations and may exclude firms viewed as direct competitors.

#### **INSTITUTIONAL PERFORMANCE REPORT SERVICE**

The Institutional Performance Report is provided for performance measurement purposes only. The principal source of information for such Report is data from your custodian. We also use outside information sources including computer and data analysis firms. This information is obtained from sources believed to be reliable,



but reliability cannot be guaranteed. The inclusion of any particular securities in an Institutional Performance Report does not constitute a recommendation or advice with regard to suitability or the appropriateness of continued investment.

The Institutional Performance Report provides important information about your account(s), market indices, goals and risk level. The return information for the account(s), market indices and return comparison charts reflect time-weighted rates of return unless the returns are labeled "money-weighted rates of return." Time-weighted rates of return should be used to judge the performance of the selected investment manager(s) and the money-weighted rate of return should be used to assess overall growth and accumulation of wealth. Both return calculations reflect transaction costs, market appreciation or depreciation and the reinvestment of capital gains, dividends, interest and other income. Partial Month index returns are not available. The treatment of fees is discussed below.

In connection with the information in the Institutional Performance Report, such as the comparisons of the returns of an Institutional Performance Report client's portfolio with those of the selected market indexes and other professionally managed portfolios, it should be noted that:

- Changes in portfolio valuations due to capital gains or losses, dividends, interest or other income are included in the calculation of returns;
- Transaction costs, such as commissions, are included in the purchase cost or deducted from the proceeds of a sale of a security;
- Portfolio returns are generally shown before the deduction of investment advisory fees. Investment advisory fees (when reported to Merrill Lynch) are treated as a portfolio withdrawal rather than as a reduction in income and therefore do not reduce returns (unless the client requests that these fees be treated as a reduction in income); and
- When client assets are maintained by an unaffiliated custodian, Merrill Lynch will rely upon the data supplied by the custodian or third-party manager in preparing the Institutional Performance Report. Merrill Lynch is not responsible for the accuracy of this data. When special circumstances come to its attention, Merrill Lynch reserves the right to make adjustments which, in its judgment, would more accurately reflect the value of securities held in, and the performance of, a particular portfolio.

When making performance comparisons, it should be noted that:

- Differences in transaction costs among portfolios will affect portfolio comparisons;
- The market indexes shown in the Institutional Performance Report do not include transaction costs. If available, an actual investment in these indexes, or in the securities comprising the indexes, would require an investor to incur transaction costs and performance would be reduced by such costs, and their compounded effect. Market indexes or other benchmark returns are shown for comparison purposes only, and there is no assurance or guarantee that such performance will be achieved;
- Performance information from third-party sources may differ from that shown in the Institutional Performance Report. These differences may be due to different methods of analysis, different pricing sources, treatment of accrued income, and different accounting procedures. For example, infrequently traded fixed-income securities may be priced according to yields calculated on a matrix system which may vary among pricing sources. As another example, if sufficient data is available, Institutional Performance Reports are prepared on a trade date basis, and Institutional Performance Report performance information may differ from reports prepared on a settlement date basis; and





- Mutual fund data analysis reports as well as valuations of hedge funds are prepared based on information from third-party sources. This information has not been verified and cannot be guaranteed. This data may include estimates and is subject to revision.

### **PRICING OF SECURITIES**

Pricing of securities is provided for your information. Your Merrill Lynch account statement or the account statements provided by other custodians reflect your official record of holdings, balances, and security values. Unless otherwise indicated, values reflect current information as of the date shown at the top of each report. The valuation of alternative investments is prepared based upon information from third party sources. The information has not been verified and cannot be guaranteed. This data may include estimates and is subject to revision.

If an account has been managed by more than one manager, the manager name in the Institutional Performance Report reflects the current manager. However, the return and standard deviation information may be calculated using the entire history of each account. Note that the Institutional Performance Report may also include information regarding account(s) that are not managed by a manager (*i.e.*, where you make the investment decisions).

Performance information set forth in an Institutional Performance Report is dependent upon valuations received from third parties. We rely upon such third-party valuations and do not verify valuation data independently.

### **IMPORTANT CLIENT RESPONSIBILITIES**

For the various services described herein, you are asked to complete a questionnaire or other form that elicits various types of information. You are responsible for providing accurate and complete information, and a failure to do so could significantly affect the services that we provide. Further, you are obligated to notify your Financial Advisor promptly of any material change in financial circumstances or investment objectives or investment restrictions (if any) that may affect account management. Since the management of your account is the responsibility of your selected Investment Manager(s), you must also provide any such updated information directly to your Investment Manager(s), and neither we nor our Financial Advisors have any obligation to communicate such information to the Investment Managers. You are notified periodically to emphasize the need for them to report such information.

At your request, we conduct due diligence into certain Investment Managers and you are provided with reports and other data to assist you in your selection of Investment Managers. All this material should be reviewed carefully before taking appropriate action. The selection of any Investment Manager, however, is your sole responsibility, and not ours. Upon selection, your Investment Manager has exclusive discretionary authority over the accounts that he or she manages for you.

We do not assume responsibility for your choice of Investment Managers, the manager's investment performance, his or her adherence to your objectives and restrictions, his or her compliance with applicable laws or regulations, or other matters within your Investment Manager's control. Similarly, we do not monitor transactions directed by the Investment Managers for compliance with any applicable restrictions or requirements, even where we execute the transactions. You always retain the final authority, obligation, and responsibility for making your own determinations regarding the selection and retention of your Investment Manager as well as the monitoring of your account.

If you are a Retirement Account client, you should understand that our services described above, particularly the services and related materials of the Policy Statement, Strategic Allocation Modeling, Manager



Identification and IPR services, are offered in order to assist your plan fiduciaries as they carry out their investment-related responsibilities and are not intended to be a primary basis for your decision. Moreover, these services should not substitute for or diminish the careful deliberation and determination of those plan fiduciaries, after appropriate consultation with your other professional advisers and the review of relevant plan documentation.

We do not assume responsibility for your:

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

### **RISK AND TAX DISCLOSURE**

You should understand that all investments involve risk (the amount of which may vary significantly), that investment performance can never be predicted or guaranteed and that the values of your account will fluctuate due to market conditions, manager performance and other factors. There is no assurance that the performance results of any benchmark or index used in connection with the Consulting Services, including those shown on the Institutional Performance Report or other Merrill Lynch reports, can be attained.

You are not obligated to implement any of the advice, suggestions, or recommendations provided through the various Consulting Services or to trade through or with us. You may make your investment-related decisions contrary to the suggestions being offered, or to make your own decisions in such matters without the benefit of the assistance of our personnel. Additionally, after having received the Consulting Services, such as those relating to asset allocation or Investment Manager selection, you may decide to change allocations or managers or take other action resulting in new investments or additional securities transactions. You are responsible for all the tax liabilities arising from these transactions and are encouraged to seek the advice of your qualified tax professionals. In addition, if you are not a resident of the United States, you acknowledge and assume the adverse tax consequences and other risks involved in investing in U.S. securities.

You may determine not to use certain services being offered to you (either as part of the programs in which you are participating or separately). For example, you may elect not to receive the Investment Policy Service, even though you are offered this service for an additional fee. Similarly, you may determine to select an Investment Manager (or continue the use of an Investment Manager) without the benefit of the Manager Identification Service or notwithstanding the fact that such Investment Manager has not been reviewed or recommended by us.

### **MATERIAL RISKS OF MANAGER IDENTIFICATION SERVICE**

#### ***Mutual Fund Investment***

Upon your request and in certain limited circumstances (such as if the applicable client portfolio does not meet the investment minimum required for an Investment Manager Identified in a Manager Identification Service search), we may provide a list of mutual funds to you for your consideration. The listing will generally include information to help you compare the mutual funds identified. Unless you request, the list of mutual funds presented to you will not include funds managed by us or our advisory affiliates. While you may discuss these mutual funds with a Financial Advisor, this listing should not be considered a recommendation of any particular fund. The decision to invest in any mutual fund is your sole responsibility. The inclusion of, or



information about, any mutual fund in these materials should not be considered as a primary basis for your investment decision. Further, we have no obligation to provide ongoing due diligence or other advice with respect to any mutual funds you select.

### **MATERIAL RISKS FOR INVESTMENT POLICY AND STRATEGIC ALLOCATION MODELING SERVICES**

Following are the material risks associated with Consulting Services:

- Any report containing a proposed asset allocation model is based upon a number of factors which may include your stated risk tolerance, age, current asset allocation and value of the assets. We have changed the allocation models in the past and may change these models in the future depending on research and investment strategy analysis. We have no obligation to revise the report or otherwise advise you if an allocation model or any of our assumptions change in the future.
- The analyses and suggested asset allocations contained in the reports may be based on historical financial data, assumptions about future financial trends (including market appreciation or decline, rates of return and risks for various asset classes), assumptions about applicable laws and regulations, and appropriate financial planning strategies.
- Any projections, analyses or other information contained in or with the reports regarding various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.
- The reports do not provide advice regarding your specific securities investments. Therefore, it is important for you to monitor current events, such as changes in tax laws or in the financial markets, which may affect your plans and circumstances. You should reconsider your financial planning strategy and decisions from time to time to determine the impact that these events or changes may have on your circumstances.
- We apply certain assumptions to your particular circumstances. The analyses and recommendations provided in or with the report can be significantly affected by even small changes in our assumptions or your individual circumstances. It is imperative that you inform us of any changes in your financial position and objectives.
- The return rates and dollar figures contained in the report may not include investment expenses; thus, any results shown may be reduced by such costs. Also, where applicable (and only as indicated) assumptions as to federal income tax rates, state income tax rates, and estate taxes reflected in the report would only be general estimates.

### **RELATED PERSONS**

In limited situations, the Manager Identification Service may identify Investment Managers that are Related Managers. The selection of a Related Manager results in increased compensation to us or an affiliate.

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

From time to time, Merrill Lynch may enter into distribution agreements with one or more Investment Managers pursuant to which Merrill Lynch distributes certain products and services sponsored or advised by the Investment Manager. Some of these agreements include arrangements with Investment Managers who are former Related Companies such as BlackRock and Columbia Management. An executive officer of Merrill Lynch serves on the board of directors of BlackRock.



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 Merrill Lynch, our management, Financial Advisors and other personnel, marketing events and materials, and client-related and other information. Such access and exposure may not be 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 or Bank of America 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.

## 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 June 16, 2014, Merrill Lynch, without admitting or denying the findings, entered into an AWC with FINRA. The AWC related to Merrill Lynch's failure to have an adequate supervisory system to ensure that certain clients received Class A shares with sales charge waivers when purchasing certain mutual funds. As a result, those clients paid sales loads when purchasing Class A shares, or purchased Class B or C shares with higher expenses, during various periods. The clients included those having two types of retirement accounts and another type of client in brokerage accounts offered by Merrill Lynch. Merrill Lynch reported certain of these issues to FINRA and all impacted clients have been or are in the process of being reimbursed as set forth in the AWC. Merrill Lynch consented to the imposition of a censure and a fine of \$8 million, and agreed to provide additional reimbursement to impacted clients as set forth in the AWC.

On June 21, 2012, Merrill Lynch, without admitting or denying the findings, entered into an AWC with FINRA related to the following five issues: (1) Merrill Lynch failed to have an adequate supervisory system to ensure that clients in certain investment advisory programs were billed in accordance with applicable contract and disclosure statements, and, as a result, overcharged certain client accounts unwarranted fees from April 2003 to December 2011; the client accounts impacted were less than 5% of Merrill Lynch's total advisory accounts, and the fees overcharged represented less than one-half of 1% (\$32,174,369) of the total advisory fees billed during that period; all impacted clients have been reimbursed; (2) between July 2006 and November 2010, Merrill Lynch failed to send contemporaneous and/or periodic trade confirmations to certain client accounts for ten investment advisory programs; (3) between 1992 and June 2011, Merrill Lynch did not include or accurately state whether Merrill Lynch acted as an agent or a principal on trade confirmations and account statements relating to certain mutual fund transactions; (4) between 2007 and 2010, Merrill Lynch, either directly or through third-party vendors, failed to deliver proxy materials to certain clients or to their designated investment advisers, and to have an adequate supervisory system to detect its



failure to deliver proxies; the clients impacted constituted less than 1% of Merrill Lynch's clients during that period; and (5) between October 2001 and June 2010, Merrill Lynch failed to send margin risk disclosure statements and/or business continuity plans to certain clients upon the opening of their accounts; the clients impacted constituted less than 1% of Merrill Lynch's clients during that period. In determining the appropriate sanctions, FINRA considered Merrill Lynch's internal review through which it identified the violations, the remedial measures that Merrill Lynch took to correct its systems and procedures, and Merrill Lynch's efforts to provide remediation to affected clients. Merrill Lynch consented to the imposition of a censure and a fine of \$2.8 million.

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

On June 6, 2009, the United States District Court for the Southern District of New York entered a judgment enjoining BAI and BAS from violating, directly or indirectly, Section 15(c) of the Exchange Act. The SEC had filed a complaint alleging that BAI and BAS misled customers regarding the fundamental nature and increasing risks associated with auction rate securities ("ARS") underwritten, marketed and sold by BAS and BAI and that by engaging in such conduct, BAI and BAS had violated Section 15(c) of the Exchange Act. Without admitting or denying the allegations, BAI and BAS entered into a consent, whereby they agreed to a series of undertakings designed to provide relief to "individual investors" (as defined in the consent) including: (1) through their affiliate, offering to purchase at par from individual investors certain ARS; (2) agreeing to use reasonable efforts to identify individual investors who sold certain ARS below par, and to pay such investors the difference between par and the price at which they sold the securities; (3) agreeing to participate in a special arbitration process for the purpose of arbitrating any individual investor's consequential damage claim related to its investment in ARS; (4) agreeing to refund certain refinancing securities through the firms; and (5) undertaking to make their best efforts to work with issuers and other interested parties to seek to provide liquidity solutions for institutional investors that are not considered "individual investors." Two similar regulatory actions involving the marketing and sale of ARS occurred on January 10, 2012: (1) Merrill Lynch (as successor by merger to BAS and BAI, the "Respondents") agreed to a settlement with the Illinois Securities Department (the "Department"); and (2) Merrill Lynch agreed to a settlement with the North Carolina Department of the Secretary of State, Securities Division (the "Division"). In both actions, it was alleged that inappropriate marketing and sales of ARS occurred without adequately informing certain customers of the increased risks of illiquidity associated with ARS. Both the Department and the Division of the respective states alleged that, through the aforementioned conduct, there occurred dishonest and unethical practices in the offer and sale of securities and failure to supervise agents resulted. In the Illinois action, the Respondents agreed, among other things, to repurchase at par certain illiquid ARS held by certain clients of Merrill Lynch. Additionally, the Respondents agreed to pay a total fine of \$1,578,320.87 to the State of Illinois representing Illinois's portion of a total civil penalty of \$50,000,000 that will be distributed among the states and U.S. territories that enter into similar administrative or civil consent orders related to ARS. With respect to the North Carolina action, Merrill Lynch agreed, among other things, to repurchase at par certain illiquid ARS held by certain clients of Merrill Lynch. Additionally, Merrill Lynch agreed to pay a total fine of \$3,193,552.24 to the Division representing its portion of a total civil



penalty of \$125,000,000 that will be distributed among the states and U.S. territories that enter into similar administrative or civil consent orders related to ARS.

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

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

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

On February 14, 2008, Merrill Lynch consented to an AWC issued by FINRA. FINRA alleged that from at least January 2001 until January 2006, as a result of certain operational and supervisory deficiencies Merrill Lynch failed to timely and consistently update the firm's record system relating to certain investment advisory and fee-based accounts. When clients change investment advisers or terminated enrollment in certain investment advisory or fee-based accounts, Merrill Lynch failed to consistently make changes in account proxy delivery addresses and/or remove traits that suppressed trade confirmation delivery in the firm's



record systems. Additionally, Merrill Lynch failed to maintain written supervisory procedures and a reasonable system of follow-up and review with respect to such operational changes. Without admitting or denying the findings, Merrill Lynch consented to a censure and a fine of \$175,000.

On March 4, 2005, Merrill Lynch entered into a consent order with the State of New Jersey Office of the Attorney General Department of Law and Public Safety and the New Jersey Bureau of Securities ("Attorney General"). The Attorney General alleged: (1) market timing conduct by three Merrill Lynch Financial Advisors 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 Advisors 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 Financial Advisors concerning the reallocation of the underlying sub-accounts of variable products; and (4) 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; and (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 ("Final Judgment"). Pursuant to the settlement, which was entered on October 31, 2003 and



modified on March 15, 2010, Merrill Lynch: (1) was permanently enjoined 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. In a related disciplinary event, Merrill Lynch (as successor by merger to BAS) entered into an amended offer of settlement with the SEC on October 9, 2012. The settlement stems from an SEC Order dated March 14, 2007 against BAS (the "2007 BAS Order") claiming that BAS investment bankers inappropriately influenced equity research analysts, resulting in the publication of materially false and misleading research during the period of January 1999 through December 2001. The 2007 BAS Order censured BAS and ordered BAS to: (i) cease and desist from committing or causing any violations or future violations of Section 15(c) and 15(f) of the Exchange Act, and Rule 15c1-2(a); (ii) pay \$26 million in disgorgement and penalties into a fair fund for distribution to its affected customers; (iii) retain an independent consultant to conduct a comprehensive review of the firm's internal controls to prevent the misuse of material nonpublic information concerning BAS research; (iv) certify to the SEC's staff in the second year following the issue of the 2007 BAS Order that BAS had established and continued to maintain Exchange Act Section 15(f) policies, practices, and procedures consistent with the findings of the 2007 BAS Order; and (v) comply with Addendum A to the 2007 BAS Order, which implemented certain structural changes to the operations of the firm's equity research and investment banking departments. In the Merrill Lynch action, the District Court, on March 15, 2010, modified Addendum A to the October 31, 2003 Final Judgment by, among other things, removing similar provisions that remained in Addendum A to the 2007 BAS Order. The 2007 BAS Order, which remains in effect and binding on Merrill Lynch (as successor by merger to BAS), was modified on October 9, 2012, to strike Addendum A and provide that Merrill Lynch analysts, including ex-BAS analysts, must comply with the Final Judgment.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Merrill Lynch, an indirect wholly-owned subsidiary of Bank of America, is a leading global investment banking firm and a registered broker-dealer, investment adviser and futures commission merchant. In the United States, Merrill Lynch acts as a broker (*i.e.*, agent) for corporate, institutional and governmental and private clients and as a dealer (*i.e.*, principal) in the purchase and sale of corporate securities, primarily equity and debt securities traded on exchanges or in the over-the-counter markets. Merrill Lynch also acts as a broker and/or a dealer in the purchase and sale of mutual funds, money market instruments, government securities, high-yield bonds, municipal securities, financial futures contracts, and options. The futures business and foreign exchange activities are conducted through Merrill Lynch and other affiliates. Merrill Lynch operates the firm's U.S. retail branch system, and also provides financing to clients, including margin lending and other extensions of credit as well as a wide variety of financial services, such as securities clearing, retirement services, and custodial services. As a registered adviser, Merrill Lynch completes a Form ADV, which contains additional information about itself, Bank of America and their affiliates. Information is available through publicly available filings at the SEC or at [http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx).

For purposes of Form ADV Part 2, certain Merrill Lynch management persons are registered as registered representatives or associated persons of Merrill Lynch. 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.

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 you use Merrill Lynch's securities account, execution, custody or other services, or such services of an affiliate. Similarly, Financial Advisors, who also handle clients' securities accounts, may suggest or recommend that clients purchase Merrill Lynch's products or products of an affiliate. Where you purchase or use ours or an affiliate's services or products, we or our affiliates and employees 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.

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

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

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

We and our Financial Advisors may have relationships or dealings with, and may receive direct or indirect compensation or other benefits from, Investment Managers presented to you under the Manager Identification Service. Such Investment Managers may also be participating and therefore available for your selection in other Merrill Lynch investment advisory programs such as the Consults program.

We address these conflicts through disclosure to you in this Brochure.



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

### **CONFLICTS OF INTEREST AND INFORMATION WALLS**

Merrill Lynch is an indirect wholly-owned subsidiary of Bank of America. Bank of America engages in a wide range of activities and businesses across a broad spectrum of clients. As a result, we recognize actual, potential and perceived conflicts of interest may develop in the normal course of operations in various parts of the Bank of America organization. To address these potential conflicts, information walls are in place to allow multiple businesses to engage with the same or related clients at the same time while mitigating the conflicts which may arise from such a situation. For example, information walls prevent the unauthorized disclosure of material nonpublic information and allow public side sales, trading and research activities to continue while other businesses within Bank of America possess material nonpublic information. Additionally, Bank of America maintains a Code of Ethics which provides guidelines for the business practices and personal conduct all associates and board members are expected to adopt and uphold.

Managing conflicts of interest is an integral part of Bank of America's risk management process. We believe that no organization can totally eliminate conflicts that exist explicitly or implicitly. Bank of America, including Bank of America Merrill Lynch's investment advisory business, evaluates its business activities and the actual and possible conflicts that may emerge from its activities on an ongoing basis. To the extent that existing or new business activities raise an actual conflict of interest, or even the appearance of a conflict, we endeavor to provide you with full and clear disclosure or to take action to avoid them.

### **CODE OF ETHICS**

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

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

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

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

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

We, our affiliates and employees benefit from the fees and charges you pay for the Consulting Services. 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.

As noted above, you are not obligated to implement any of the Consulting Services recommendations or to trade through Merrill Lynch. Nonetheless, having received such Consulting Services, you may then make Investment Manager selections or investment decisions that result in new or additional trading being directed to us. Similarly, you may determine to use our new or additional products and services. In such cases, we and our Financial Advisors will benefit from the additional compensation paid or generated from the above. For example, the selection of a new Investment Manager, investment management style, or asset allocation will lead to additional securities trading, such as the transitioning of one investment portfolio to another or in the creation of a new investment portfolio. If directed to us, such trading will result in additional fees and compensation to us and our Financial Advisors. Such additional compensation to us creates a financial incentive to recommend new Investment Managers, investment styles, asset allocations and securities trading generally.

Additionally, we and our Financial Advisors may benefit from additional compensation when you may be changing Investment Managers and/or transitioning your investment portfolios using the Merrill Lynch Transition Management Services. Such additional compensation creates a financial incentive to recommend the use of the Merrill Lynch Transition Management Services. You should understand all these potential conflicts before determining on a course of action and making the types of portfolio and investment decisions described above.

Transition management services are not part of Consulting Services, and there are important restrictions and requirements that apply when you wish to use the Merrill Lynch Transition Management Services. Financial Advisors may discuss transition management services with ERISA-covered and state, municipal or local retirement plans enrolled in Consulting Services, but that should not be considered a recommendation of Merrill Lynch Transition Management Service or serve as a primary basis for any investment decision. Financial Advisors will not receive compensation from Merrill Lynch Transition Management Services when such Consulting Services retirement clients enroll in Merrill Lynch Transition Management Services. However, Financial Advisors may receive compensation from Merrill Lynch Transition Management Services when non-retirement Consulting Services clients receive such services.

Further, in a brokerage relationship separate and apart from the Consulting Services agreement, Financial Advisors may assist certain clients by executing transactions, including, for example the purchase or sale of securities, including stocks, bonds, mutual funds and other investments, as well as our other products and services. In such cases, mutual fund distributors and advisers generally pay the selling broker compensation associated with or generated by such products, services, and transactions. This compensation may include finder's fees, 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 are encouraged to speak with your Financial Advisor at any time about any of these matters, including the extent to which the Selling Broker Compensation varies among the share classes. We may also benefit from the possession or use of any free credit balances in client accounts, including Consulting Services accounts, subject to the restrictions imposed by Rule 15c3-3 under the Exchange Act.

As a broker-dealer effecting transactions on behalf of clients or at the direction of client-selected Investment Managers, including those clients receiving advisory services, we or an affiliate may act as agent or as



principal for our own account, as permitted by applicable law. Similarly, we or an affiliate may, in transactions involving such clients' securities, act as agent while also representing another client on the other side of the transaction. We and our affiliates may profit from these positions or transactions in securities. In addition, we or our affiliates may have a position in, or enter purchase or sale transactions in, securities recommended to brokerage or advisory clients in the normal course of its business. We and/or our affiliates may profit or receive compensation from such positions or transactions in securities.

We, acting in our broker-dealer capacity, may recommend that Consulting Services clients invest in a variety of limited partnerships, investment vehicles such as hedge funds and other investment funds, for which certain of our affiliates may act as general partners or managing members. The investments of the limited partnerships and other entities may vary but include, without limitation, real estate, futures, hedge funds and other alternative investments.

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

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

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

Many of the conflicts related to participation or interest in client transactions and personal trading are less pronounced in the context of the Consulting Services, because the Consulting Services do not make specific securities recommendations or analyze particular securities. We nevertheless attempt to address conflicts of interest through disclosure in this Brochure and other disclosure documents. Merrill Lynch Financial Advisors are required to recommend investment advisory programs, investment products and securities that are suitable for you based upon your investment objectives, risk tolerance and financial situation and needs. In addition, we have established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest – both those arising between and among client accounts as well as between client accounts and our business. For example, our personnel also are subject to personal trading restrictions as detailed in our policies and procedures and Code of Ethics. These policies and procedures and the Code of Ethics require our Financial Advisors to pre-approve certain securities transactions, disclose their investment accounts, and provide or cause Merrill Lynch to receive annual holdings reports and quarterly transaction reports.

#### **BROKERAGE PRACTICES**

The Consulting Services do not make specific securities recommendations or analyze particular securities. As noted above, you are not obligated to implement any of the advice, suggestions, or recommendations provided through the various Consulting Services or to trade through us. In the past, we permitted clients to direct brokerage to offset their Consulting Services fees. While we no longer permit new clients to utilize this method, existing clients may utilize their existing credits to satisfy their Consulting Services fee. Directed brokerage and other commission arrangements raise conflicts of interest that you should carefully consider,



notwithstanding the potential benefit that these arrangements may offer. For example, we and our Financial Advisors are compensated for securities transactions executed by us. The compensation from these transactions creates an incentive for Financial Advisors to recommend directed brokerage. Transactions effected after the directed brokerage target has been satisfied may provide less benefit to you than transactions directed to us before the directed brokerage target has been satisfied. Further, since the directed brokerage conversion ratio determines the amount of commissions necessary to offset the Consulting Services fees, a higher ratio will mean that more commissions are necessary to cover such fees. If you have existing credits in excess of your annual Consulting Services fees, you may carry that amount forward into the next year so long as you remain enrolled in Consulting Services. Existing credits can only be used to offset future Consulting Services fees, and will not be paid out as a cash refund.

## REVIEW OF ACCOUNTS

We and your Financial Advisors do not provide regular account reviews as part of the Consulting Services program. Furthermore, we do not monitor transactions directed by the Investment Managers for compliance with any applicable restrictions or requirements, even where we execute the transactions.

That said, your Financial Advisor is available to review any reports that we provide you upon request, but no specific factor will trigger a review of your reports or any account. Any review we perform does not substitute for your continued review of your reports or accounts.

### CLIENT REPORTS

As part of the Investment Policy, Strategic Allocation Modeling, and Manager Identification Services, we will provide you with a written report. Thereafter, we will not provide any additional reports unless you request it. In addition, we will not modify or update any report unless you specifically request us to do so nor will we perform any ongoing review of any element of the report.

As part of IPR, we will provide you with periodic written reports containing returns and other statistical performance analyses.

If you are still able to use directed brokerage to offset your Consulting Services fees, you receive a monthly directed brokerage statement indicating the amount of your annual Consulting Services fees and the amount of directed brokerage available to offset these fees. You should review these statements to monitor your Consulting Services fees and directed brokerage benefits and to determine when you have satisfied your fee commitment to us. Additionally, we provide you supplemental notification by letter when your directed brokerage levels are sufficient to offset your annual Consulting Services fees.

## CLIENT REFERRALS AND OTHER COMPENSATION

### OTHER COMPENSATION

We have business relationships with many Investment Managers, including those presented to or retained by you receiving the Consulting Services. 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 Advisors (including Financial Advisors providing the Consulting Services) may receive compensation in connection with such transactions and other services. 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, including any business relationships that your Investment Manager may have with us or your Financial Advisor.



Investment managers presented to you or their affiliates, including Investment Managers for separate accounts and advisers to mutual funds and other pooled vehicles that may be purchased for Consulting Services accounts, may pay for, or reimburse us 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 our other personnel relating to the Consulting Services and asset management generally. These Investment Managers or their affiliates may also participate with our personnel in other conferences and seminars unrelated to the Consulting Services 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 for 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 consulting or other services to us along with marketing of our various advisory programs, including the Consulting Services, or otherwise refer prospective clients to us. Each such marketing arrangement is or will be governed by a written agreement between us and the third-party and will be disclosed to you, as required by law.

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

You are not obligated to implement any of the advice, suggestions, or recommendations provided through the various Consulting Services or to trade through or with us. However, after having received the Consulting Services, such as those relating to asset allocation or Investment Manager selection, you may decide to change allocations or managers or take other action resulting in new investments or additional securities transactions. The determination as to whether to transact business through or with us to implement or otherwise follow through with any of the Consulting Services belongs exclusively to you, and, as applicable, your Investment Manager(s) and is not part of the Consulting Services. To the extent that trading is effected through us, you will pay us any applicable charges, including commissions, a portion of which may be paid to your Financial Advisor.

#### **CUSTODY**

We do not have custody of client funds and securities in connection with the Consulting Services.

#### **INVESTMENT DISCRETION**

We do not accept discretionary authority in connection with the Consulting Services.

#### **VOTING CLIENT SECURITIES**

The Consulting Services do not make specific securities recommendations or analyze particular securities. Accordingly, the Consulting Services do not involve the voting of client securities.

#### **FINANCIAL INFORMATION**

Not applicable.



## GLOSSARY

- “Advisers Act” means the U.S. Investment Advisers Act of 1940, as amended.
- “AWC” means a FINRA Letter of Acceptance, Waiver and Consent.
- “BAI” means Banc of America Investment Services, Inc.
- “BAS” means Banc of America Securities LLC.
- “BANA” means Bank of America, N.A.
- “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.
- “BofAML Research” means BofA Merrill Lynch Global Research.
- “Brochure” means the Merrill Lynch program brochure relating to Consulting Services, as amended or updated from time to time.
- “Client” or “you” means the Consulting Services client.
- “Code of Ethics” means Merrill Lynch’s Investment Adviser Code of Ethics.
- “Consulting Services” means the Merrill Lynch Consulting Services.
- “ERISA” means the U.S. Employee Retirement Income Security Act of 1974, as amended.
- “ETF” means a Registered Fund that is an exchange-traded fund.
- “Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.
- “Financial Advisor” means a Merrill Lynch Financial Advisor.
- “FINRA” means the Financial Industry Regulatory Authority, Inc.
- “Funds” means registered and unregistered investment companies, including mutual funds, closed-end funds, ETFs, hedge funds, real estate investment trusts, and other pooled investment vehicles.
- “Investment Company Act” means the U.S. 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.
- “IPR” means the Merrill Lynch Institutional Performance Report Service.
- “Manager Identification Service” means the Merrill Lynch Manager Identification Service<sup>SM</sup>.
- “Merrill Lynch,” “we,” “us,” or “our” means Merrill Lynch, Pierce, Fenner & Smith Incorporated.
- “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.
- “Order” means an order issued by the SEC.
- “PIF” means the Consulting Services Portfolio Information Form.



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

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

**“Related Fund”** means a Fund sponsored, managed or administered by Merrill Lynch or a Related Company.

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

**“Retirement Account”** means an ERISA Plan, a U.S. a tax-qualified plan of self-employed persons, a U.S. individual retirement account or any other plan, arrangement or entity subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended.

**“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 finder’s fees, 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.

**“Strategic Allocation Modeling”** means the Merrill Lynch Strategic Allocation Modeling Service.

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

**“Unrelated Custodian”** means a custodian other than Merrill Lynch or a Related Company.