

# 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 ("MLPF&S" or "Merrill") relating to the Merrill Lynch Consulting Services Program. If you have any questions about the contents of this Brochure, please contact us at 800.MERRILL (800.637.7455).

Please note that 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. Additional information about MLPF&S also is available on the SEC's website at <http://www.adviserinfo.sec.gov/IAPD>.

The investment advisory services described in this Brochure are not insured by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency, are not deposit or other obligation of or guaranteed by MLPF&S, Bank of America Corporation ("BofA Corp."), or any of its affiliates and are subject to investment risks, including possible loss of principal.

**March 23, 2020**

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Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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## **MATERIAL CHANGES**

On March 25, 2019, Merrill filed its last annual update for its Merrill Lynch Consulting Services brochure ("Brochure"). 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.

No material changes have been made since the last annual update was filed for this Brochure.

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### ADVISORY BUSINESS

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S," "Merrill," "we," "us," or "our"), an indirect wholly-owned subsidiary of Bank of America ("Bank of America"), is a global investment banking firm and a registered broker-dealer and investment adviser. Merrill 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. For purposes of this Brochure, "client" or "you" refers to the Consulting Services 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) Investment Policy Service; (2) Strategic Allocation Modeling Service; (3) Manager Identification Service; and (4) Institutional Performance Report Service ("IPR"). They are collectively referred to as the "Consulting Services." Effective June 9, 2017, Consulting Services was closed to new enrollments. Also effective that date, if you are a client and you are or acting on behalf of a benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended, you can no longer elect the Investment Policy Service, Strategic Allocation Modeling Service, or the Manager Identification Service.

The scope of any investment advisory relationship we have with you is defined in the Client Agreement you sign for the Consulting Services. When you are enrolled in the Consulting Services, we act as your investment adviser only for the Consulting Services provided under the Client Agreement and not any other assets or accounts, unless otherwise separately agreed to by us in writing. Our advisory relationship begins when we enter into the Client Agreement with you, which occurs when we accept your signed Client Agreement. 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. Consulting Services is a non-discretionary investment consulting service only. If elected, we will assist you with the development of an investment policy, identifying long-term asset allocation for your specific needs and goals, manager selection, and/or performance reporting however, you will retain the investment decision for your portfolio. For all services other than IPR, our advisory relationship ends when we deliver the applicable service to you. The following are descriptions of the Consulting Services.

### INVESTMENT POLICY SERVICE

The Investment Policy Service is designed to assist you in creating a written policy statement ("Policy Statement") to describe both your investment goals and objectives for a portfolio 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 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 portfolio 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 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 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 and additional fees will apply.

Once you approve the Policy Statement, you can send it to your Investment Manager(s). Please note that it is your responsibility (and not ours) 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(s) and we encourage you to review your account(s) periodically to verify your Investment Manager's compliance with the Policy Statement. Again, your Investment Manager is responsible for the management of your account(s), not us. As a result, we will not review your account(s) for adherence to any Policy Statement.

### **STRATEGIC ALLOCATION MODELING SERVICE**

The Strategic Allocation Modeling Service is designed to assist you in identifying an appropriate long-term asset mix for your specific needs and goals. In a Strategic Allocation Modeling study, computer models are used to construct asset allocations and to project potential ranges of returns and market values over various time periods and using various cash flows. The modeling uses our forward-looking capital market assumptions of risk, return, and correlations for the different asset mixes. (see *Methods of Analysis, Investment Strategies and Risk of Loss-Strategic Allocation Modeling Service* for further information)

If you elect to have Merrill 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 portfolio 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 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 mix, it is important that you periodically review your portfolio's actual asset allocation to verify that it remains in line with your investment guidelines.

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 and additional fees will apply. Please note we will not perform any ongoing review of your selected asset allocation strategy.

### **MANAGER IDENTIFICATION SERVICE**

The Manager Identification Service is designed to assist you with the review and identification of professional Investment Managers through the creation and presentation of a candidate list based on our due diligence so that you can select one or more such managers for the discretionary management of your portfolio. (see *Methods of Analysis, Investment Strategies and Risk of Loss – Manager Identification Service* for further information)

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 portfolio such as investment objectives, risk tolerances and asset class preferences. 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 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. Thereafter, a new Manager Identification Service report will only be prepared upon your specific request and additional fees will apply. It is your responsibility to select and/or retain any of the Investment Managers presented whether hiring a manager directly or through other Merrill investment advisory programs and negotiate directly with them the terms of any Investment Manager agreement, including applicable fees. 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 will be included in this report. In such a case, Merrill will not perform any due diligence on this Investment Manager, including the quality of this Investment Manager's service or prior performance. Merrill expresses no opinion about such Investment Manager and inclusion of this Investment Manager in the Manager Identification Service is not an endorsement or recommendation of the Investment Manager.

### **INSTITUTIONAL PERFORMANCE REPORT SERVICE**

The IPR assists you in evaluating the performance of your investment account(s) by providing periodic reports containing returns and other statistical performance analyses. Account returns are compared with the returns of certain market indices, as specified by you. The IPR also provides an attribution analysis of the effect that your Investment Manager's securities selections and asset allocation decisions have on your portfolio's performance. An assessment of the risk taken to achieve the returns (if any) is also presented. You should use the report to evaluate your Investment Managers and your Investment Manager's performance. Your Financial Advisor will be available to assist you in understanding the format and content of the IPR, which includes graphic and tabular presentations of performance.

The principal source of information for the IPR is data from us, unless your portfolio has a custodian other than Merrill ("Unrelated Custodian"). If you elect to use an Unrelated Custodian, the source of the information for the report is that of the custodian. We also use outside information sources in preparing the IPR, 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 Investment Manager, security, or other investment vehicle in the IPR does not constitute a recommendation, endorsement, advice or ongoing due diligence by Merrill of any kind with regard to the suitability or the appropriateness of continued investment.

In connection with the information contained in the IPR, you should note that:



- If provided in the custodial statement, changes in account valuations due to capital gains or losses, dividends, interest or other income are included in the calculation of returns; and
- Typically transaction costs, such as commissions, are included in the purchase cost or deducted from the sale proceeds of a sale of a security.

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 IPR. We are not responsible for the accuracy of this data.

When making performance comparisons, you should note that:

- Differences in transaction costs among accounts will affect account comparisons; and
- The market indexes shown in the IPR 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 IPR. 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 varies among pricing sources. As another example, if sufficient data is available, the IPRs are prepared on a trade date basis, and their performance information differs from reports prepared on a settlement date or other basis.

### **OTHER MERRILL ADVISORY SERVICES**

In addition to the Consulting Services, Merrill offers a wide variety of advisory services. These include, but are not limited to, the following: Merrill Lynch Institutional Investment Consulting Program, Merrill Lynch Defined Contribution Investment Consulting Services, Merrill Lynch Fiduciary Advisory Services, Merrill Lynch Advice Access, Merrill Guided Investing, Merrill Guided Investing with Advisor program, Merrill Edge Advisory Account program, Merrill Lynch Investment Advisory Program, and Merrill Lynch Strategic Portfolio Advisor® Service. We also offer impersonal investment advice (general advice not tailored to the specific needs of any individual) in the form of publications or research. More information about these programs and services is contained in the applicable Merrill Brochure (or MLPF&S Form ADV, Part 2A) and is available upon request or through the SEC's website at <http://www.adviserinfo.sec.gov/IAPD>.

### **WRAP FEE PROGRAMS**

You may elect to contract with third party managers recommended through Consulting Services through another Merrill investment advisory program. When you enroll in another Merrill investment advisory program, you will be charged a separate fee under the terms of that program. More information about these programs, including the material risks and conflicts associated with the program, and other Merrill programs and services are contained in the applicable Brochure (or MLPF&S 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 31, 2019, Merrill had assets under management of \$962.05 billion, of which \$289.19 billion was managed on a discretionary basis and \$672.86 billion was managed on a non-discretionary basis. The assets related to the Consulting Services discussed herein are not included in this data.

### **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 provide and bill on these services individually, as a single service fee, or in combination using aggregate or bundled service fees. The Consulting Services selected and the related fee(s) are documented in the Consulting Services Portfolio Information Form ("PIF"). Changes to the fee or services will require a new PIF.

The fees for the Consulting Services are negotiable, depending on a number of factors, including, but not limited to, the:

- Amount of consultation provided by your Financial Advisor;
- Range and extent of services provided or to be provided to you in the aggregate by us; and
- Number of accounts and complexity of the portfolio.

#### **Maximum Fee for each service:**

- **Investment Policy Service** - The maximum fee for drafting a Policy Statement for each portfolio is \$14,000.
- **Strategic Allocation Modeling Service** - The maximum fee for the Strategic Allocation Modeling Service for each pool of assets is \$30,000.
- **Manager Identification Service** - The maximum 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 service.
- **Institutional Performance Report Service** - You can select the level of report detail that meets your needs. The fees for IPR depend upon the type of report provided and are as follows:

Type of Report	Maximum 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

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.

### **FEE ARRANGEMENT STRUCTURES**

The following are descriptions of the Consulting Services fee arrangements. Unless otherwise agreed to between you and Merrill, we will provide you with an invoice for your Consulting Services fee.

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

Each service is priced and payable separately as a fixed dollar amount fee, as specified in the PIF. Payment for individual services is typically due quarterly, in advance.

#### **FIXED FEE ARRANGEMENTS**

The fixed dollar amount fees for the services specified in the PIF are totaled and a single, fixed dollar fee is charged. This arrangement requires our internal approvals and is subject to annual review by us thereafter. Fixed dollar fee payments are due either quarterly, semi-annually or annually, typically in advance.

#### **ASSET-BASED FEE ARRANGEMENTS**

Asset-based fee arrangements are based on a percentage rate that is derived from the services you have selected and the associated maximum fixed dollar fees for those services and the estimated market value of assets subject to the Consulting Services relationship. This arrangement requires internal Merrill approvals and is subject to annual review by us thereafter. An asset-based fee arrangement is only available to you if you subscribe to the IPR.

Asset-based Consulting Services fees will be calculated and payable quarterly, typically in advance, by applying the agreed upon percentage rate specified in the PIF to the estimated market value of the portfolio as of the last business day of the previous calendar quarter, as reported in the IPR. Asset-based fees are not fixed and will vary from quarter to quarter depending upon the value of the assets subject to the Consulting Services relationship and subject to the maximum fee set forth. Unless otherwise agreed to, all of the assets in the 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. 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 will be paid to your Financial Advisor.

### **PREPAID FEES**

The Consulting Services Client Agreement can be terminated at your or our direction as described in that agreement. Upon termination, we will refund any prepaid Consulting Services fees if the service was not delivered or as required by law.

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

We and our employees, including your Financial Advisor, benefit from compensation paid to us, and may directly or indirectly receive a portion of any 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 fees. Financial Advisors offering these services will, in turn, receive compensation from Merrill. This practice creates a conflict of interest that gives us and our Financial Advisors an incentive to recommend advisory services based on the compensation received. Fees and commissions are 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 will 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 from compensation described in this section and throughout the Brochure in a variety of ways including the disclosure of the conflicts in this Brochure. Moreover, our Financial Advisors are required to recommend investment advisory programs, investment products and securities that are suitable for you based upon your investment objectives, risk tolerance and financial situation and needs. In addition, we have established a variety of restrictions, procedures and disclosures designed to address actual and potential conflicts of interest – both those arising between and among accounts as well as between accounts and our business.

### **CONDUCTING BUSINESS THROUGH MERRILL**

You may be able to separately obtain some or all of the types of services available through the Consulting Services from Merrill 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 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.

### **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 include individuals, trusts, estates, charitable organizations, pension and profit sharing plans, corporations and other types of business entities as we deem appropriate.

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

Effective June 9, 2017, Consulting Services was closed to new enrollments.

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

### **INVESTMENT POLICY SERVICE**

If you elect to have Merrill assist you in creating a Policy Statement, we will collect certain information from you through a questionnaire. The questionnaire is designed to profile various characteristics of the client that will assist in the creation of the client's IPS. The characteristics that are taken into consideration include tax status, investment goals, risk tolerance, time horizon, liquidity needs, and investment constraints. Once created, your Financial Advisor will provide you with a copy of the draft IPS to review and update, if needed. During the editing phase, we strongly recommend that you consult your legal, actuarial and tax professionals to check relevant documentation, particularly in the case of trusts and retirement plans. Ultimately, the review and acceptance of the IPS is solely the responsibility of the client. Please note that it is your responsibility to provide all necessary information for the preparation of the IPS, particularly any limitations imposed by law or otherwise.

Merrill will produce a single IPS to cover your investment portfolio. As stated above, your Financial Advisor will provide you with a copy of your IPS. Merrill will not provide a copy of the IPS to an independent third-party investment manager. You are responsible for providing all independent third-party investment managers a copy of the IPS. You are responsible for ensuring all third-party investment managers abide by the investment guidelines and restrictions of their investment mandate.

### **STRATEGIC ALLOCATION MODELING SERVICE**

If you elect the Strategic Allocation Modeling Service, Merrill will assist you in identifying an appropriate long-term asset allocation for your portfolio based upon your risk tolerance, investment goals and objectives, liquidity needs, tax status, time horizon, portfolio initial investment value, and investment constraints. These inputs are used in conjunction with our forward-looking capital market assumptions and a probabilistic modeling approach known as Monte Carlo simulation to recommend an asset allocation to you. Monte Carlo simulation is a statistical modeling technique in which a set of future outcomes are forecasted based on the variability or randomness associated with historical occurrences. We use Monte Carlo simulation when producing a range of simulated asset allocations for comparison with your current asset allocation. Each asset allocation (current and simulated) is accompanied by the range of expected returns, volatility estimates, potential portfolio values, and yield projections over various investment horizons. The outcome of the service, along with a recommended asset allocation for your portfolio, will be presented to you by your Financial Advisor.

#### **a. Monte Carlo Simulation**

Monte Carlo simulations are the result of running a large number of random scenarios in an attempt to determine the most probable performance results of a given portfolio. These simulations may be based not only on past performance information, which is not indicative of future results, but they may also be based on

hypothetical performance for certain periods and for certain underlying funds or accounts. Note that this does not imply that these results are actually the best and worst cases that one will actually experience. Monte Carlo simulations do not purport to represent the actual performance of any portfolio, but attempt to illustrate the probabilistic range of hypothetical performance results of a large number of different hypothetical portfolios. No actual portfolio has performed in the manner indicated in the Monte Carlo simulations, and the hypothetical scenarios used in the simulation may omit entire categories of relevant scenarios. There can be no assurance that any given portfolio will in fact perform in a manner materially consistent with the probabilities indicated by the simulation. No representation is or could be made that the probabilities indicated by these simulations are based on any fundamental economic or market characteristics, and in the absence of such characteristics, there is no reason that these probabilities will be representative of any actual portfolio. Hypothetical or simulated performance results have certain inherent limitations. Unlike an actual performance record, simulated results do not represent actual trading. Also, since the trades have not actually been executed, the results may have under-or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any recommendation or portfolio will or is likely to achieve profits or losses similar to those shown.

### **b. Merrill's Capital Market Assumptions Framework**

Merrill's capital market assumptions framework generates expectations of asset class returns, risk, and correlations for the upcoming 25 years. This time horizon, strategic in nature, is meant to capture multiple business cycles and can potentially contain periods of economic expansion, contraction, market peaks, and market troughs, all with varying degrees of volatility. By looking beyond these short-term fluctuations in the market, we focus instead on the more stable, long-term financial relationships that provide a strong foundation from which we aim to construct efficient and well diversified portfolios. History has demonstrated that inter-asset class relationships are dynamic and traditional relationships that have held in the past, may not in the future. As a result, we take secular shifts into account in our modeling and incorporate new trends as they develop. Generating forecasts for returns, standard deviations, and correlations is the first step in developing the particular strategic asset allocation that helps meet each of our clients' unique needs and situations.

### **c. Expected-Return Methodology**

There are many different methodologies for developing expected-return forecasts. Models can range in sophistication from the more basic, which rely exclusively on historical data (often producing misleading results) to the more complex, which seek to merge historical analysis with forward-looking views. Further, care must be taken when selecting suitable methodologies, as models built in the same manner for disparate asset classes can lead to unrealistic return expectations. As such, a wide array of techniques has been employed to more precisely estimate the return potential for each asset class. Merrill asset class expected return forecasts are guided by economic theories and based on the principle that asset returns provide compensation for exposure to systematic risk factors. To develop capital market assumptions, Merrill uses a proprietary approach that reflects the dynamic interrelationships between asset class returns and a set of risk factors. Those risk factors have been found in academic research to represent systematic sources of risk and exhibit risk premium that are expected to persist in the future. More specifically, Merrill first generates forward-looking forecasts for those selected key risk factors guided by financial theories, academic and practitioner research, and using data that gauge current market conditions. We then estimate relationships between the asset classes and the risk factors by applying regression analysis to historical data. Asset class expected returns are then developed based on asset class exposure to those systematic risk factors and our forecasts for those risk factors.

### **d. Standard Deviation and Correlation Coefficient Methodology**

As in the case with Merrill's expected return modeling, Merrill applies a factor based approach to generate forward-looking volatility and correlation assumptions. We first generate forward looking scenarios for a set of risk factors guided by financial theories and empirical evidence. We then use historical data to estimate the empirical relationship between each asset class and relevant risk factors. For example, for U.S. equity asset classes, we use three well-known risk factors devised by Fama and French-market size and value. Next, we simulate asset class future return scenarios based on their relationship with relevant risk factors. Finally, we derive asset class expected volatilities and correlations coefficients from simulated future return scenarios.

### **e. Forecasted Annualized Returns**

Forecasts within the report for the current portfolio or alternate portfolio mixes studied do not take into account capital gains taxes incurred by re-allocating from your current asset allocation. Annual rebalancing of portfolios consistent with the asset allocation used in the analysis is assumed. Dividends and income are reinvested to the extent not used to fund annual spending. Neither the historical performance of the indexes nor the adjusted performance data guarantee future results. The returns of the market indexes and the asset allocation alternatives included in the report we provide to you do not reflect actual account performance or the deduction of transaction costs or advisory fees. The deduction of such costs and fees would reduce performance. Certain assumptions are made in the analyses included in the report we provide to you. For example, the allocations shown for each alternative remain consistent over all periods of time. This practice would seldom be followed in actual investing; and performance returns of the alternatives assume reinvestment of income. Assumptions concerning inflation and tax rates are for illustrative purposes only and are not intended to predict or guarantee economic performance in the report we provide to you.

### **f. Market Risks**

Diversification does not guarantee a profit or protect against loss in declining markets. Since the goals-based asset allocation contained in the report we provide to you involves continual investment in securities regardless of fluctuating price levels, you must consider your willingness to continue purchasing during periods of high or low price levels. You should also carefully consider the results of your modeling study and make an independent judgment that this material accurately reflects your situation, investment philosophy and risk tolerance. Investments in foreign securities involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Foreign currency exchange rates can adversely affect the value, price or income of any security or related investment mentioned. In addition, investors in securities such as American Depositary Receipts, whose values are influenced by the currency of the underlying security, effectively assume currency risk. There are special risks associated with an investment in commodities, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes, and the impact of adverse political or financial factors.

### **g. Risks In Alternative Investments**

Most alternative investment products are sold on a private placement basis and eligible clients must typically be qualified purchasers (as defined by the SEC). No assurance can be given that any alternative investment's investment objectives will be achieved. In addition to certain general risks, each product will be subject to its own specific risks, including strategy and market risk.

You should bear in the mind the following risks of alternative investments:

- Alternative investments are speculative and involve a high degree of risk.

- Alternative investments may trade on a leveraged basis which increases the risk of loss.
- Performance can be volatile.
- An investor could lose all or a substantial amount of his or her investment.
- The use of one or a small number of fund managers applying one set of allocation procedures could mean lack of diversification and, consequently, higher risk.
- There is no secondary market for investor's interest in alternative investments and none is expected to develop.
- There may be restrictions on transferring interests in the alternative investments.
- High fees and expenses, including performance fees payable to the manager, may offset trading profits.
- Fund managers have broad authority to suspend redemptions, defer payment of redemption proceeds and establish illiquid side pockets to segregate illiquid investments.
- A substantial portion of the trades executed by the underlying managers may take place on non-US exchanges.
- Alternative investments may require tax reports on Schedule K-1 to be prepared. As a result, investors may be required to obtain extensions for filing federal, state, and local income tax returns each year.
- In addition to the foregoing risks, each alternative investment fund is subject to its own strategy-specific or other risks. You must carefully review the offering memorandum for any particular fund and consider your ability to bear these risks before any decision to invest.
- Past performance is not indicative of future results.
- Hedge funds and private equity may be included in the recommended target asset allocation but Merrill will not provide any investment manager and strategy recommendations with respect to such assets.

### **h. Risks in Private Equity**

In addition to the foregoing, private equity fund investments are subject to the following risks:

- Private equity investments involve significant risks, are typically illiquid on a long-term basis and may require a holding period of at least 8 to 12 years and the investment managers or general partners, as applicable, of private equity funds have the ability to extend such terms (often without investor consent) for extended periods of time. Underlying private investments may be difficult to value. Investors may lose their entire investment.
- Private equity managers typically take several years to invest a fund's capital. Investors will not realize the benefits of their investment in the near term and there will likely be little or no near-term cash flow distributed by the fund during the commitment period. Interests may not be transferred, assigned or otherwise disposed of without the prior written consent of the manager of the private equity fund.
- Private equity funds may make a limited number of investments, and such investments generally will involve a high degree of risk, such as start-up ventures with little or no operating histories. In addition, funds may make minority equity investments where the fund may not be able to protect its investment or control or influence the business of such entities. The performance of a fund may be materially impacted by a single investment.



- A private equity fund may obtain rights to participate in, or to influence, the management of certain portfolio companies, including the ability to designate directors. This or other measures could expose the assets of the fund to claims by a portfolio company, its security holders, creditors and others.
- Private equity fund investors are subject to periodic capital calls. Failure to make required capital contributions when due will cause severe consequences to the investor, including possible forfeiture of all investments in the fund made to date.

### **i. Past Performance is No Guarantee of Future Results**

Once you have reviewed the report provided to you, it is your responsibility to decide if, and how, the suggestions made in conjunction with this report should be implemented. You should carefully consider all relevant factors in making these decisions and are encouraged to consult with any of your outside professional advisors. In particular, neither Merrill nor its Financial Advisors provide legal or tax advice. We recommend that you consult with your lawyer, accountant or other advisor about questions affecting your individual circumstances. It is important to review your financial situation regularly. If your financial goals or circumstances change, you should carefully consider how these changes might affect any course of action you have previously selected.

Your Financial Advisor will collect certain information from you, such as your portfolio's investment objectives, risk tolerance, and projected cash flows, through a questionnaire in order to provide this service. However, you are responsible to provide all necessary information, particularly any limitations imposed by law or otherwise. We rely upon information provided by you to provide the report.

It is your responsibility to select the final asset allocation and to determine whether to implement any asset allocation strategy. After you select an asset allocation, it is important that you periodically review your portfolio's actual asset allocation to verify that it remains in line with your investment guidelines. 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 and additional fees will apply. Please note we will not 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 your responses to the questionnaire which collects specific investment manager criteria and constraints to be considered during the identification process. 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 can 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.

Using this analysis, we will present you with a list of typically three to five investment managers and strategies per asset class.

Upon written request of a client, additional investment managers will be included in this candidate list. In such a case, Merrill will not perform any review of the quality of this manager's service or prior performance. Merrill 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.

Once the Manager Identification Service is completed, we will not modify or update it, unless you specifically request us to do so and additional fees ` apply. Please note we will not perform any ongoing review of your selected investment managers.

### **a. Investment Manager Review Process**

The initial and periodic reviews of investment managers that are included in the Manager Identification Service are performed by our product teams through an internal business review. In addition, we have in place an investment review conducted by or under the auspices of personnel of our Chief Investment Office (the "CIO"), referred to as the "CIO Review Process". The CIO is a business group that provides investment solutions, portfolio construction advice and wealth management guidance to our clients. It is a separate division from the business group that administers the Consulting Services.

The CIO Review Process consists of proprietary processes conducted by the CIO and those processes and reviews provided by third-party reviewers that we have engaged for this purpose. The third party reviewer services are generally consistent with the multi-factor processes that the CIO deploys but they are not identical. We, through the CIO, have reviewed such third-party reviewers' processes and believes they are reasonable and appropriate in light of the objectives of the program.

Once we identify a need for a particular investment management style, we employ a multi-factor process to review appropriate investment managers and strategies to meet this need. These factors include, but are not limited to: organizational structure and stability of an investment manager or strategy, 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.

Based on these factors and using the information collected, the CIO Review Process involves quantitative and qualitative analytical methods, some of which may be subjective. Different weightings may be assigned to each of the factors considered and generally no single factor will be determinative. There is no assurance that the CIO Review Process or our internal business reviews will identify the best performing investment managers and or strategies.

Our reviews may involve in-person visits, telephone conference calls, reviews of performance, and updates of certain investment manager or strategy documents and information. We may also conduct periodic analysis of composite performance to determine whether that performance generally appears to be consistent with that of the manager or strategy. Merrill does not perform audits of the investment strategies to verify past performance information.

For each investment manager or strategy, we will periodically evaluate factors related to the investment manager or strategy, that we deems appropriate. In addition, we may initiate reviews based on various factors determined by us and the CIO to be appropriate. These reviews may occur as part of the CIO Review

Process or otherwise. In addition, Merrill will evaluate on an as needed basis, as determined by the CIO or by Merrill, any material change related to such investment manager or strategy and the impact of any such changes including on the investment advisers managing the assets.

### **INSTITUTIONAL PERFORMANCE REPORT SERVICE**

The IPR is provided for performance measurement purposes only. The principal source of information for such report is data from your custodian(s). 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. Merrill is not responsible for the accuracy of this data. When special circumstances come to our attention, Merrill reserves 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 portfolio. The inclusion of any particular Investment Manager or security in an IPR does not constitute a recommendation or advice with regard to suitability or the appropriateness of continued investment.

In connection with the information in your performance review, such as the comparisons of the returns of your investment managers and strategies with those of the selected market indices, it should be noted that:

- If provided in the custodial statement, changes in portfolio valuations due to capital gains or losses, dividends, interest or other income are included in the calculation of returns;
- Typically transaction costs, such as commissions, are included in the purchase cost or deducted from the proceeds of a sale of a security; and
- The accuracy of the IPR and the information contained is limited by the accuracy and completeness of the information and data available to Merrill. Merrill relies solely on the information provided to us by your investment managers and custodians, and computational or other errors or limitations in that information will consequently be reflected in the IPR. One particular area where information is limited is the calculation of net performance. Clients may arrange to pay investment advisory fees to their investment managers and the Consulting Services fee to Merrill directly rather than authorize deduction from the account managed by the investment manager. Similarly, clients may authorize the deduction of the Consulting Services fee and investment advisory fees for an account or multiple accounts from a different or single account. Depending on whether your fees are paid directly, out of your managed account, or fees for multiple investment managers are deducted from a single account, the performance information reported to Merrill by your investment manager(s) may or may not reflect accurately the deduction of those fees. In the event that you have arrangements that provide such alternative payment mechanisms, the actual net performance of your accounts will differ from that shown in the IPR.

### **PRICING OF SECURITIES**

Pricing of securities is provided for your information. Your Merrill 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 IPR reflects the current manager. However, the return and standard deviation information may be calculated using the entire

history of each account. Note that the IPR 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 IPR is dependent upon valuations received from Merrill and custodians other than Merrill. For custodians other than Merrill, we rely upon their 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. Since the management of your account is the responsibility of your selected Investment Manager(s), you should notify your Investment Manager(s) of any material change in financial circumstances or investment objectives or investment restrictions (if any) that may affect your account. Neither we nor our Financial Advisors have any obligation to communicate such information to the Investment Managers.

As a part of the Investment Policy Service, Merrill will create an IPS for you based upon the personal, financial, and other information provided by you through the questionnaire. You are responsible for reviewing the IPS to ensure it is reflective of your goals and objectives, and the information you provided is captured correctly.

As a part of the Strategic Allocation Modeling Service, we will provide you with a Strategic Allocation study based upon information provided by you through the questionnaire. It is your responsibility to select the final asset allocation and to determine whether to implement any asset allocation strategy. After you select an asset allocation mix, it is important that you periodically review your portfolio's actual asset allocation to verify that it remains in line with your investment guidelines.

We conduct due diligence into certain Investment Managers as a part of the Manager Identification Service and you are provided with a report 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.

### **RISK AND TAX DISCLOSURE**

You should understand that all investments involve risk (the amount of which varies 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. Any type of investing involves a risk of loss. Investment managers generally attempt to identify securities and other assets believed to be undervalued and there are no assurances that such opportunities will be successfully recognized or acquired by investment managers engaged by Consulting Services clients. As a result, the rates of return to clients will primarily depend upon the results of investment decisions of third-party managers.

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 IPR or other Merrill reports, can be attained. Past performance by an investment manager is not a guaranty of future performance by that investment manager and Merrill cannot guarantee that any investment manager engaged by Consulting Services clients will achieve a client's investment objectives.

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 written 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. 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 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 are 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 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 prior to the delivery of our proposal.
- 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.

### **CYBER SECURITY RISKS**

With the increased use of technologies to conduct business, Merrill and its Affiliates are susceptible to operational, information security, and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and may arise from external or internal sources. Cyber attacks include unauthorized access to digital systems (such as through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information; corrupting data, equipment, or systems; or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (making network services unavailable to intended users).

Cyber incidents cause disruptions and affect business operations, potentially resulting in financial losses, impediments to trading, the inability to transact business, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.

### **RELATED PERSONS**

In addition, other Bank of America Affiliates or divisions, such as Bank of America, N.A., offer their own managed products or wrap programs that are similar to this or other Merrill programs. Advice and/or recommendations provided to these different affiliates or divisions, including advice related to the

recommendation of certain investment managers will be different from, or even 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, Merrill can recommend a specific investment manager for inclusion in a BANA program, but not a Merrill program.

### DISCIPLINARY INFORMATION

The following is a summary of certain adverse legal and disciplinary events and regulatory settlements that may be material to your decision of whether to retain us for your investment advisory needs. Certain disclosures below relate to disciplinary events that occurred with predecessor firms, Banc of America Investment Services, Inc. ("BAI") and Banc of America Securities LLC ("BAS"), which merged with MLPF&S in the 2009-2010 time period. You can find additional information regarding these settlements in Part 1 of Merrill Lynch's Form ADV at: [http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx).

On August 20, 2018, the SEC announced that MLPF&S, without admitting or denying the findings, entered into a settlement related to willful violations of Sections 206(2) and 206(4) of the Advisers Act and Advisers Act Rule 206(4)-7. Specifically, the SEC's administrative order found: (1) a failure to disclose that the portfolio manager process employed in connection with a January 2013 termination recommendation was exposed to a conflict of interest (less than one-seventh (1/7) of 1% of total advisory accounts (approximately 1,500) were invested in the products subject to the termination recommendation); and (2) a failure to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act. In determining the appropriate sanctions, the SEC considered MLPF&S's remedial acts promptly undertaken and cooperation afforded the SEC staff. MLPF&S consented to the imposition of a cease-and-desist order, a censure, and disgorgement and a financial penalty totaling approximately \$8.8 million.

On June 16, 2014, MLPF&S, without admitting or denying the findings, entered into a FINRA settlement relating to its failure to have an adequate supervisory system to ensure that certain clients received sales charge waivers for purchases of certain mutual funds' Class A shares which affected certain retirement accounts and certain clients with a particular type of brokerage account. This settlement resulted from MLPF&S self-identifying certain of these issues. MLPF&S consented to the imposition of a censure and a fine of \$8 million and agreed to provide additional reimbursement to the agreed upon impacted clients and has reimbursed all such impacted clients.

On June 21, 2012, MLPF&S, without admitting or denying the findings, entered into a FINRA settlement related to the following: (1) failure to have an adequate supervisory system around billing processes for certain investment advisory programs and, as a result, overcharging certain client accounts during the 2003-2011 time period (client accounts impacted were less than 5% of its total advisory accounts and the aggregate fee overcharge amount was less than 1/2 of 1% (approximately \$32 million) of the total advisory fees billed during that period); (2) failure to send contemporaneous or periodic trade confirmations to certain client accounts for ten investment advisory programs; (3) having inaccurate or incomplete trade confirmations for certain mutual fund transactions by failing to state trade capacity (agent or a principal) on trade confirmations and account statements; (4) failure to deliver (directly or through a vendor) proxy materials to certain clients or to their designated investment advisers and failure to have an adequate supervisory system to detect this failure (clients impacted constituted less than 1% of its clients during the relevant period); and (5) failure to send margin risk disclosure statements and/or business continuity plans to certain clients upon the opening of their accounts (clients impacted were less than 1% of its clients during the relevant period). In determining the appropriate sanctions, FINRA considered MLPF&S' internal review through which it identified the violations, the remedial measures that it took to correct its systems and procedures, and its efforts to provide remediation to affected clients. MLPF&S consented to the imposition of a censure and a fine of \$2.8 million. All overcharged accounts were reimbursed.

On October 4, 2011, MLPF&S entered into a consent agreement with FINRA regarding its alleged failure 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 MLPF&S 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, MLPF&S consented to the entry of findings, a censure, and a fine of \$1 million.

On June 6, 2009, BAI and BAS, two of our predecessor firms, were enjoined by the United States District Court for the Southern District of New York from violating, directly or indirectly, Section 15(c) of the Exchange Act. The injunction was the result of an SEC complaint alleging that BAI and BAS had violated Section 15(c) of the Exchange Act by allegedly misleading customers about the nature and risks associated with auction rate securities ("ARS"). Without admitting or denying the allegations, BAI and BAS entered into a consent decree and agreed to a series of undertakings designed to provide relief to certain individual investors. On January 10, 2012, MLPF&S agreed to settlements with the Illinois Securities Department (for alleged activities of BAS and BAI, its predecessors by merger) and the North Carolina Department of the Secretary of State, Securities Division (for ARS activities of MLPF&S) involving the marketing and sale of ARS. In both actions, it was alleged that the inappropriate marketing and sales of ARS occurred without adequately informing certain customers of the increased risks of illiquidity associated with ARS that constituted an occurrence of dishonest and unethical practices in the offer and sale of securities and failure to supervise. In the Illinois action, MLPF&S agreed, among other things, to repurchase at par certain illiquid ARS and to pay a total fine of \$1,578,321 to the State of Illinois out of a total civil penalty of \$50 million that was to be distributed among the other state regulator parties to an ARS-related consent order. With respect to the North Carolina action, MLPF&S agreed, among other things, to repurchase at par certain illiquid ARS held by certain of its clients and to pay a total fine of \$3,193,552 to the North Carolina regulator representing its portion of a total civil penalty of \$125 million that was to be distributed among the other state regulator parties to an ARS-related consent order.

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

MLPF&S, an indirect wholly-owned subsidiary of Bank of America, is a leading global investment banking firm and a registered broker-dealer and investment adviser. In the United States, MLPF&S acts as a broker (i.e., agent) for corporate, institutional and private clients. Through its own arrangements and through its affiliate BofA Securities, Inc. ("BofAS"), it has access to a dealer market in the purchase and sale of corporate securities, primarily equity and debt securities traded on exchanges or in the over-the-counter markets. We also act as a broker and/or a dealer in the purchase and sale of mutual funds, money market instruments, government securities, high-yield bonds, municipal securities, financial futures contracts, and options.

MLPF&S 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.

In May 2019, Bank of America separated the retail and institutional broker-dealer activities that had operated through MLPF&S into two distinct legal entities. Retail customers continue to be serviced through MLPF&S, while institutional clients are serviced through BofAS.

As a registered investment adviser, Merrill 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>.

For purposes of Form ADV Part 2, certain Merrill management persons are registered as registered representatives or associated persons of Merrill. In the future, additional Merrill 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 to the extent necessary or appropriate to perform their job responsibilities.



Bank of America, through its subsidiaries and affiliates, including us, 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: (1) securities brokerage, trading and underwriting; (2) investment banking, strategic advisory services (including mergers and acquisitions) and other corporate finance activities; (3) wealth management products and services including financial, retirement and generational planning; asset management and investment advisory and related record-keeping services; (4) origination, brokerage, dealer and related activities in swaps, options, forwards, exchange-traded futures, other derivatives, commodities and foreign exchange products; (5) securities clearance, settlement financing services and prime brokerage; (6) private equity and other principal investing activities; (7) proprietary trading of securities, derivatives and loans; (8) banking, trust and lending services, including deposit-taking, consumer and commercial lending, including mortgage loans, and related services; (9) insurance and annuities sales and (10) providing research including: 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'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'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. As permitted by applicable law, Financial Advisors receive compensation (the amount of which varies) in connection with these products and services.

Merrill 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 can create a conflict of interest to the extent that these individuals have any role or influence in the hiring or retention of Merrill and its Financial Advisors or with respect to their compensation. We address these conflicts described in this section and throughout the Brochure relating to compensation in a variety of ways, including disclosure of the conflicts in this Brochure. Moreover, our Financial Advisors are required to recommend investment advisory programs, investment products and securities that are suitable for you based upon your investment objectives, risk tolerance and financial situation and needs. In addition, we have established a variety of restrictions, procedures and disclosures designed to address potential and actual 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 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 investment advisory programs.

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

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

Merrill and its parent company, 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 that actual, potential and perceived conflicts of interest develop in the normal course of operations in various parts of the Bank of America

organization. To address these conflicts, information walls are in place which are designed to allow multiple businesses to engage with the same or related clients at the same time, while mitigating any conflicts arising 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 Conduct 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. Each of Bank of America and Merrill, with the Bank of America Merrill'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 it is intended to assist employees in meeting the high standards that we follow in conducting our business with integrity and professionalism. The Code of Ethics covers requirements related to employees complying with all applicable securities and related laws and regulations; reporting and/or clearance of employee personal trading; prevention of misuse of material nonpublic information; and the obligation to report possible violations of the Code of Ethics to management or other appropriate personnel. All covered personnel must certify receipt of the Code of Ethics. We will provide a copy of the Code of Ethics to you upon request.

We also have imposed policy restrictions on all personnel for 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. Our requirements impose certain responsibilities on Financial Advisors and their trading. Financial Advisors are permitted to participate in block trades along with their clients.

### **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. Nonetheless, having received such Consulting Services, you can then make Investment Manager selections or investment decisions that result in new or additional trading being directed to us. Similarly, you determine whether 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.

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 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 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 can act as agent or as principal for our own account, as permitted by applicable law. Similarly, we or an affiliate can, 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 profit from these positions or transactions in securities. In addition, we or our affiliates can 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 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 act as general partners as well as in other capacities. The investments of the limited partnerships and other entities vary but include, without limitation, real estate, futures, hedge funds and other alternative investments.

We or our affiliates receive fees paid by certain Exchange Traded Funds ("ETF") 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.

### **COVERED FUNDS UNDER THE VOLCKER RULE**

Certain entity clients are considered a "covered fund" under the "Super 23A" provision of the Volcker Rule that is part of Dodd-Frank Wall Street Reform and Consumer Protection Act. Covered fund clients in Consulting Services may not have any outstanding margin, outstanding loans or other extensions of credit from us or any of our Affiliates, including BANA, or engage in certain principal transactions while enrolled in an investment advisory program, such as Consulting Services. If the covered fund would like to engage in margin or other lending transactions, it must terminate its investment advisory agreement and utilize a brokerage or custody relationship with us for its investments. Certain other transactions between BANA or its Affiliates and the entity client will also be prohibited.

### **INVESTMENTS IN SECURITIES BY MERRILL 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 differs 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 will 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 these conflicts in a variety of ways, including through disclosure in this Brochure, our policies that require our Financial Advisors to recommend investment advisory programs, investment products and securities that are suitable for each client based upon your investment objectives, risk tolerance and financial situation and needs; a variety of restrictions, procedures and disclosures designed to address actual or potential conflicts of interest – both those arising between and among client accounts as well as between client accounts and our business (e.g., personal trading preapprovals, self-reporting, restrictions on our personnel detailed in our policies and procedures and Code of Ethics).

### **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.

### **REVIEW OF ACCOUNTS**

We and your Financial Advisors do not provide regular account reviews as part of the Consulting Services program although your Financial Advisor may meet with you to review the output of any Consulting Services elected. 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 Service, 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 and additional fees may apply. 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.

## CLIENT REFERRALS AND OTHER COMPENSATION

### **COMPENSATION FOR CLIENT REFERRALS**

Merrill has not entered into any client referral arrangements with third parties in connection with referrals of clients to the Consulting Services.

### **OTHER COMPENSATION**

We and our affiliates have business relationships with many Investment Managers, including those presented to or retained by you receiving the Consulting Services. For example, these Investment Managers can 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) 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 has with us or your Financial Advisor. We attempt to address this conflict through the disclosure in this Brochure and by selecting Investment Managers based on the investment merits of the particular investment products and not based on the compensation that we and our Affiliates earn from the providing these services.

Certain investment Managers presented to you (or their affiliates), including Investment Managers for separate accounts and advisers to mutual funds and other pooled vehicles, pay for, or reimburse us or our affiliates 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 (or our affiliate's) 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 reimburse us to cover various costs of these conferences and seminars.

#### **1. Event Payments from Third-Party Vendors**

Some third-party vendors, including third party managers, distributors, and insurance companies, will periodically participate in Merrill- or affiliate-hosted internal training and education conferences for our Financial Advisors and other personnel, as well as conferences that Merrill or its affiliates host for clients ("Events"). They can pay (or reimburse us or our affiliates) for various costs arising from these Events held with our Financial Advisors and other of our or our affiliates' personnel clients. . The amounts paid by third party vendors vary. The level of this support is not dependent on or related to the level of assets invested by you or any other of our clients in or with the product or services of a particular third-party firm. Neither we nor our affiliates incentivize our Financial Advisors to recommend one such firm's service or product over another's. There is no requirement that third-party firms provide any such support or payments.

Based on our historical experience, the aggregate payments made by contributing third-party firms represents less than one-half ( $\frac{1}{2}$ ) of one basis point (0.005%) of total client assets.

#### **2. Gifts and Other Non-Monetary Compensation**

From time to time, third-party vendors, including third-party investment or fund managers, distributors, and insurance companies, provide MLPF&S with non-monetary gifts and gratuities ("gifts"), such as promotional items (e.g., coffee mugs, golf balls, or gift baskets), meals and access to certain industry related conferences. Third-party vendors also make charitable donations or cover the costs of reasonable entertainment in

connection with events sponsored by Merrill or its Affiliates or related to clients. Merrill has implemented policies and procedures intended to identify, quantify and track gifts that Merrill and its Financial Advisors and personnel receive. Merrill will report gifts received by it or its employees to the extent such amounts exceed the thresholds imposed by applicable regulations.

### **3. Provision of Diversified Financial Services**

Bank of America is a diversified financial services company that generally seeks to provide a wide range of services to retail and institutional clients for which it receives compensation. As a result, Bank of America and Merrill can be expected to pursue additional business opportunities with the firms whose investment strategies Merrill and its Affiliates make available and recommend to its clients through their investment advisory programs. Consistent with industry regulations, these services could include banking and lending services, sponsorship of deferred compensation and retirement plans, recordkeeping services, investment banking, securities research, institutional trading and prime brokerage services, custody services, investment advisory services, licensing arrangements involving indices and effecting portfolio securities transactions for its clients. We attempt to address this conflict through disclosure through this Brochure.

#### **CUSTODY**

We do not require client funds and securities to be maintained with a related custodian in connection with 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. 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.

“BANA” means Bank of America, N.A.

“Bank of America” means Bank of America Corporation.

“BofAS” means BofA Securities, Inc.

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

“CIO” means the Chief Investment Office and is the business group that provides investment solutions, portfolio construction advice and wealth management guidance to our clients. It is a separate division from the business group that administers the Program.

“CIO Review Process” means the initial and periodic review conducted by the CIO and those processes and reviews provided by third-party reviewers that we have engaged for this purpose.

“Client” or “you” means the Consulting Services client.

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

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

“Consulting Services” means the Merrill Consulting Services.

“ETF” means a 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 Financial Advisor.

“FINRA” means the Financial Industry Regulatory Authority, Inc.

“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.

“Investment Policy Service” means the Merrill Investment Policy Service.

“IPR” means the Merrill Lynch Institutional Performance Report Service.

“Manager Identification Service” means the Merrill Manager Identification Service.

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

“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 Investment Policy Service assists clients in creating, which is designed to document the client’s investment goals and objectives for a pool of assets as well as certain policies governing the investment of assets.

“Retirement Account” means a defined benefit plan subject to the Employee Retirement Income Security Act of 1974 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.

**“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 Strategic Allocation Modeling Service.

**“Unrelated Custodian”** means a custodian other than Merrill.