

# Mutual Fund Investing at Merrill Lynch

A CLIENT DISCLOSURE PAMPHLET JUNE 2010



**Merrill Lynch**  
**Wealth Management**

Bank of America Corporation

## **Merrill Lynch, Pierce, Fenner & Smith Incorporated**

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IMPORTANT NOTE: The information contained in this pamphlet applies to all Merrill Lynch accounts opened on or before October 23, 2009, and new accounts opened thereafter being cleared by Merrill Lynch.

If your account was opened with Banc of America Investment Services, Inc. (BAI) on or before October 23, 2009 (when it merged with Merrill Lynch, Pierce, Fenner & Smith Incorporated), or your Merrill Lynch account is being cleared by National Financial Services LLC (NFS), different information regarding mutual funds applies. Please see your account statement to determine if your account is being cleared by NFS. Go to [https://www.baisdirect.com/live/login\\_fullService.jsp?cid=2362315](https://www.baisdirect.com/live/login_fullService.jsp?cid=2362315) and click on "Revenue Sharing Information" at the bottom of the page for the information relevant to your NFS cleared account.

## Mutual Fund Investing at Merrill Lynch

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Merrill Lynch Wealth Management makes available products and services offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S) and other subsidiaries of Bank of America Corporation.

Investment products:

<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
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MLPF&S is a registered broker-dealer, member Securities Investor Protection Corporation (SIPC) and a wholly owned subsidiary of Bank of America Corporation.

MLPF&S makes available investment products sponsored, managed, distributed or provided by companies that are affiliates of Bank of America Corporation or in which Bank of America Corporation has a substantial economic interest, including BofA Global Capital Management, BlackRock and Nuveen Investments.

# Mutual Fund Investing at Merrill Lynch

## Disclosure Statement

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### Introduction

Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”), a wholly-owned subsidiary of Bank of America Corporation (“BAC”), makes available to its clients a wide range of investment products and services, including many different U.S. open-end “mutual” funds. In selecting the fund that best suits your needs, some key factors to consider include a fund’s investment strategy, risk profile, investment performance, and relationship to your overall asset allocation strategy and investment time horizon. A fund’s fees and expenses have an impact on its investment returns and are important factors as well. This pamphlet is intended to provide you with more information about fees and expenses related to the mutual funds available through Merrill Lynch, as well as the compensation that Merrill Lynch earns with respect to those funds.

Many funds offer various sales charge discounts or waivers to particular categories of investors or on particular types of transactions, which are described in the prospectus and statement of additional information of the fund. You should discuss with your Financial Advisor if you believe you may qualify for any of these discounts or waivers.

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*For more complete information on any mutual fund, please request a prospectus from your Merrill Lynch Financial Advisor and read it carefully. Before investing, carefully consider the investment objectives, risks, and charges and expenses of the fund. This and other information can be found in the fund’s prospectus.*

### Mutual Fund Share Classes

In order to accommodate the various investment needs of different categories of investors, many mutual funds offer more than one “class” of shares. Each share class represents an interest in the same mutual fund’s investment portfolio, but has different fees and expenses. For information about a particular mutual fund’s share classes, you should review the fund’s prospectus, including the fee table.

**Class A Shares.** Class A shares, often referred to as “front-end load” shares, typically impose a front-end sales charge at the time of purchase. In connection with the purchase of Class A shares, a front-end sales charge that typically does not exceed 5.75% is deducted from your initial investment amount at the time of purchase. Most of this front-end sales charge is paid to Merrill Lynch as a “dealer concession” or “dealer commission” and a portion of that amount is paid to your Merrill Lynch Financial Advisor (see discussion below). The annual operating expenses for Class A shares of a mutual fund are typically lower than the annual operating expenses for that fund’s Class B

and C shares (which generally do not have a front-end sales charge).

Mutual funds issuing Class A shares generally offer discounts, called “breakpoints,” on the front-end sales charge for larger investments or additional investments within the same fund family. For example, a mutual fund might impose a front-end sales charge of 5.75% for all investments of less than \$50,000, but reduce the charge to 4.50% for investments between \$50,000 and \$99,999, and further reduce or eliminate the front-end sales charge for even larger investments. Mutual fund investors are typically permitted to aggregate holdings in related accounts (such as your own or those of certain of your family members) to calculate the appropriate breakpoint (called “rights of accumulation”). A Merrill Lynch Financial Advisor can assist you in determining whether you are eligible for any breakpoint discounts. Check the fund’s prospectus, statement of additional information, and website to obtain fund-specific information on breakpoint discounts. It is your responsibility to notify your Financial Advisor of any holdings of a specific fund family held by your related accounts whether at Merrill Lynch or another firm or the fund in order to assure that the most advantageous breakpoint is applied.

A Letter of Intent (or “LOI”) is a written statement that you sign to express your intent to invest an amount over a pre-determined breakpoint within a given period of time that is specified in the fund’s prospectus that entitles you to the applicable breakpoint discount. Keep in mind that if you do not purchase within the specified period the amount committed to upon signing the LOI, a sufficient amount of your fund shares can be sold to collect the difference between the full sales charge and the reduced sales charge that was originally charged to you.

Class A shares’ annual operating expenses typically include an annual service fee and/or asset-based sales charge (often referred to as a “distribution” or “12b-1” fee) of up to 0.35% of the net assets of the Class A shares. This annual asset-based fee is used to compensate the fund’s distributor and/or firms like Merrill Lynch for ongoing personal shareholder services, maintenance of shareholder accounts, and/or distribution-related services. A portion of this amount is paid to your Financial Advisor (see discussion below).

Generally, Class A shares are more economical for investors who have an intermediate to longer-term investment time horizon and have greater than \$100,000 in aggregated assets to invest in a fund family’s equity funds or greater than \$50,000 in aggregated assets to invest in a fund family’s fixed income funds. The dollar amount at which you should consider purchasing Class A shares of a fund can be evaluated by analyzing the fund’s one-time

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### Disclosure Statement *(Continued)*

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front-end sales charge and annual operating expenses as compared to the annual operating expenses and the sales charges of other share classes of the same fund.

**Class B Shares.** Class B shares typically do not impose a front-end sales charge, so the full value of your investment is used to purchase Class B shares in a fund. Class B shares do, however, typically impose a “contingent deferred sales charge” (CDSC), which may be charged to shareholders who redeem Class B shares within a certain number of years. This charge declines over time and eventually is eliminated. For example, the CDSC might start at 5% for shares redeemed during the first year and then be reduced over time until it is eliminated (generally after six years). Contingent deferred sales charges reduce the amount of proceeds you receive when you liquidate all or a portion of your investment in Class B shares and are typically paid to the fund’s distributor for amounts it paid to Merrill Lynch when you purchased your Class B shares. Neither Merrill Lynch nor your Financial Advisor typically receives the CDSC.

A fund’s distributor compensates Merrill Lynch for your purchase of Class B shares. Merrill Lynch typically receives up-front compensation of 4% of the amount invested at the time Class B shares are purchased, and a portion of this amount is paid to your Financial Advisor (see discussion below).

Although Class B shares usually do not impose a front-end sales charge, they do include an annual asset-based sales charge and/or service fee that is equal to a maximum of 1.00%, which is higher than the asset-based sales charge and/or service fees for the fund’s Class A shares. Class B shares, however, often convert after a period of time (typically 8 to 10 years) to Class A shares, which effectively lowers the service fees and/or asset-based sales charges. As with Class A shares, Merrill Lynch is compensated by the fund’s distributor or other service provider for providing ongoing personal shareholder services, typically at an annual rate of 0.25% of the net assets of the Class B shares, and a portion of this amount is paid to your Financial Advisor (see discussion below). The remainder of the Class B asset-based sales charge (e.g., 0.75%) is typically retained by the fund’s distributor or other service provider.

Generally, Class B shares are more economical for investors who have an intermediate to longer-term time investment horizon and have less than \$100,000 in aggregated assets to invest in a fund family’s equity funds or less than \$50,000 in aggregated assets to invest in a fund family’s fixed income funds.

**Class C Shares.** Class C shares typically do not impose a front-end sales charge, so the full value of your investment is used to purchase Class C shares in a fund. Class C shares usually impose a CDSC, typically up to 1.00% of the redemption amount during the first year or longer, with no

CDSC thereafter. Class C shares generally also include an annual asset based sales charge and/or service fees that equal a maximum of 1.00% of the net assets of the Class C shares, which is higher than comparable asset-based sales charge and/or service fees for the fund’s Class A shares.

Merrill Lynch will typically receive up-front compensation of a maximum of 1.00% of the invested amount, paid by the fund’s distributor or other service provider at the time of sale, and a portion of this amount is paid to your Financial Advisor (see discussion below). The initial compensation paid to Merrill Lynch in connection with your purchase of Class C shares is generally lower than that paid on Class B and some Class A transactions. However, Merrill Lynch typically receives a higher annual asset-based fee (up to 1.00% of the net assets of the Class C shares beginning the second year and thereafter) in connection with purchases of Class C shares. A portion of these fees is paid to your Financial Advisor (see discussion below). As in the case of Class B shares, CDSC fees are typically paid to the fund’s distributor or other service provider, and not to Merrill Lynch or your Financial Advisor.

Unlike Class B shares which convert to Class A shares after a period of time, Class C shares generally do not have a conversion feature. Compared to Class A and Class B shares, Class C shares generally become less economical for investors who hold their investments over a longer term. Generally, Class C shares are more economical for investors who have a short to intermediate investment horizon and have less than \$1,000,000 of household assets to invest in a fund family. Still, Class C shares may be more appealing to you if you prefer to maintain the flexibility to change your investments among different fund families periodically without paying front-end sales charges or (possibly) CDSCs, or if you prefer not to pay front-end sales charges on each transaction.

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The Financial Industry Regulatory Authority (FINRA) maintains a Mutual Fund Expense Analyzer tool on its website at [www.finra.org](http://www.finra.org) that may help you in making a decision on the right share class for you.

***Institutional, Retirement, No-Load, and Other Share Classes.*** In addition to Class A, B and C shares, other share classes that impose different fees may be available through Merrill Lynch. In some instances, only certain types of investments, investors, accounts or programs may qualify for these other classes. For example, some fund companies offer “retirement” shares through Merrill Lynch for specific retirement plans/accounts, which typically do not charge an up-front sales charge or CDSC, but may impose an asset-based sales charge and/or service fee of typically up to .50%. Also, certain no-load or other fund shares may be available through certain Merrill Lynch fee-based

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accounts (along with Class A shares “load-waived”) and Merrill Edge, an on-line, self-directed brokerage service (see discussion below).

#### **Asset-Based Fee Programs**

You can purchase mutual funds through various asset-based fee programs available at Merrill Lynch, including discretionary and non-discretionary investment advisory programs. Instead of paying a front-end sales charge on each transaction, in Class A shares for example, you pay Merrill Lynch an annual fee based on a percentage of the value of the assets held in your Merrill Lynch account associated with these programs. These asset-based fee programs allow you to purchase load-waived Class A shares (or another share class without a front-end sales charge or CDSC) as well as “no-load” and low-load fund shares. These asset-based fee programs provide features and benefits as well as share classes that may not be available in a traditional Merrill Lynch brokerage account that charges transaction fees and is serviced by your Financial Advisor. The total cost of purchasing and holding mutual fund shares through an asset-based fee program may be more or less than investing in mutual fund shares in a traditional Merrill Lynch brokerage account that is serviced by your Financial Advisor, depending on the amount of the asset-based fee and the specific mutual fund shares in which you invest. You should ask your Financial Advisor for more information about these cost differences and whether an asset-based fee program might be right for you.

#### **Merrill Edge®**

Mutual funds, including certain no-load and low-load funds, are also available through Merrill Edge, an on-line, self-directed brokerage service, subject to the fees applicable to such service.

#### **Compensation of Merrill Lynch Financial Advisors and Their Managers**

As explained above, Merrill Lynch’s compensation differs by share class and whether mutual fund shares are purchased through an asset-based fee program. The fund share class specific compensation and asset-based fee program compensation (described above) are the basis upon which Financial Advisors are paid. The portion of Merrill Lynch’s compensation that is paid to its Financial Advisors is calculated pursuant to the same formula regardless of which funds are purchased. Some fund classes carry higher front-end sales charges or asset-based fees than others (e.g., Class A shares may have higher front-end sales charges and therefore pay higher up-front compensation than Class B shares). As a result,

a Financial Advisor may receive more or less compensation depending on the fund or class you purchase.

Some funds may set higher front-end sales charges, dealer concessions, and/or asset-based sales charges and/or service fees for a particular class than do other funds for the same class. Merrill Lynch policy sets a limit as to the maximum portion of dealer concessions, asset-based sales charges and/or service fees included in the Financial Advisors’ compensation formula based on the share class and size of investment with the intent of minimizing potential conflicts of interest based on differential compensation among fund companies. This policy applies to all funds available at Merrill Lynch. Merrill Lynch retains the difference between the compensation that would have been paid to your Financial Advisor had the actual dealer concessions you paid as well as asset-based sales charges and/or services fees paid by the fund to Merrill Lynch been used to calculate the compensation paid to the Financial Advisor.

Financial Advisors’ managers are compensated differently than the Financial Advisors, reflecting their different responsibilities and accountabilities. However, the portion of total compensation earned by Merrill Lynch with respect to mutual fund sales that is paid to Merrill Lynch managers is calculated pursuant to the same formula for all funds.

Representatives of fund companies, often referred to as “wholesalers,” work with Merrill Lynch, Financial Advisors and their managers to promote those fund companies’ mutual funds. Consistent with the rules of FINRA, fund distributors and/or their affiliates may pay for or make contributions to Merrill Lynch for training and education seminars for Merrill Lynch employees, clients and potential clients, due diligence meetings regarding their funds, recreational activities, or other non-cash items. From time to time, Merrill Lynch may recognize certain Financial Advisors through promotional programs that include mutual funds. These programs may reward Financial Advisors with compensation, including attendance at off-site locations and/or various employee training sessions that may be sponsored or co-sponsored by mutual fund companies whose funds Merrill Lynch makes available.

#### **Additional Merrill Lynch Services and Compensation**

In addition to receiving dealer concessions and asset-based sales charges and/or services fees in connection with clients’ purchasing and holding mutual fund shares, Merrill Lynch and its affiliates provide other services for which they may receive additional compensation from funds or their affiliates. This compensation is often but not always disclosed in detail in a fund’s prospectus, statement of additional information or website.

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### Disclosure Statement *(Continued)*

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Merrill Lynch makes available to its clients shares of those mutual funds whose affiliates have entered into contractual arrangements with Merrill Lynch that generally include the payment of one or more of the fees described below. Funds that do not enter into these arrangements with Merrill Lynch are generally not offered to clients. The following fees do not purchase placement on any preferred lists or any special positioning or coverage of certain funds by Merrill Lynch. These fees are used to cover the types of services outlined below and are not passed on to Financial Advisors or their managers as compensation.

**Sub-Accounting Related Services.** Merrill Lynch provides various sub-accounting and other related administrative services with respect to each mutual fund position held in an account at Merrill Lynch. These services include, for example, aggregating and processing purchases, redemptions, and exchanges, dividend distribution and reinvestment, consolidated account statements, tax reporting, and other recordkeeping. As compensation for these services, Merrill Lynch receives from all the fund families whose funds charge sales loads either up to \$19 annually for each position or up to 0.13% annually of the value of fund shares held in a client's account at Merrill Lynch, depending on the fund company's election. In the case of the no-load fund shares that Merrill Lynch makes available through fee-based programs, sub-accounting, administrative services, distribution and marketing services and support fees payable by no-load fund companies are typically bundled into one asset-based fee of generally up to 0.35% annually of the value of shares held in a client's account at Merrill Lynch and up to 0.40% annually of the value of shares held through Merrill Edge.

**Marketing Service and Support.** Merrill Lynch provides a variety of distribution, marketing services and other support to sponsors of mutual funds regarding their funds. These services include, but are not limited to the provision of: a mutual fund specialist support desk for Financial Advisors to answer questions regarding their funds; Financial Advisor work stations that include information, announcements, data, and tools relating to their funds; ongoing review and implementation of features and restrictions imposed by their funds (e.g., if a fund imposes a redemption fee, Merrill Lynch will, among other things, alter its systems and train employees to effectively impose the fee); strategic planning support that is intended to assist fund sponsors with strategies that are aligned with Merrill Lynch's investment themes and goals; making Financial Advisors or other employees available for education regarding their funds; sales related reports and other information; and branch office support, including phones, computers, conference rooms, as well as facilities and personnel support for prospectuses and promotional and other materials relating to their funds.

In addition to the front-end and asset-based sales charges and services fees discussed above in "Mutual Fund Share Classes," Merrill Lynch receives compensation from fund sponsors for its distribution, marketing services and other support of generally up to 0.25% on a portion of mutual fund purchases and generally up to 0.10% annually on a portion of mutual fund assets. Merrill Lynch does not receive these marketing service and support fees with respect to mutual fund sales or assets that serve as funding vehicles for variable insurance and variable annuity products, and those that are held through certain Merrill Lynch asset-based fee programs and defined contribution plans for which Merrill Lynch serves as record keeper (except as described below).

**Certain Retirement Program Administration Fees.** Merrill Lynch receives fees from fund sponsors whose funds are made available to Merrill Lynch benefit plan clients. These fees compensate Merrill Lynch for providing administrative services to the retirement plan's sponsor and sub-accounting services in connection with these funds. For those mutual funds available through Merrill Lynch as investment options for benefit plans, Merrill Lynch receives a service fee of generally up to 0.20% annually of fund assets.

#### **Related Funds and Products**

Merrill Lynch makes available to its clients mutual funds and other investment products sponsored, managed and/or distributed by affiliates of: Bank of America Corporation ("BAC"), including BofA™ Advisors, LLC and BofA™ Global Capital Management, LLC (collectively, "BofA™ Global Capital Management"); BlackRock, Inc. (collectively, "BlackRock"); and Nuveen Investments, Inc. (collectively, "Nuveen"). BofA™ Advisors, LLC and BofA™ Global Capital Management, LLC are indirect wholly-owned subsidiaries of BAC. BAC, the parent company of Merrill Lynch, indirectly owns a substantial equity interest in the parent and/or holding companies of BlackRock and Nuveen. These related funds and products may be branded as BofA™, *Banc of America*, *BlackRock*, *Merrill Lynch*, *Nuveen*, *Rittenhouse*, *NWQ*, *Tradewinds*, *Symphony* or *Santa Barbara*, or such other brand names as may be used by the related provider companies from time to time. As mentioned above, the portion of compensation for mutual funds sales that is paid to Merrill Lynch Financial Advisors is calculated pursuant to the same formula for all funds, including the related funds.

Merrill Lynch and BAC potentially benefit from economic interests in the related provider companies whenever a related provider company receives compensation for providing investment advisory, administrative, transfer agency, distribution or other services to the related funds and products. The extent of this benefit may be greater than when Merrill Lynch or BAC does not have an economic interest in the firm providing such services. As a result, Merrill Lynch and BAC may benefit from increased sales

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### Disclosure Statement *(Continued)*

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of related funds and products to a greater extent than from increased sales of funds and other investment products provided by other firms in which they do not have a similar economic interest.

Consistent with applicable laws, management and employees of BofA™ Global Capital Management and BlackRock may be provided a broad level of access and exposure to Merrill Lynch, its management, Financial Advisors and other personnel, marketing events and materials, and client-related and other information. Such broad access and exposure is not available to other asset managers and may enhance BofA™ Global Capital Management and BlackRock's ability to distribute their mutual funds and other investment products through Merrill Lynch.

*Money Funds.* Generally, all of the money market mutual funds currently offered for purchase in a Merrill Lynch account are managed by an investment advisory affiliate of BlackRock, Inc. and may be branded as BlackRock funds or bear a Merrill Lynch service mark, such as, CMA® or WCMA® (collectively, the "Money Funds").

The Money Funds available at Merrill Lynch are generally not subject to sales charges. Merrill Lynch provides the platform infrastructure related to the use of certain Money Funds as the investment choice ("sweep vehicle") for free cash balances in accounts at Merrill Lynch as well as distribution, marketing support and other services with respect to the Money Funds. In consideration of the provision of the infrastructure, marketing support and/or other services, Merrill Lynch receives compensation from BlackRock of up to 0.44% annually of the value of Money Fund shares held in Merrill Lynch accounts.

Because only the Money Funds are generally available for purchase in a Merrill Lynch account, if you would like the ability to exchange into another fund family's money market fund, you may need to open an account directly with that fund family's transfer agent or other service provider.

*An investment in a money market fund is not a bank deposit, and is not insured or guaranteed by Bank of America, N.A., Merrill Lynch or any bank or affiliate of Merrill Lynch (including BlackRock), the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in a money market fund.*

#### **Purchases, Sales and Transfers**

Merrill Lynch maintains policies prohibiting market timing/short-term trading in mutual funds. Merrill Lynch personnel may not open accounts or enter client transactions for the purpose of market timing, facilitate market timing in accounts at the funds' transfer agents, or assist clients in making other arrangements to market time mutual funds.

There is no guarantee that all instances of market timing/short-term trading will be prevented.

In certain cases, the funds you hold through Merrill Lynch may not be transferable to another financial intermediary. This may occur for a number of reasons, including situations where the other financial intermediary does not have appropriate agreements with those funds. The same may be true if you hold your mutual fund shares at another financial intermediary and attempt to transfer those shares to your Merrill Lynch account. In these instances you will need to determine what you would like to do with the fund shares: (i) liquidate them (which may result in redemption or other fees, sales charges or a taxable event), (ii) transfer them from the financial intermediary to the fund (or its transfer agent), (iii) request share certificates to be issued to you (typically not available for mutual fund shares), or (iv) retain them at the financial intermediary through which you currently hold them. Please refer to the applicable fund prospectus or contact your Merrill Lynch Financial Advisor for further information.

#### **Other Services**

Bank of America Corporation is a diversified financial services company that together with its affiliates generally seeks to provide a wide range of services to retail and institutional clients for which it receives compensation. As a result, BAC and Merrill Lynch can be expected to pursue additional business opportunities with the firms whose mutual funds Merrill Lynch makes available to its clients. Consistent with industry regulations, these services could include (but are not limited to): banking and lending services, sponsorship of deferred compensation and retirement plans, investment banking, securities research, institutional trading services, investment advisory services, and effecting portfolio securities transactions for funds and other clients. Merrill Lynch professionals involved with the offering of mutual funds to the firm's individual investor clients may introduce mutual fund company officials to other services that BAC and its affiliates provide. Utilization of such services may not be used by the mutual fund companies to compensate Merrill Lynch, directly or indirectly, for any of the fees described throughout this pamphlet.

Information about a particular mutual fund's policies regarding selection of brokers may be found in the fund's statement of additional information, which you may request from the fund. For additional information on mutual funds in general, you can visit educational websites of the Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)), FINRA ([www.finra.org](http://www.finra.org)), the Securities Industry and Financial Markets Association ([www.sifma.org](http://www.sifma.org)), and the Investment Company Institute ([www.ici.org](http://www.ici.org)).

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