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Dynamic Tax Loss Harvesting Term Sheet

Dynamic Tax Loss Harvesting (DTLH) is a tax efficient management overlay service that seeks to harvest losses in eligible Chief Investment Office (CIO) strategies. The goal of DTLH is to increase the after-tax value of accounts by systematically analyzing account holdings on a regular basis and opportunistically harvesting losses within eligible strategies.

Key terms of the DTLH service

Fee: There is no separate or additional fee for the selection of DTLH.

Eligible investments: Taxable, domestic client accounts must be enrolled in the Merrill Lynch Investment Advisory Program and invested in one or more eligible CIO strategies that consist solely of exchange traded funds (ETFs). Once selected, DTLH will be applied to the eligible strategies within the account for which it was selected and therefore may not apply to all investments that are part of a Custom Managed Strategy.

Consult with your advisor for a list of eligible CIO strategies.

Frequency of service: DTLH is applied on an ongoing basis, based on a rules-based approach that incorporates information about real-time changes in the underlying security prices and market conditions, including the volatility of holdings.

Approach to harvesting losses: Not all losses may be realized due to wash sale considerations, security eligibility, and client-imposed and other restrictions.

Treatment of proceeds from loss harvesting action: Proceeds are invested in one or more replacement ETFs with the goal of maintaining the strategy's asset allocation and risk profile.

Replacement ETFs are held in the account until additional losses can be harvested or other events occur, after which proceeds may be re-invested in the ETF selected for the strategy.

If DTLH is removed from an account all replacement ETFs will be sold and reinvested into the holdings of the strategy, which may result in the realization of short-term and long-term capital gains.

Wash sale protection: Account level wash sale protection will be applied to securities harvested for a loss.

Treatment of newly invested funds: If you add funds to your account within 30 days of a loss being realized, the contribution will be invested across the holdings of the strategy and any replacement securities, subject to internal rules and implementation practices.

Reporting: For losses realized by the DTLH overlay service, you will be able to view a personalized potential tax savings analysis, subject to certain limitations as described in the report, available from your advisor.

DTLH may not protect against the disallowance of losses under the wash sale rules.

DTLH will only apply to eligible investments within the account for which it was selected and will only take into consideration the trading activity that occurs in that enrolled account. It will not take into consideration securities held in other accounts at Merrill or other firms.

The risks and limitations of Tax Efficient Management Overlay Services, including DTLH, are discussed in more detail in the Merrill Lynch Investment Advisory Program Brochure in the Tax Matters section.

Depending on your goals and the holdings in your account, this service may be used in conjunction with other Tax Efficient Management Overlay Services and other client-directed tax harvesting requests.

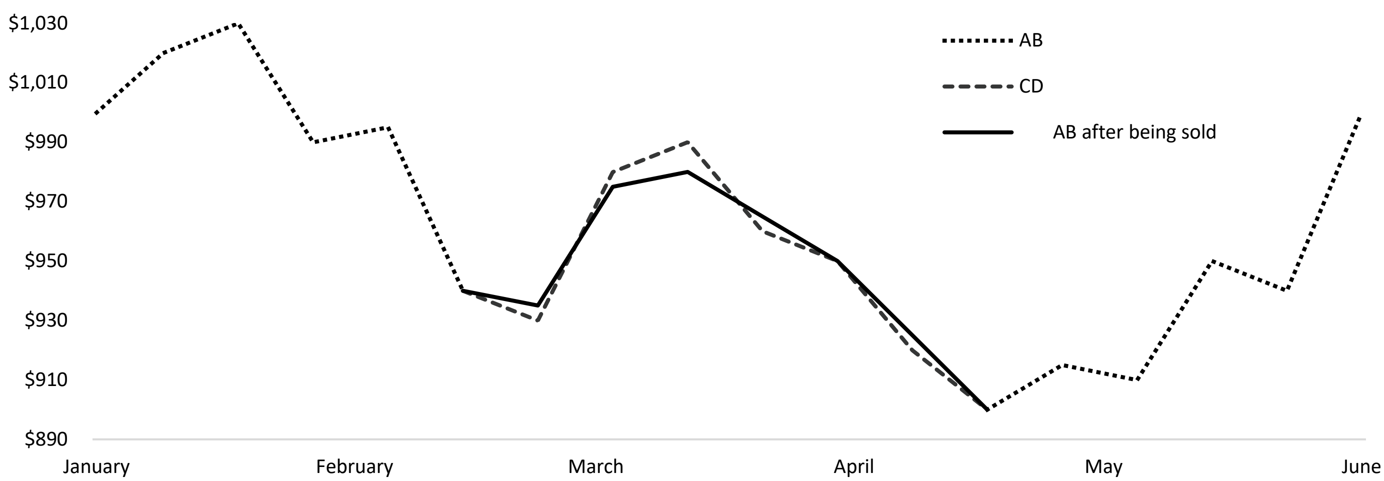
You should consult your tax and/or legal advisor prior to enrolling in any Tax Efficient Management Offering, as well as on an ongoing basis, to determine whether the wash sale rules, the straddle rules, or other special tax rules could apply to your trading activity.

An example of Dynamic Tax Loss Harvesting

To demonstrate how DTLH works, consider an account with a position that has losses that can be harvested.

Assumptions for this example:

- In January, ETF "AB" has a value of $1,000 and is invested in only one tax lot.
- In February, "AB" declines in value to $940, which meets the quantitative loss threshold in DTLH. "AB" is sold to harvest the loss and a replacement security, "CD," is purchased.
- In April, "CD" declines in value to $900, which meets the quantitative loss threshold in DTLH and triggers another loss harvesting event, and "AB" is bought back.



For illustration only.

Additional resources

- Guide to Tax Efficient Management Offerings
- Merrill Lynch Investment Advisory Program Brochure