



## Best Interest Disclosure Statement

Please retain for your records

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This Regulation Best Interest Disclosure Statement (Disclosure Statement) provides information about the scope and terms of the brokerage services that Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill, Merrill Lynch, or we, us or our) provides to retail clients that engage Merrill for brokerage services. The Disclosure Statement is effective as of June 30, 2020. If you have any questions about this Disclosure Statement, please contact us at 800.MERRILL (800.637.7455).

Merrill is a dual registrant, which means that it is registered with the U.S. Securities and Exchange Commission (SEC) as a broker dealer and an investment adviser. Merrill also is a member of the Financial Industry Regulatory Authority (FINRA). Merrill is part of Bank of America Corporation (BofA Corp.), a diversified financial services company, which, together with its affiliates (Affiliates), including Bank of America, N.A. (BANA) and BofA Securities, Inc. (BofAS), provides a wide range of services to our clients.

**June 15, 2020**

Merrill makes available certain investment products sponsored, managed, distributed or provided by companies that are affiliates of BofA Corp. Merrill is a registered broker-dealer, member of SIPC and wholly owned subsidiary of BofA Corp. Merrill Lynch Life Agency Inc. is a licensed insurance agency and a wholly owned subsidiary of BofA Corp. Trust and fiduciary services are provided by BANA, Member FDIC or U.S. Trust Company of Delaware. Both are wholly owned subsidiaries of BofA Corp. Banking products are provided by BANA and affiliated banks, members FDIC and wholly owned subsidiaries of BofA Corp. The investment products, insurance and annuity products:

<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
<b>Are Not Deposits</b>	<b>Are Not Insured By Any Federal Government Agency</b>	<b>Are Not a Condition to Any Banking Service or Activity</b>

# Disclosure Statement for Merrill Brokerage

## Introduction

In this Disclosure Statement, we provide information to you about material facts relating to the scope and terms of our brokerage relationship for your Merrill brokerage account (Account or Brokerage Account). This information includes:

- The capacity in which we act in connection with your Account which is solely as a broker-dealer.
- Material fees and other costs that you pay in connection with our services and your Account.
- Material facts regarding the type and scope of services (Brokerage Services) that we provide to you, including any material limitations placed on our recommendations and the basis for and risks associated with our recommendations.
- Material facts relating to conflicts of interest that are associated with recommendations that we make to you.

We provide other disclosures to you regarding your Account. These disclosures include:

- The [Client Relationship Summary](#) (Form CRS), which contains certain SEC-required information about us and our services as a broker-dealer and as an investment adviser.
- The [Client Relationship Agreement](#) covering your Account (Agreement) and related disclosures.
- Other disclosures about our products and services, such as the brochure [Mutual Fund Investing at Merrill](#).
- Trade confirmations.
- Prospectuses and other offering documents (offering documents) and subscription documents, supplements and signature pages (subscription documents) provided in connection with purchases of particular securities and other investments.

All highlighted documents in this Disclosure Statement are available for review at [ml.com/relationships](http://ml.com/relationships) and, as relevant, at [merrilledge.com](http://merrilledge.com).

**Our Account Types.** We offer various account types and ways to engage with us. The [Summary of Programs and Services](#) provides an overview of our available programs and services and the [List of Account Types](#) provides an overview of the primary types of accounts available to you, including accounts designated for retirement savings (Retirement Accounts). We have posted these and certain disclosures on our website at [ml.com/relationships](http://ml.com/relationships) or, as relevant, at [merrilledge.com](http://merrilledge.com).

You also have the ability to enroll your Account into one of our investment advisory programs. For the avoidance of doubt, the term "Account" or "Brokerage Account" in this Disclosure Statement only refers to an Account that is **not** enrolled in an investment advisory program.

**Our Registered Representatives.** Depending on the type of Account service you choose, you will receive Brokerage Services from a registered representative of Merrill that is associated with the brokerage program.

For a full service Merrill Account, you will receive brokerage services from us and from one of our registered representatives (Merrill Advisor) whom you have selected as your dedicated personal advisor. If you enroll your Account into one or more of our investment advisory programs, your Merrill Advisor will also provide investment advice and guidance to you under such programs.

Depending on the type of Account you want to establish, you may have the option to establish an Account that is offered through our call center or at one of our Merrill Advisory Centers (MAC), which are located at

wealth management and Bank of America financial centers. For a MAC Account, you receive Brokerage Services from us and one of our Financial Solutions Advisors (FSAs) under the terms of the brokerage account for that program. You have the option to enroll your MAC Account into an investment advisory program eligible for a MAC Account, and if you do so, an FSA will also provide investment advice and guidance to you under the applicable MAC program.

The Brokerage Services offered in a MAC Account are different from a full service Merrill Account. For MAC Accounts, we do not offer new issue offerings, listed options contracts, options overlay strategies, hedge funds, private equity funds, market-linked investments, over-the-counter (OTC) derivatives and Offshore Funds (i.e., funds organized in jurisdictions not within the United States and not registered with the SEC). The information in this Disclosure Statement relating to these specific securities and investments does not apply to MAC Accounts.

We also offer a self-directed brokerage account (Merrill Edge Self-Directed or MESD) and a self-guided investment advisory program that offer web-based interaction and do not involve the services of a Merrill Advisor or FSA.

Merrill Advisors and FSAs are referred to in this Disclosure Statement as "Advisors" unless otherwise noted. You can research us and our Advisors, including disciplinary events, for free at [investor.gov](http://investor.gov) and [brokercheck.finra.org](http://brokercheck.finra.org). You can request disclosures and other Account information from your Merrill Advisor or by contacting an FSA through our call center or at one of our MAC locations.

**Our Services and those of our Affiliates.** Through its own capabilities as well as through arrangements with its Affiliates, including BofA Securities, Inc. (BofAS) and Bank of America, N.A. (BANA), Merrill provides its clients with the services described in this Disclosure Statement, including trade execution, access to securities research, cash sweep arrangements and lending services. Merrill, BofAS and BANA are affiliates of Bank of America Corporation (BofA Corp.), one of the world's largest financial institutions that, through its subsidiaries, serves retail clients as well as institutional customers and businesses with a full range of banking, investing, asset management and other financial products and services.

In the United States, Merrill acts as a broker (i.e., agent) for its private clients as well as its corporate and institutional clients. Through its own arrangements with financial firms and counterparties and through BofAS, Merrill has access to a dealer market in the purchase and sale of 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 equities, mutual funds, corporate, municipal and governmental fixed income securities, options and derivative securities. Through BANA, Merrill provides access to banking services, including lending and cash sweep services.

## Material Facts Relating to the Scope and Terms of Our Relationship With You

### Capacity

All recommendations regarding your Brokerage Account and Brokerage Services will be made in our capacity as a broker-dealer. When we make such recommendations, we will refer to the Account number or title. As a broker dealer and a registered investment adviser, our Advisors are able to use the term "Advisor" in their titles.

If you enroll an Account in one of our investment advisory programs, we will act as investment advisor solely with respect to that account and not with respect to your Brokerage Accounts.

## Material Fees and Costs

This section describes the material fees and costs that apply to your Brokerage Account, including as to transactions, holdings and Account. You should discuss with an Advisor the fees and costs that you will pay for particular transactions in your Account. You can access additional fee information by reviewing our [Explanation of Fees](#). The offering documents and/or subscription documents also provide specific fee information. Information regarding fees affecting MAC Accounts and MESD Accounts can be located at [merrilledge.com](http://merrilledge.com).

## Sales Charges

In connection with the purchase and sale of securities and other investments in your Account, you are charged commissions, markups, markdowns and other fees and costs for executing transactions (together, Sales Charges). The Sales Charges can be included in the price of your security. For some transactions, the Sales Charges can be added to the price of the securities you purchase, or deducted from the price of the securities you sell.

For certain securities, you will receive trade confirmations, offering documents and/or subscription documents, which you should consult for the Sales Charges that you will pay for a particular security and transaction. You should also understand the following regarding our Sales Charges:

- **Types of Sales Charges.** Sales Charges include (1) brokerage commissions and markups and markdowns; (2) underwriting

discounts, selling concessions, placement fees, and other applicable fees and charges for new issue offerings; (3) up-front and annual sales charges, including ongoing trailing fees paid on a periodic basis after the transaction (e.g., fees paid by a mutual fund under a Rule 12b-1 plan (12b-1 fees)); (4) commissions received from an issuing insurance company; and (5) other transaction charges. A description of the common types of Sales Charges and the ranges for the common types of transactions are provided in the “Sales Charge Information for Common Types of Transactions” table below.

- **Determination of Sales Charges.** The Sales Charges for particular securities transactions are determined by reference to various schedules, methodologies and pricing arrangements in effect from time to time and are subject to change.
- **Use of Sales Charges.** Sales Charges compensate us and/or our Affiliates for the services provided to you in connection with transactions in your Account. A portion of the Sales Charges we receive is directly or indirectly used to pay Advisors’ compensation.

The fee information in this Disclosure Statement does not cover every security or other investment type or transaction or every fee and cost that applies to your Account. Not every security type or transaction is available to you. In certain transactions, minimum Sales Charges will apply.

### Sales Charge Information for Common Types of Transactions

Transaction Type	Sales Charge Description and Range
<b>New Issue Offerings</b> (equities, preferreds & fixed income securities & closed end funds)	There is an underwriting discount included in the offering price (which is the price you pay) that varies based on the security. Underwriting discounts range from 0.05% to 7.00% depending on the new issue offering and type of securities being offered. The prospectus cover page will list the actual amount of the underwriting discount for the offering. Advisors receive as compensation a portion of the underwriting discount paid to Merrill for the new issue offering.
<b>New Issue Brokered Certificates of Deposit</b>	A placement fee is paid to us or our Affiliate for distributing the new issue brokered Certificate of Deposit (brokered CD) from the brokered CD issuer, the amount of which is included in the offering price (which is the price you pay). Placement fees range from 0.02% to 0.30% of the principal amount of the brokered CD on an annualized basis, depending on the tenor.
<b>New Issue Market-Linked Investments</b>	There is an underwriting discount included in the offering price (which is the price you pay) that varies based on the tenor and type of the market-linked investment (MLI). The underwriting discount ranges from 1.50% to 2.50%. The prospectus cover page will list the actual amount of the underwriting discount for the offering. Advisors receive as compensation a portion of the underwriting discount paid to Merrill for the new issue MLI offering. The economic terms of the MLI will also include a related structuring fee, typically in the range of 0.50% to 0.75%, which is retained by our Affiliate.
<b>Secondary Market Transactions-Equities</b> (listed equities, exchange traded funds (ETFs))	You pay a commission that is calculated based on the principal value of the security purchased or sold. The commission is in addition to the purchase price you pay or the sale price you receive for the security. The maximum commissions that can be charged range from 0.50% to 5.00%, depending on the principal amount of the transaction.
<b>Secondary Market Transactions-Fixed Income Securities</b> (Treasuries, agencies, municipals, corporate debt & certain preferred securities)	For purchases, you pay us a markup that is added to and included in the price of the security that you pay. For sales, a markdown is deducted from and included in the price of the security that you receive. In addition, the price you pay (for purchases) or receive (for sales) also includes a dealer markup or markdown paid to our Affiliate if the transaction is executed by our Affiliate.  Our markups range from 0.10% to 2.00%, and our markdowns range from 0.00% to 0.50% (and solely for over-the-counter preferred securities, the markdown is up to 1.00%). The dealer markup or markdown paid to our Affiliate is typically up to 1.00%. The markup and markdown range depends on the security type, tenor and market conditions.
<b>Secondary Market Transactions – Market-Linked Investments</b>	For purchases, you pay us a markup that is added to and included in the price of the MLI that you pay. For sales of an MLI, you do not pay us a markdown. In addition, the price you pay (for purchases) or receive (for sales) also includes a dealer markup or markdown paid to our Affiliate.  Markups on MLI purchases range from 0.50% to 2.00% and the dealer markup or markdown is typically up to 1.00%. The total markup or markdown depends on the specific MLI and its tenor.
<b>Unit Investment Trusts (UITs)</b>	There is a sales charge that is included in the UIT offering price (which is the price you pay) that varies based on the type of UIT and its tenor. For equity UITs, the sales charge is 1.85% for a 15-month UIT and 2.75% for a 24-month UIT. The fixed income UIT sales charge ranges from 2.50% to 3.50% depending on the tenor.  From the sales charges you pay, we receive 1.25% for a 15-month equity UIT and 2.00% for a 24-month equity UIT. From the sales charges you pay for a fixed income UIT, we receive between 1.60% and 2.60%.

Transaction Type	Sales Charge Description and Range
<b>Listed Options Contracts</b>	You pay a commission calculated based on the principal value and the number of the listed option contracts purchased or sold. The commission is in addition to the purchase price you pay or the sale price you receive for the contract. Commissions range from 0.70% to 15.00% of the principal value of the contracts, plus \$3.00-\$9.00 per contract. You also pay an additional transaction fee ranging from \$0.15 up to \$1,003 per transaction, determined based on the principal value and number of contracts purchased or sold.
<b>Mutual Funds</b>	<p><i>Upfront Sales Charges:</i> For mutual fund Class A shares, you pay an upfront “front-end” Sales Charge. At Merrill, we only typically permit purchases of Class A shares when the Sales Charge on the purchase amount is 3.5% or less (by prospectus). The amount of the Class A share Sales Charge depends on factors such as the size of the purchase, the fund’s particular Sales Charge breakpoint schedule (which lowers the charge based on larger purchases or holdings), your eligibility for any discounts or waivers and/or the asset class of the fund. There are no upfront Sales Charges for mutual fund Class C shares.</p> <p><i>Contingent Deferred Sales Charges (CDSCs):</i> For certain purchase amounts of Class A shares where no Sales Charge is imposed, you will pay a CDSC for any redemption you make within 12 months of the purchase date in an amount ranging from 0.25% to 1.00% of the redemption amount. If you redeem your Class C Share within 12 to 18 months of the purchase date, you will typically pay a CDSC fee of 1.00%, which is deducted from the redemption proceeds.</p> <p><i>Annual or Trailing Sales Charges:</i> Mutual funds have an annual asset-based fee or “12b-1 fee” paid out of the fund’s assets that differ based on the share class. For mutual fund Class A shares, a 12b-1 fee is paid to us in addition to the upfront Class A share Sales Charge and typically range from 0.20% and 0.30% but in certain funds can be up to 0.50%. For mutual fund Class C shares where no upfront Sales Charge is paid, you will pay a 12b-1 fee upon the initial purchase and annually thereafter. The mutual fund Class C share 12b-1 fees range from 0.50% to 1.00%.</p> <p><i>Purchases of Mutual Funds in ERISA Accounts*:</i> For mutual fund shares available in ERISA Accounts, you will not pay an upfront fee but you pay an annual asset based retirement group fee, which is typically a 12b-1 fee that is based on the share class for which that ERISA Account is eligible. Retirement group fees are typically 0.25% for Class A shares, 0.50% for Class R Shares and 1.00% for Class C Shares, in each case for funds available in ERISA Accounts. You also pay a separate administrative service fee of up to 0.35%, which for certain funds is deducted from fund assets, with a fee range that is typically from 0.10% to 0.20%.</p> <p>*ERISA Accounts are accounts (other than SEP, SIMPLE and BASIC Accounts), subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA).</p>
<b>Money Market Funds</b>	You will not pay an upfront fee. Money market funds, including those available for purchase in ERISA Accounts, have an annual asset-based administrative fee that is paid to us. The administrative fee ranges from 0.00% to 0.50%. The money market funds available to certain Accounts as an automatic cash sweep option under our Cash Sweep Program typically include a 0.40% service fee. Although some money market funds have an annual 12b-1 fee, those available for purchase in your Brokerage Account typically do not charge this fee.
<b>Hedge Funds and Private Equity Funds</b>	You pay us a one-time placement fee. For hedge funds, this fee is in addition to, and not deducted from, your hedge fund subscription amount. For private equity feeder funds, this fee is added to, and not deducted from, your private equity capital commitment amount. The placement fee is up to 3.00% for hedge funds and up to 2.50% for private equity funds. See additional fee information in the “Indirect Fees and Charges” section below.
<b>Options Overlay Strategies</b>	You pay us a transaction fee of \$1.00 per listed options contract purchased or sold as directed by the manager to implement the strategy. See additional fee information in the “Indirect Fees and Charges” section below.
<b>Exchange Funds</b>	You pay us a selling commission (included in your subscription amount) of up to 1.50%. See additional fee information in the “Indirect Fees and Charges” section below.
<b>Annuities</b>	<p>You pay fees for an annuity directly to the issuing insurance company, the amount of which depends on the annuity type and features you select. For variable annuities, the fees you pay are included in the annuity contract. For fixed rate, fixed indexed and income annuities, the fee is included through the crediting rates established by the issuing insurance company.</p> <p>Under selling agreements with the insurance company, we, through our Affiliates, receive compensation in the form of sales commissions from the insurance company and trailing payments. The first-year sales commissions received range from 2.50% to 4.00% and trailing payments range from 0.00% to 0.55%, in each case, depending on the type of annuity. The commissions are not an upfront sales charge and do not reduce your initial investment.</p> <p>For additional premiums added to contracts that were purchased prior to June 1, 2020, first-year sales commissions received from insurance companies range from 0.75% to 5.25%, and trailing payments range from 0.0% to 1.20%, in each case, depending on the type of annuity.</p>

Not all of these security products or offerings are available for purchase in MAC Accounts. In addition, different sales charges for securities transactions apply in MESD accounts and not all investment products are available. You may review applicable MESD fees and charges at [www.merrilledge.com/pricing](http://www.merrilledge.com/pricing).

### Indirect Fees and Charges

When you purchase certain securities and other investments, you will pay indirect fees, such as annual management, performance, administration, service and other asset-based fees that are typically part of the overall expenses of the security or other investment. Some or all of these indirect fees are, in turn, paid to us as part of our compensation for offering, servicing and sales of the product. Examples of these indirect fees include the following:

- **Hedge Funds and Private Equity Funds.** All hedge and private equity feeder funds which are available for purchase only by clients of Merrill or its affiliates (feeder funds) have an annual administration fee of up to 1.00%, of which we receive up to 0.875% in selling agent compensation. In addition, the third-party administrator of certain hedge feeder funds receives payments of a fixed dollar amount or a percentage of management fees (retrocession payments) from the underlying manager, which generally are paid to us as selling agent compensation.

Hedge and private equity funds that are not feeder funds have annual management, administrative, servicing and other asset based fees that are paid to the manager or its affiliates. Merrill generally receives a payment from the manager or its affiliates ranging from 0.00% to 4.00% of the total amount invested or committed to be invested by Merrill clients. The exact percentage and method of calculation is disclosed in the subscription documents and/or offering documents for each fund.

- **Exchange Funds.** Exchange funds have annual advisory, management, administrative, servicing and other asset-based fees of between 0.85% and 0.98% that are paid to the exchange fund's manager. Of this fee, Merrill receives 0.25% annually of your investment in the fund as a servicing fee. The exchange fund's lead placement agent pays us an incentive payment of 1.00% of your subscription amount.
- **Options Overlay Strategies.** These strategies have an annual management fee that ranges from 0.50% to 0.60% and an annual performance fee that ranges from 0.00% to 10.00% of net profits, both of which are paid by you to the options overlay strategy manager. Of the annual management fee it receives, the manager pays us between 0.15% and 0.225% as a referral payment.

**Over time, these indirect fees and the annual asset-based fees covered in the chart above will reduce the return on your investment and may cost you more than other types of investments.**

### Fee Discounting and Waivers

Where permitted, our Advisors (but not FSAs) can discount or waive Sales Charges at their discretion. Sales Charges and whether you qualify for any discount or waiver are determined by your individual circumstances and you may be charged a higher amount than other similarly situated clients.

### Other Transaction Costs and Miscellaneous Account and Service Fees

Certain transactions in securities incur additional customary fees and costs, including exchange, alternative trading system fees, required SEC fees or similar fees and transfer taxes. There are charges for transactions in foreign ordinary securities and dealer spreads or markups in connection with foreign currency conversions, including in connection with ADRs. The purchase and sale of non-U.S. securities may have local country costs and fees, stamp taxes, foreign currency exchange or conversion fees and local broker fees. Certain of these fees are included in the execution price for the security. These per transaction fees vary from product to product.

Your Brokerage Account is subject to miscellaneous account and service fees as described in the [Merrill Schedule of Miscellaneous Account and Service Fees](#) and for MAC Accounts in the [Merrill Edge Schedule of Miscellaneous Account and Service Fees](#).

### Margin Charges

If you use margin, you will pay interest, which varies. For more information regarding margin interest rates, please refer to your Agreement and/or the [Margin Truth-in-Lending Disclosure Statement](#).

### Type and Scope of Brokerage Services

The type and scope of services provided in connection with your Brokerage Account are described in your Agreement. You will work with Advisors who make recommendations based on a variety of factors, including your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs and risk tolerance (Investment Profile).

### Account Types

We offer a variety of types of Brokerage Accounts for retail investors. The [List of Account Types](#) provides an overview of our primary retail accounts and can be reviewed at [ml.com/relationships](http://ml.com/relationships) or at [merrilledge.com](http://merrilledge.com). Your Advisor can provide you with further information upon request.

### Brokerage Services

We provide the following Brokerage Services:

- **Investment recommendations.** We provide investment recommendations to you regarding securities or investment strategies involving securities from time to time. When we make a recommendation to you, it must be in your best interest at the time it is made in light of, among other things, your Investment Profile.
- **Unsolicited transactions.** You are permitted to disregard our recommendations or otherwise make your own investment decisions and to ask Advisors to execute transactions other than those we recommend to you. Your purchases and sales of securities that are not recommended by us are not subject to Regulation Best Interest and can cause your Account to perform in a way that is inconsistent with our recommendations.
- **Transaction execution.** We execute transactions at your direction subject to availability and our policies and procedures for which you pay Sales Charges, as described in "Sales Charges" section above. We execute transactions for you consistent with our best execution obligation.
- **Investment solutions and information.** We review the securities and other investments that we recommend to you, and we make available investment and market education, research and guidance.
- **Cash Sweep Program.** Your Agreement allows you to have uninvested cash balances in your Account automatically deposited (or "swept") to bank deposit accounts of our bank Affiliates or, if permitted under the terms of your Agreement, invested in a money market fund under the cash sweep program attributable to your Account (together, Cash Sweep Program). Your sweep options vary depending on your Account type as described in the [About the Merrill Lynch Bank Deposit Program](#), the [Sweep Program Guide](#) and your Agreement.
- **Margin Lending.** Your Account (other than a Retirement Account) will be a margin account unless you request a cash account. As disclosed in your Agreement, if you use margin lending to purchase securities, the collateral for the margin debt are the assets in your Account. The costs, risks and other features and conditions of margin and other types of securities-based lending are more fully described in your Agreement and the [Margin Truth-in-Lending Disclosure Statement](#).
- **Custody.** We provide custody services for your Account, except for certain securities, such as annuities or hedge funds. We hold securities in a location subject to applicable law. For further information, please refer to your Agreement.

Our Brokerage Services do **NOT** include:

- **Investment advisory services.** Although we can provide you with investment recommendations and related advice that is incidental to brokerage transactions executed in your Account, we do not provide on-going investment recommendations or advice for transactions in your Account and we do not act in the capacity of an investment adviser for your Account. As an alternative, or in addition to brokerage services, you can enroll Accounts into our investment advisory programs where you will receive investment advisory services as outlined in a separate agreement.

- **Ongoing monitoring.** From time-to-time, we may voluntarily review the holdings in your Account for the purposes of determining whether to make a recommendation to you. For purposes of Regulation Best Interest, however, **we do not provide an ongoing monitoring service or monitor your Account** and Regulation Best Interest does not require us to do so.
- **Discretionary authority.** We have no discretionary authority over your Account and can only purchase or sell securities or investment strategies that you authorize. This means that you make all decisions for your Account.

## Account Minimums

We impose account minimums only for Brokerage Accounts that are Cash Management Accounts (CMAs). For CMAs, a minimum of \$20,000 in any combination of cash and securities is required to establish the CMA (or \$2,000 for a CMA subaccount). For more information on account minimums, please refer to your Agreement.

## Material Limitations

**General.** We make available to our clients, at our discretion and based on our due diligence and other reviews, a wide range of securities and investment strategies. We choose to recommend products from a limited number of issuers or sponsors of annuities (variable and fixed), insurance, UITs, closed-end funds, options overlay strategies, exchange funds, hedge funds, private equity funds and MLLs, in each case that are based on quantitative and qualitative factors that we determine.

In addition, we only recommend products or services for which we and our Advisors earn compensation and that meet other of our requirements and qualifications. Even with these requirements and restrictions, we are of the view that we offer a wide array of investment products from a number of product providers.

The conflicts of interest related to these material limitations and compensation are discussed in the section “Material Facts About Conflicts of Interest.” We have in place reviews and various policies and procedures reasonably designed to prevent the material limitations outlined below and other business arrangements from affecting the nature of the advice we and our Advisors provide. The following are arrangements and requirements that are Material Limitations.

**New Issue Offerings and Brokered CDs.** We only offer and recommend securities that are part of a public or private offering in which BofAS is part of the underwriting syndicate or selling group, or has otherwise been engaged by the issuer as placement agent or in a similar capacity to offer and sell the securities. As an integral part of any new issue offering, BofAS serves as an underwriter or placement agent under the federal securities laws for the transactions it participates in and performs pricing, due diligence and allocation functions as part of the offering. Similarly, we only offer and recommend brokered CDs of third-party depository institutions if they are sourced by BofAS as placement agent.

**Market-Linked Investments.** We only offer and recommend MLLs that we or our Affiliates have structured and are made available in offerings in which BofAS has been engaged by the issuer as an underwriter. The issuers of the MLLs that we offer are financial institutions and other entities that are subject to due diligence reviews. In addition, we only offer MLLs that are subject to our pricing and structuring methodologies and processes.

**Unit Investment Trusts.** We only offer and recommend UITs from a limited number of UIT sponsors based on our due diligence and other reviews.

**Options Overlay Strategies and Exchange Funds.** We only offer and recommend option overlay strategies and exchange fund offerings of

third-party investment managers that pay us compensation. The compensation takes the form of solicitation and referral fees, as well as servicing fees.

**Over-the-Counter Derivatives.** An over-the-counter derivative transaction is a bilateral, arms-length contract between two parties. We only offer our clients the ability to enter into derivative transactions with one of our Affiliates that acts as a derivative counterparty.

**Mutual Fund Distribution, Service and Marketing Support and Retirement Service Fees.** For Brokerage Accounts, we only offer and recommend mutual funds, money market funds, and Offshore Funds where we receive 12b-1 fees, service fees, marketing support and/or retirement services fees. We require 12b-1 fees because they are part of the compensation that we pay to our Advisors for their efforts in reviewing and discussing the mutual fund with you and for the execution of the mutual fund transaction for your Brokerage Account.

The marketing support and retirement service fees are used to support and compensate us for the services we provide to the Advisors and to the third party fund sponsors and distributors regarding the offering of the mutual funds we include on our product platform and ongoing maintenance of information and due diligence relating to the funds. The marketing support and retirement service fees are not paid to the Advisors. Mutual funds, money market funds and Offshore Funds that would otherwise meet our criteria for inclusion on our product platform will not be available for purchase in your Account if we are not paid these fees. These services are described more fully in the “Material Facts About Conflicts of Interest” section.

**Hedge Funds and Private Equity Fund Distribution Fees and Service Fees.** We only offer and recommend hedge funds and private equity funds where we receive distribution fees from the fund administrator, manager or their affiliates. The percentage and method of calculation of the distribution fees paid to us from the fund administrator, manager or their affiliates are disclosed in the subscription documents and/or offering documents for each fund. Certain hedge funds and private equity funds that would otherwise meet our criteria for inclusion on our product platform will not be available for purchase in your Account if the distribution fees are not paid to us.

**Sub-Accounting Service Payments.** We only offer and recommend mutual funds, mutual fund share classes, money market funds, Offshore Funds and 529 plans that retain and pay our wholly owned subsidiary, Financial Data Services, LLC (FDS), to provide necessary sub-accounting, transfer and related services such as recordkeeping, processing, reporting and dividend reinvestment in connection with fund transactions.

**Cash Sweep Program.** We make available Account types that, under our Agreements, permit funds to only be “swept” to bank deposit accounts at our bank Affiliates. Clients have the option to choose the “No Sweep” option and not have cash in their Accounts be ‘swept’ to any available cash sweep vehicle. The ‘No Sweep’ option is not available to certain types of accounts, like Retirement Accounts.

**Allocation of Equity Initial Public Offerings (IPOs).** We allocate investment opportunities in equity IPOs among eligible Brokerage Accounts in a manner we determine appropriate. Given the limited availability and size of these offerings and shares available to us to allocate, there is a very limited opportunity for our brokerage clients to invest in such offerings and, if they do, clients generally receive smaller allocations than they requested. Accordingly, you, along with other Brokerage Account clients, should not have any expectation that you will have access to equity IPOs or will receive an allocation to any particular offering. There will be instances where certain Accounts receive an allocation while other Accounts (including similarly situated Accounts) do not, and preferential allocations will be given to certain clients based on a number of different factors. In addition, Advisors can

choose not to participate in IPOs for any clients, or choose to offer participation to only a small group of clients.

## General Basis for Recommendations

The general basis for our and our Advisors' recommendations (*i.e.*, what might be described as our, or our Advisors' investment approach, philosophy or strategy) is providing access to, and choice of securities and other investments that meet our clients' needs based on their Investment Profiles and goals, among other considerations. Our process also involves a due diligence process that evaluates whether securities and other investments are in the best interest of at least some of our customers generally.

We do not impose any specific investment approach, philosophy or strategy on our Advisors; however, to assist Advisors in making recommendations for your Account, we make available various resources:

- Securities research and guidance prepared by BofA Global Research.
- Due diligence analyst notes, manager briefs and other analyses prepared by the due diligence team within our Chief Investment Office.
- Information and assistance from other Merrill internal specialists and support teams and specialists and support teams from BANA and BofAS.
- Information from selected third-party research providers and other resources.
- Training on securities and investment solutions.

## Material Risks Associated with Investments and Brokerage Recommendations

While we will take reasonable care in developing and making recommendations to you, securities involve risk and you may lose money. There is no guarantee that you will meet your investment goals or that our recommended investment strategy will perform as anticipated. Please consult any available offering documents for any security that is recommended to you for a discussion of risks associated with the product. We can provide those documents to you or help you to find them.

**General Risks Associated with Investments in Your Account.** All investments involve risk, the degree of which varies significantly. Investment performance can never be predicted or guaranteed, and the value of your Account will fluctuate due to market conditions and other factors. Investments that we recommend and actions that we take to execute transactions for your Account are subject to various market, liquidity, currency, economic, geographic and political risks and are not necessarily profitable. You assume the risks of investing in securities and other investments and you could lose all or a portion of their value.

**Lack of Diversification.** We typically recommend that clients diversify their investments across multiple asset classes, issuers, sectors and industries to reduce the additional investment risk frequently associated with concentrated investments. You should understand that the decreased diversification resulting from holding concentrated positions in a single security, sector or asset class typically results in increased risk and volatility, which can result in losses.

**Product Level Risks.** Please consult the offering documents for any security we recommend for a discussion of risks associated with the security. If you cannot find these documents, please ask an Advisor to provide them or to help you find them.

## Standard of Conduct

Under Regulation Best Interest, when we make recommendations to you in our capacity as a broker-dealer regarding securities transactions or investment strategies involving securities (including Account recommendations), we must act in your best interest at the time the recommendation is made. This means we cannot place our or an Advisor's financial or other interests ahead of yours. Our recommendations are based on, among other things, your Investment Profile and other information that you provide to us. Our duty to act in your best interest when making a securities recommendation in your Brokerage Account relates solely to our obligation under Regulation Best Interest.

## Material Facts About Conflicts of Interest

Generally, we have a conflict of interest when we recommend an account, security transaction or investment strategy where we expect to earn greater compensation over another account, security transaction or investment strategy. The following section discusses material facts about conflicts of interest associated with our recommendations. We provide you additional information about these conflicts in trade confirmations, offering documents, subscription documents and other materials.

### Advisor Compensation Associated With a Brokerage Account

**Sales Compensation.** We pay Advisors a salary and incentive compensation that results from what we receive, including the Sales Charges you pay and the indirect compensation from third parties or Affiliates. Our recommendation to open a Brokerage Account and engage in transactions generates Sales Charges that compensate us and our Advisors (other than FSAs as discussed in the next section), and is a conflict of interest. The amount of this compensation will vary.

**Variable Compensation by Product and Service.** The Sales Charges for securities and other investments, as well as indirect compensation we receive, vary. Third parties, including asset managers, insurance companies and their affiliates, pay us compensation over time (*i.e.*, a trailing fee), and these payments also vary, including among products that may have substantially similar strategies (*i.e.*, certain indexed mutual funds and ETFs or certain active ETFs and mutual funds). In turn, we pay Advisors a portion of the Sales Charges and indirect compensation. The variable nature of Sales Charges and third-party payments create a conflict of interest because we and your Advisors are incentivized to recommend products for which we earn greater compensation rather than other alternatives. For example, compensation for annuities varies by annuity type, which incentivizes us to recommend an annuity that pays us more.

**Recommending a Brokerage Account or an Investment Advisory Relationship.** A recommendation of the type of Account relationship creates a conflict of interest for us and your Advisor. The amount of compensation we and your Advisor receive from your Brokerage Account activities can be more than if you had participated in an investment advisory program in which we would receive an annual asset-based fee. Depending on the amount of trading, the types of investments and/or the services you select, you could pay higher fees in a Brokerage Account. By contrast, if the trading activity in your Brokerage Account is limited, your Advisor has a financial incentive to recommend that you enroll in one of our investment advisory programs because the Advisor would earn greater compensation from the annual asset based fee.

## FSA Compensation Associated With a MAC Brokerage Account

We compensate an FSA that provides Brokerage Services to clients with MAC Accounts differently than we do an Advisor who is selected as your dedicated personal advisor. We pay FSAs a salary and incentive compensation based on the assets that are included in MAC Accounts and based on assets that are enrolled in Brokerage Accounts that are opened and funded as a result of the FSA's efforts. Additionally, FSAs have an incentive to recommend an investment advisory account advised by the FSA because they earn additional incentive compensation for the account based on the relationship.

## Rollover Recommendation to an Individual Retirement Account

Advisors that recommend rolling over assets from an employer-sponsored retirement plan (such as a 401(k) plan) into an Individual Retirement Account (IRA) or other similar account receive compensation based on the amount of funds transferred. We and your Advisor also have a financial incentive to recommend a rollover because transactions in the rollover IRA will generate Sales Charges and other compensation.

## 529 Plans

We recommend a variety of 529 plans to our clients. Our compensation varies based on the plan and the unit class you purchase. We also serve as the program manager to a Section 529 qualified tuition savings plan offered by the State of Maine (NextGen 529) and we receive additional fees for acting in this capacity.

## Compensation Received by our Affiliates

**Affiliated Products.** We, through our Advisors, may suggest or recommend that you use our securities account, execution and custody or other services for other of your investment activities or utilize the services of an Affiliate. Similarly, Advisors may suggest or recommend that you purchase our products or our Affiliates' products. Where you use or purchase Merrill's or our Affiliate's services or products, we and our Affiliates will receive fees and compensation. Advisors will, as permitted by applicable law, receive compensation (the amount of which varies) in connection with these products and services.

**Principal Trading and Agency Cross Transactions.** We execute certain transactions on a principal basis. Transactions that we conduct on a principal basis include all of our new issue equity and debt securities offerings (including MLI offerings) where we or our Affiliates act as an underwriter, selling group member or placement agent and as a dealer in secondary transactions in fixed income securities.

In addition, our Affiliates can act in a principal capacity when we execute transactions for your Account. In a principal capacity, our Affiliates act as your counterparty in OTC derivatives transactions and they can act as market makers for, or have proprietary positions in, the securities you buy or sell. We and our Affiliates receive compensation in connection with principal transactions, including markups, markdowns, underwriting discounts, selling concessions and other compensation, and can profit from transacting as your counterparty or having proprietary positions in securities you buy or sell. Moreover, we have an incentive to recommend a transaction in a security that our Affiliate maintains in its inventory that is otherwise difficult to sell.

Except where not permitted by regulation, we engage in agency cross transactions when we act as agent for both buyer and seller in a transaction. Since we generally receive compensation from each party

to an agency cross transaction, there is a conflict of interest between our obligations to you and to the other party to the transaction.

**Cash Sweep Program.** If you hold cash balances in your Account, our bank Affiliates benefit financially when your cash is "swept" to and held in an affiliated bank deposit account under our Cash Sweep Program. As described in your Agreement, certain eligible Accounts have the ability to elect the "No-Sweep" option or have the ability to be swept into money market funds.

Cash swept into an affiliated bank deposit account under the Cash Sweep Program benefits our bank Affiliates because they use these bank deposits to fund their lending, investment and other business activities. Their profitability is determined, in large part, by the difference between the interest paid on the bank deposit and the interest or other income earned on loans, investment and other assets which may be funded in part by bank deposits. In addition, the bank Affiliates determine the interest rate paid to depositors in the Cash Sweep Program.

The greater the amount of the cash balance maintained in your Account (which could be as a result of a recommendation from your Advisor) that is swept into a Cash Sweep Program bank deposit account and the lower the interest rate paid on the related bank deposit, the more our bank Affiliates benefit. The interest rate paid to you by our bank Affiliates can be lower than the interest rates available on other deposit account types at the bank Affiliates or on comparable deposit accounts at other banks. Generally, the rate you earn through the Cash Sweep Program will be lower than yields on other cash alternatives that are available for investment outside of the Cash Sweep Program, such as money market funds.

We have a conflict in connection with Accounts that are eligible for, and that elect, a money market fund sweep option, because we receive compensation for providing infrastructure, marketing support, sub-accounting or other services related to the use of the money market fund sweep option. If you choose the "No Sweep" option, we also benefit from the custody or use of uninvested cash balances in your Account.

For more information, please refer to the [Sweep Program Guide](#), [About the Merrill Lynch Bank Deposit Program](#), [Mutual Fund Investing at Merrill](#) and your Agreement.

As a registered broker-dealer, Merrill also benefits from the possession or use of any free credit balances in your Accounts, subject to restrictions imposed by federal securities laws and regulations.

**New Issue Offerings.** We have conflicts of interest when one of our Affiliates act as an issuer, placement agent, underwriter, dealer or structurer or otherwise have a financial interest. We and our Affiliates are compensated in connection with new issue offerings and we have an incentive to recommend these transactions to you. When BofAS is part of the underwriting syndicate or selling group, or has otherwise been engaged by the issuer as placement agent or in a similar capacity to offer and sell the securities, BofAS is compensated when you purchase securities we recommend. A portion of the underwriting compensation or placement fees that BofAS receives is used to compensate us and our Advisors for our efforts relating to the sale of the product. From time to time, certain securities, MLIs and brokered CDs we make available and recommend in new issue offerings are issued by BofA Corp., BANA or our Affiliates.

**Closed-End Funds.** We and our Affiliates can receive underwriting compensation as part of an underwriting syndicate or selling group for new issue closed-end fund offerings. In addition, an investment manager for a fund can pay us a structuring fee that ranges from 0.50% to 2.00% for advice relating to the structure, design and organization of the fund, as well as services related to the sale and distribution of fund shares. Where we or our Affiliates act as part of the underwriting syndicate or



selling group for a closed-end fund that we recommend, we can receive additional compensation from the fund's investment manager for services the investment manager can request from us, such as after-market support services or information pertaining to industry trends.

**Market-Linked Investments.** MLIs are debt securities issued by third parties or by our Affiliates. MLIs are available in new issue offerings where BofAS acts as an underwriter and receives compensation. In addition, the public offering price (which is the price you pay) for an MLI includes compensation to us and BofAS for structuring and distributing the MLI. It also includes an estimated profit credited to our Affiliate from hedging arrangements by the issuer of the MLI, which reduces the economic terms of the MLI to you.

**OTC Derivatives.** In OTC derivative transactions, you will enter into a derivative contract with one of our Affiliates. There is an embedded charge with respect to the transaction, which includes compensation in the form of anticipated hedging-related profits to our Affiliate. Activities of our Affiliates can influence or otherwise affect the price or value of underlying assets on which the transaction is based, the price or value of the OTC derivative contract or the payments and/or deliveries under the contract. An OTC derivative transaction can result in a loss to you and a gain to our Affiliate.

### **Sub-Accounting/Transfer Services and Affiliate Compensation**

As stated in "Material Limitations" section above, we only recommend mutual funds, money market funds, Offshore Funds and fund securities held through 529 plans that pay our subsidiary FDS for providing sub-accounting, transfer and related services. These sub-accounting and transfer services include aggregating and processing purchases, redemptions, exchanges, dividend reinvestment, consolidated account statements, tax reporting, and other related processing and recordkeeping services (together, sub-accounting/transfer services).

Under agreements, FDS provides daily sub-accounting/transfer services to holders of funds and other investment products that maintain their holdings in Brokerage Accounts and other accounts at Merrill and receives the agreed-upon sub-accounting/transfer services fee. This cost is either borne by the fund (like other fund expenses) as part of its operating costs or by its adviser, principal underwriter or other agent.

Depending on the specific arrangements, FDS receives fees of either up to 0.15% per annum of the value of fund shares held in an Account with us or up to \$21 annually for each client position in the mutual fund. The fee for money market funds, including those available in ERISA Accounts, is generally 0.005% per annum and for Offshore money market funds, the fee is up to 0.015%. For Offshore Funds, we typically receive a bundled fee ranging from 0.45% to 1.10% for front-load shares and 1.10% to 1.80% for level load shares that can be used for distribution, marketing services and support, sub-accounting and related administrative services and or paying a portion of an Advisor's compensation.

For mutual fund and certain money market funds shares in ERISA Accounts, FDS receives between 0.1% and 0.25% annually of the value of fund shares or between \$16 and \$19 annually for each participant position. These fees and fee rates are subject to change and can be received individually or as part of a "bundled" arrangement with a mutual fund that includes other types of fees, such as administration and distribution payments.

With respect to 529 portfolio positions held in a 529 account at Merrill, FDS receives from all the 529 program managers with unit classes that charge sales loads either up to \$19 annually for each position or up to 0.15% annually of the value of unit classes held in a

client's account at Merrill depending on the 529 program manager's election.

These service arrangements and the amount of the fees paid to FDS for the services vary by fund and by share class. These payments will be higher for those fund families that have higher fund assets held in our clients' accounts than others as the service fee calculation is based off of the level of the asset holdings.

We have a conflict of interest in selecting certain fund products (or share classes) or other products for inclusion as part of our product offering available to you. Certain fund products and other products that would otherwise meet our criteria for inclusion in the part of our product menu but whose principal underwriters, agents or sponsors do not agree to pay a fee that FDS determines is appropriate for its services will not be selected, thereby limiting the available universe of funds (and share classes) and products available to you. In addition, the amount of this fees varies among mutual funds and, in certain instances, between share classes of individual funds. FDS receives a higher sub-accounting fee payment from some fund families than from others. This results in a conflict of interest because it creates an incentive for us to recommend that you invest in mutual funds and share classes that pay higher fees to our subsidiary.

Furthermore, for mutual funds, you should not assume that you will be invested in the share class with the lowest possible expense ratio that the mutual fund provider makes available to the investing public. It is generally in your best interest to purchase lower-fee share classes because your returns are not reduced in whole or in part by additional fees and expenses.

### **Compensation for Sales of Mutual Funds -- Mutual Fund-related Distribution Fees, Marketing Support and Service Fees**

Certain funds or share classes that would otherwise meet our criteria for inclusion in our product menu but whose principal underwriters, agents or sponsors do not agree to pay us 12b-1 fees, marketing support service fees and/or service fees will not be selected, thereby limiting the available universe of funds and products available to you.

**12b-1 Fees.** The 12b-1 fees varies among mutual funds and, in certain instances, between share classes of individual funds. We therefore receive higher 12b-1 fee payments from some fund families than others. In addition, we pay part of our Advisors' compensation from the 12b-1 fees we receive. This is a conflict of interest because it creates an incentive for us and our Advisors to recommend that you invest in mutual funds and share classes that pay us or our Advisors higher fees.

In addition, we only offer and recommend mutual funds in Brokerage Accounts that pay us 12b-1 fees. We do this because the 12b-1 fees that are charged as part of the expenses of the mutual fund share class form a part of the compensation that we pay to our Advisors for their efforts in reviewing and discussing the mutual fund with you and for the execution of the mutual fund transaction for your Brokerage Account.

Given this selection criteria, we have a conflict of interest in selecting certain funds and share classes for inclusion as part of our product offering available to you over others. You should not assume that you will be invested in the share class with the lowest possible expense ratio that the mutual fund provider makes available to the investing public.

**Marketing Support for Mutual Funds, Money Market Funds and 529 Plan Programs.** For Brokerage Accounts, we only recommend or select, mutual funds, money market funds and Offshore Funds from fund families that pay us marketing support payments. Merrill provides a variety of distribution, marketing services and other support to fund managers of mutual funds

that are available through Merrill. These services include: (1) providing our Advisors access to a specialist support desk and with work stations that include information, announcements, data, and tools relating to the fund; (2) conducting ongoing review and communications of features and changes to these products; (3) offering strategic planning support intended to assist fund managers with strategies that are aligned with Merrill's investment themes and goals; (4) providing sales related reports and other information and branch office support and facilities and personnel support for fund and program descriptions, related prospectuses and promotional and other materials.

The typical marketing support payments made to us from mutual fund sponsors are as follows:

- Mutual funds -- 0.25% on a portion of mutual fund purchases and 0.10% on a portion of mutual fund assets on an annual basis.
- Money market funds (including those eligible for ERISA Accounts) -- between 0.09% and 0.10% annually of the value of money market funds shares (with the highest fund paying 0.41%).
- Offshore Funds -- fee is included in the bundled fee described above in the section "Conflicts Regarding Sub-Accounting/Transfer Services."
- Offshore money market funds -- between 0.02% and 0.05% from fund sponsors annually of the value of the money market fund shares.

We do not receive marketing support payments from mutual fund families for funds available to ERISA Accounts, but receive administrative service fees that range from 0.00% to 0.35% of assets invested in the funds.

Merrill receives compensation from 529 program managers or 529 investment managers for its distribution, marketing services and other support of generally up to 0.15% on a portion of Section 529 plan purchases and generally up to 0.10% annually on a portion of Section 529 plan assets.

The amount of compensation Merrill receives from program managers for marketing services and support may exceed the cost of the services provided in any given year. You should be aware that the amount of marketing support or service fees paid by the different mutual fund families varies, therefore we receive more fees from some fund families than we receive from others. A listing of mutual fund families that paid us \$100,000 or greater and the range of marketing support payments we receive as of the prior calendar year is available at [ml.com/funds](http://ml.com/funds).

Advisors do not have an incentive to recommend certain mutual funds, money market funds or 529 plan programs that pay marketing support or service fees because Advisors do not receive additional compensation as a result of these types of payments. However, for Offshore Funds, we pay our Advisors compensation from a portion of the bundled fee we receive.

## Hedge Funds and Private Equity Funds

We only offer and recommend hedge funds and private equity funds where we receive distribution fees, ranging from 0.00% to 4.00%, from the fund administrator, manager or their affiliates.

For all feeder funds we make available to our clients, the administrator pays us out of its administrative fee up to 0.875% per annum in selling agent compensation. In addition, the third-party administrator of certain hedge feeder funds receives payments of retrocessions from the underlying manager, ranging from 0.00% to 1.00%, which generally are paid to us as selling agent compensation. In the case of a substantial majority of private equity feeder funds, we or our Affiliates have negotiated arrangements with the underlying fund or manager in which

the feeder fund invests. Under these arrangements, we and our Affiliates receive compensation which is generally based on the capital commitments made by the feeder fund ranging from 0.00% to 3.00%. We also receive additional compensation from certain fund managers in the form of one time up-front payments or periodic flat fee payments (which generally do not exceed \$350,000).

Among other things, our receipt of these payments: (1) offset or reduce our expenses associated with onboarding new hedge funds and private equity funds to our platform; (2) defray costs incurred in connection with, and in consideration of, certain marketing, operational and investor services; and (3) compensate us for the service of acting as the selling agent on behalf of certain of these funds.

You will find additional information about hedge funds and private equity funds, including the percentage and method of calculation of distribution fees, retrocessions and other compensation that we receive, in the relevant offering documents and/or subscription documents for the funds. These arrangements, which vary among the hedge funds and private equity funds on our platform, give rise to a conflict of interest in determining which funds to make available to our clients and recommending investments in certain funds over others.

We and our Affiliates select the hedge funds and private equity funds and fund managers to be available on our brokerage and advisory platforms based on qualitative and quantitative evaluation of such factors as performance, risk management policies and procedures and consistency of the execution of their strategy. We have adopted various policies and procedures reasonably designed to prevent the receipt of these payments and our other business arrangements from affecting the nature of the advice we provide.

## Participation in Affiliated Loan Programs and Margin

There are conflicts of interest when we recommend that you use a loan secured by your Account assets as collateral. These conflicts exist with a margin loan from Merrill or with any of our Affiliate lending programs that may be available to you from an Affiliate lender.

Specifically, in the case of a margin loan, we receive interest payments on the margin loan, and your Advisor receives compensation based on a percentage of the loan revenue we receive on the margin loans. Likewise, in the case of a loan from an Affiliate, including but not limited to the Loan Management Account<sup>®</sup> product (LMA<sup>®</sup> account), the Affiliate lender intends to derive a profit as lender based on interest and/or fees, if any, charged on the loan, and your Advisor receives compensation based on a percentage of the loan revenue of the Affiliate lender for such loan. Advisors may receive greater benefit if you borrow more under a margin or Affiliate lending program and if you are charged a higher interest rate.

The lender, whether it be Merrill or an Affiliate, has a lien on your Account assets that are used as collateral for the loan. The lender will act to protect itself as lender in connection with the loan, and this may be contrary to your interests and/or investment objectives. This lien also creates a conflict of interest with respect to the recommendations we make to you. For example, your Advisor may recommend that you allocate your investments to your Account that has a lender's lien rather than to another Account without such a lien. Another example is that your Advisor may recommend a less risky investment in order to minimize the risk of loss with respect to the Affiliate lender's collateral. Furthermore, your Advisor is compensated based on a percentage of the revenue on the loan and this means your Advisor can benefit from your borrowing under the lending program,

rather than liquidating assets held in the Account, and will receive a reduction in compensation earned by recommending you to reduce your outstanding loan balance. Additionally, as explained in this Disclosure Statement, your Advisor will earn compensation from the sale, purchase, and/or management of securities that are used in an Account pledged as collateral for an Affiliate or margin. Please review the [Margin Truth-in-Lending Disclosure Statement](#) and the [Securities-Based Loan Disclosure Statement](#) for more information.

## Compensation for Sales of Certain Investments

The compensation we receive for sales of the investments described in this section below creates an incentive to recommend them to you and thus constitutes a conflict of interest.

**Exchange Funds.** The fund's lead placement agent pays us incentive compensation of 1.00% of your subscription amount. In addition, the fund's investment adviser pays us an annual servicing fee of 0.25% of your investment in the fund.

**Options Overlay Strategies.** From the annual management fee you pay to the investment manager, the investment manager pays us between 0.15% and 0.225% as a referral payment. Because we receive a portion of the annual management fee of investment managers, we have a conflict of interest in determining the investment managers whose strategies we offer on our platform.

**Unit Investment Trusts.** UIT sponsors pay us additional compensation based on the total volume of UIT sales we make ranging from 0.035% to 0.175%. This compensation is paid by the UIT sponsor and not from the assets of the UIT.

## Referral Arrangements and Fees

**Affiliate Referrals.** Advisors receive compensation for referring brokerage clients to our Affiliates for the provision of various financial services (including transaction execution and investment banking services) and products (including banking products), which varies by service and product. In addition, Advisors may introduce fund and other investment product distributors, sponsors, service providers or their affiliates to other services that we, BofA Corp. and our Affiliates provide.

This results in a conflict of interest because we are incentivized to introduce services that provide us or our Affiliates additional compensation. As permitted by applicable law, Advisors receive compensation (the amount of which varies and can be significant) in connection with these recommendations and/or services. These referral programs are not applicable to FSAs.

We make available to you the ability to make cash deposits at bank Affiliates and the ability to deposit cash at bank Affiliates and non-Affiliate banks and savings associations through a deposit program. For deposits at bank Affiliates relating to referrals from an Advisor, we receive a fee directly from each bank Affiliate of no more than 2.00% annually of the average daily deposit balance held by the bank Affiliate. The amount of the fee varies from time to time and varies based on the bank Affiliate. We may waive all or part of this fee. Other than the regular annual financial service fee applicable to your Account and the costs associated with the investment of cash in a money market fund cash sweep option, there will be no charge, fee or commission imposed with respect to your participation in any bank Affiliate program.

**Other Referrals.** We have entered into agreements with unaffiliated third-party investment managers that compensate us for referring clients with Brokerage Accounts to them. There is a conflict of interest where we and our Advisors recommend that you participate in such a separate third-party advisory arrangement. The costs associated with the services provided by an unaffiliated third-party investment

manager to you, including any management fees paid to the unaffiliated investment manager or commissions paid to us in connection with the transactions executed in an Account advised by an unaffiliated investment manager, result in additional compensation to us and our Advisors. These referral arrangements are not applicable to FSAs because under the MAC brokerage program, third party advisory programs are not an offered investment strategy.

## Compensation and Support from Third-Party Investment Managers, Distributors and Insurance Companies

**Third Party Firm Relationships.** We and our Affiliates have business relationships with certain third-party investment managers, fund managers, distributors and sponsors as well as insurance companies and other product providers (Third Party Firms). For example, we or our Affiliates may effect transactions in the ordinary course of business for a mutual fund, hedge fund or private equity (and if applicable, a portfolio company in which a private equity fund may hold an interest). We may also make available to them Brokerage Services and other Merrill or Affiliate programs. Third Party Firms may direct their clients' transactions to us and receive research, execution, custodial, pricing and other services offered by us in the normal course of business. Any compensation paid to us or our Affiliates is additional compensation to us for services we and our Affiliates provide to them.

**Third Party Firm Reimbursement for Training Events.** Certain Third Party Firms periodically participate in Merrill-hosted or Affiliate-hosted national internal training and education conferences for Advisors and other personnel as well as for conferences that Merrill or an Affiliate hosts for clients (National Training Events). There is no requirement that Third Party Firms provide any such support or payments in order for us to make available their investment products to our clients.

Third Party Firms electing to participate in a particular National Training Event reimburse us for the total cost of the National Training event on a *pro rata* basis. The amount of reimbursement from Third Party Firms varies depending on, among other things, the number of events in which a Third Party Firm participates in. For 2019, when there were approximately 14 National Training Events covering a variety of investment solutions topics, over 100 Third Party Firms reimbursed us an aggregate amount of approximately \$15 million.

In addition, Third Party Firms periodically organize training programs that provide our Advisors and certain personnel with information on their platform of products and services with the opportunity to interact with a Third Party Firm's management and investment personnel. These meetings may occur at a location determined by the Third Party Firm or at our local branch offices. Certain Third Party Firms also may help to support client and prospect seminars, trade shows and booth events.

Third Party Firms hosting or supporting these meetings provide reimbursement payments to offset the costs of these training meetings and events, which, in certain circumstances, includes meals, travel and accommodations. In 2019, the aggregate amount of the reimbursement payments made by Third Party Firms relating to approximately 1,960 training programs and events was approximately \$12.5 million. We have implemented policies and procedures that place certain restrictions on these types of training programs and events and have supervisory practices in place to monitor compliance with these policies and procedures.

These payments and benefits present conflicts of interest because they create incentives for us to recommend products of these Third Party Firms. The amount of Third Party Firm reimbursement is not dependent or related to the amount of assets invested by you or any

other of our clients in or with the products or services of the particular Third Party Firm. Neither we, nor our Affiliates, incentivize Advisors to recommend one Third Party Firm's product or service over another's. Further, Third Party Firms are not permitted to condition their payment on any amount of sales of their products or services. However, Third Party Firms who participate in the National Training Events and other meetings described above have more opportunities to interact and build relationships with our Advisors. This creates a conflict of interest to the extent this leads our Advisors to recommend the products and services of these Third Party Firms.

**Compensation from Third Party Firms in the form of Gifts, Meals and Entertainment.**

From time to time, Third Party Firms provide Advisors and other of our personnel with non-monetary gifts and gratuities, such as promotional items and meals and reasonable entertainment. They can also make charitable donations or contributions to events. Receiving gifts, meals and entertainment creates a conflict of interest because gifts, meals and entertainment create incentives for Advisors to recommend products or services offered by these Third Party Firms. Further, Third Party Firms are not permitted to condition a gift, meal, entertainment or charitable contribution on any amount of sales of their products or services and we do not incentivize our Advisors or FSAs to recommend one Third Party Firm's product or service over another's. We have implemented policies and procedures to supervise this activity that are consistent with FINRA rules.

**Provision of Diversified Financial Services by Us and our Affiliates**

BofA Corp. is a diversified financial services company that generally provides through us and our Affiliates a wide range of services to retail and institutional clients for which it receives compensation. As a result, we, BofA Corp. and our Affiliates can be expected to pursue additional business opportunities with the entities whose investments we and our Advisors recommend to you. Consistent with industry regulations, the services that we and our Affiliates provide 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 customers.

**Payments for Order Flow, Order Routing and Rebates**

We do not receive payment for order flow from liquidity providers to which we route our customer orders in equity securities. We receive rebates from, and pay fees to, certain registered securities exchanges for providing or taking liquidity on those exchanges, according to those exchanges' published fee schedules approved by the SEC. In some cases, the rebates received by us from an exchange may, over a period of time, exceed the fees paid to the exchange.

We also participate in the options order flow programs sponsored by NYSE American Options, NYSE Arca Options, the Cboe options exchanges and the Nasdaq options exchanges. These exchange-sponsored programs offer payments for listed option orders that are directed to such options markets. The rebates and payments from these third parties vary depending on the order and the exchange to which orders are directed and create a conflict of interest because we are incentivized to recommend transactions that provide us with greater rebates or payments from these exchanges.

**Activity by Merrill, its Personnel, Affiliates and Related Companies**

From time to time in the course of our and our Affiliates' business dealings, confidential information is acquired that cannot be divulged or acted upon for clients. Similarly, we and our Affiliates can give advice or take action with regard to certain clients that differs from that given or taken with regard to other clients. In some instances, the actions taken by Affiliates for similar services and programs conflicts with the actions taken by us. This is due to, among other things, the differing nature of the Affiliate's service and differing processes and criteria upon which determinations are made.

From time to time, a shareholder of BofA Corp. may acquire a sufficiently large interest in BofA Corp. that the holding triggers statutory or regulatory obligations or restrictions. In such event, our ability to make recommendations to you regarding securities issued by that shareholder or its affiliates may be limited.

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- [Form CRS](#)
- [Summary of Programs and Services](#)
- [Explanation of Fees](#)
- [Merrill Schedule of Miscellaneous Account and Service Fees](#)
- [Merrill Edge Schedule of Miscellaneous Account and Service Fees](#)
- [List of Account Types](#)
- [About the Merrill Bank Deposit Program](#) (about the Cash Sweep Program)
- [Cash Sweep Program Guide](#)
- [Mutual Fund Investing at Merrill](#)
- [Offshore Mutual Fund Investing at Merrill](#)
- [Making the Most of Your Retirement Assets](#)
- [Annuities for Retirement](#)
- [Margin Truth-in-Lending Disclosure Statement](#)
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