

This pricing supplement, which is not complete and may be changed, relates to an effective Registration Statement under the Securities Act of 1933. This pricing supplement and the accompanying prospectus supplement and prospectus are not an offer to sell these notes in any country or jurisdiction where such an offer would not be permitted.

Pricing Supplement No. ___
Preliminary Pricing Supplement - Subject to Completion
(To Prospectus dated April 20, 2009
and Series L Prospectus Supplement dated April 21, 2009)
May 20, 2010



[\$10,000,000]
Notes Linked to the iShares® MSCI Emerging Markets Index Fund, due June [27], 2011

- The notes are senior unsecured debt securities issued by Bank of America Corporation. The notes are only partially principal protected.
- The notes will be issued in minimum denominations of whole units and integral multiples of \$1,000 in excess of each unit. Each unit will have a principal amount of \$250,000.
- We will not pay interest on the notes.
- The redemption amount per unit of the notes (the "Redemption Amount") that you receive on the maturity date will be based upon the direction of and percentage change between the Starting Value and the Ending Value (each as defined below) of the iShares® MSCI Emerging Markets Index Fund (the "Index Fund"). The Redemption Amount will be calculated as follows:
 - If the Ending Value is less than [70]% of the Starting Value (the "Lower Cap Value"), then the Redemption Amount will equal \$250,000 plus the product of (a) \$250,000 and (b) the sum of the Index Fund Return (as defined below) and [25]%
 - If the Ending Value is equal to or greater than the Lower Cap Value but less than [95]% of the Starting Value (the "Threshold Value"), then the Redemption Amount will equal \$[237,500] (the "Threshold Amount").
 - If the Ending Value is equal to or greater than the Threshold Value but less than [117.50]% of the Starting Value (the "Upper Cap Value"), then the Redemption Amount will equal \$250,000 plus the product of (a) \$250,000 and (b) the Index Fund Return.
 - If the Ending Value is equal to or greater than the Upper Cap Value, then the Redemption Amount will equal \$[293,750] (the "Upper Cap Amount").
- The "Index Fund Return" will equal: (Ending Value/Starting Value) - 1
- The notes will not be listed on any securities exchange.
- Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") is acting as our selling agent for the notes and is acting in its capacity as principal.
- The CUSIP number for the notes is _____.

	Per Note	Total
Original offering price	100.00%	\$
Underwriting discount	0.00%	\$
Proceeds (before expenses)	100.00%	\$

The notes are unsecured and are not savings accounts, deposits, or other obligations of a bank. The notes are not guaranteed by Bank of America, N.A. ("BANA") or any other bank, are not insured by the Federal Deposit Insurance Corporation (the "FDIC") or any other governmental agency, and involve investment risks. Potential purchasers of the notes should consider the information in "Risk Factors" beginning on page PS-7, page S-4 of the attached prospectus supplement, and page 8 of the attached prospectus.

None of the Securities and Exchange Commission (the "SEC"), any state securities commission, or any other regulatory body has approved or disapproved of these notes or passed upon the adequacy or accuracy of this pricing supplement, the accompanying prospectus supplement, or the accompanying prospectus. Any representation to the contrary is a criminal offense.

We will deliver the notes in book-entry form only through The Depository Trust Company on or about May [28], 2010 against payment in immediately available funds.

BofA Merrill Lynch
Selling Agent

[Table of Contents](#)

TABLE OF CONTENTS

	Page
SUMMARY	PS-3
RISK FACTORS	PS-7
USE OF PROCEEDS	PS-13
DESCRIPTION OF THE NOTES	PS-14
THE INDEX FUND	PS-21
SUPPLEMENTAL PLAN OF DISTRIBUTION	PS-27
U.S. FEDERAL INCOME TAX SUMMARY	PS-28
ERISA CONSIDERATIONS	PS-33

SUMMARY

This summary includes questions and answers that highlight selected information from this pricing supplement and the accompanying prospectus supplement and prospectus to help you understand these notes. You should read carefully the entire pricing supplement, prospectus supplement, and prospectus to understand fully the terms of the notes, as well as the tax and other considerations important to you in making a decision about whether to invest in the notes. In particular, you should review carefully the section in this pricing supplement entitled “Risk Factors,” which highlights a number of risks, to determine whether an investment in the notes is appropriate for you. If information in this pricing supplement is inconsistent with the prospectus supplement or prospectus, this pricing supplement will supersede those documents.

Certain capitalized terms used and not defined in this pricing supplement have the meanings ascribed to them in the prospectus supplement and prospectus.

In light of the complexity of the transaction described in this pricing supplement, you are urged to consult with your own attorneys and business and tax advisors before making a decision to purchase any of the notes.

The information in this “Summary” section is qualified in its entirety by the more detailed explanation set forth elsewhere in this pricing supplement and the accompanying prospectus supplement and prospectus. You should rely only on the information contained in this pricing supplement and the accompanying prospectus supplement and prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor the selling agent is making an offer to sell these notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this pricing supplement, the accompanying prospectus supplement, and prospectus is accurate only as of the date on their respective front covers.

Unless otherwise indicated or unless the context requires otherwise, all references in this document to “we,” “us,” “our,” or similar references are to Bank of America Corporation.

What are the notes?

The notes are senior unsecured debt securities issued by Bank of America Corporation, and are not guaranteed or insured by the FDIC or secured by collateral. **The notes will rank equally with all of our other unsecured senior indebtedness from time to time outstanding, and any payments due on the notes, including any repayment of principal, will be subject to our credit risk.** The notes are **not** guaranteed under the FDIC’s Temporary Liquidity Guarantee Program. The notes will mature on June [27], 2011.

The notes differ from traditional debt securities in that their return is linked to the value of the iShares® MSCI Emerging Markets Index Fund (the “Index Fund”). The notes are designed for investors who anticipate that the value of the Index Fund will increase moderately over the term of the notes, and are willing to accept a return that will not exceed [17.50]% over the original offering price. Investors must be willing to forego interest payments on the notes, and bear the risk of their investment.

Is it possible for you to lose a portion of your investment in the notes?

Yes. You may lose up to 75% of your investment if the Ending Value is less than the Lower Cap Value, as described more fully below. If the Ending Value is greater than or equal to the Lower Cap Value, but less than the Threshold Value, you will lose 5% of the principal amount of the notes. In addition, all payments on the notes are subject to our credit risk. See “Risk Factors—Payments on the notes are subject to our credit risk, and changes in our credit ratings are expected to affect the value of the notes.” Further, if you sell the notes prior to maturity, you may find that the market value of the notes may be less than their principal amount.

What is the Index Fund?

The Index Fund is one of numerous separate investment portfolios called “funds,” which make up iShares, Inc., a registered investment company. The Index Fund seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of publicly traded securities in emerging markets, as represented by the MSCI Emerging Markets IndexSM (the “Underlying Index”). The Underlying Index was developed as an equity benchmark for international stock performance and is designed to measure equity market performance in the global emerging markets. For additional information on the Index Fund and the Underlying Index, see the section below, “The Index Fund.”

How will the Redemption Amount be calculated?

On the maturity date, you will receive a cash payment per \$250,000 of the notes equal to the Redemption Amount. The Redemption Amount will depend on the direction of and percentage change in the value of the Index Fund and will be calculated as follows:

- If the Ending Value is less than [70]% of the Starting Value (the “Lower Cap Value”), then the Redemption Amount will equal \$250,000 plus the product of (a) \$250,000 and (b) the sum of the Index Fund Return and [25]%.
- If the Ending Value is equal to or greater than the Lower Cap Value but less than [95]% of the Starting Value (the “Threshold Value”), then the Redemption Amount will equal \$[237,500] (the “Threshold Amount”).
- If the Ending Value is equal to or greater than the Threshold Value but less than [117.50]% of the Starting Value (the “Upper Cap Value”), then the Redemption Amount will equal \$250,000 plus the product of (a) \$250,000 and (b) the Index Fund Return.
- If the Ending Value is equal to or greater than the Upper Cap Value, then the Redemption Amount will equal \$[293,750] (the “Upper Cap Amount”).

The “Index Fund Return” will equal:

$$\left(\frac{\text{Ending Value}}{\text{Starting Value}} \right) - 1$$

The Starting Value and the Ending Value will be determined as described in “Description of the Notes—The Starting Value and the Ending Value.” The “Starting Value” will be equal to the reported sale price for one share of the Index Fund on the NYSE Arca on the date the notes are priced for initial sale to the public (the “pricing date”). The “Ending Value” will be the Closing Market Price of the Index Fund on June [20], 2011 (the “calculation day”), multiplied by the Price Multiplier (as defined below). If the scheduled calculation day is not a trading day (as defined below) by reason of an extraordinary event, occurrence, declaration, or otherwise, or if a Market Disruption Event (as defined below) occurs and is continuing on the scheduled calculation day, the calculation agent will determine the Ending Value as set forth in the section “Description of the Notes—The Starting Value and the Ending Value.”

If the Ending Value is less than the Starting Value, the Redemption Amount will be less than the principal amount of the notes. As a result, you may receive less, and possibly significantly less, than the original public offering price per unit.

Is the return on the notes limited in any way?

Yes. Your opportunity to participate in possible increases in the value of the Index Fund through an investment in the notes is limited to a maximum return of [17.50]% over the original offering price. This is because in no event will the Redemption Amount exceed the Upper Cap Amount. This will be the case regardless of how much the Ending Value exceeds the Starting Value.

[Table of Contents](#)

Examples

Set forth below are four examples of the calculation of the Redemption Amount (rounded to two decimal places), based on a **hypothetical** Starting Value of 36.00 (the closing price per share of the Index Fund on [May 20, 2010]) and assumes a term of the notes of thirteen months. These examples are for purposes of illustration only. The actual Redemption Amount will depend on the actual Starting Value, Ending Level and the term of your investment.

Example 1—The **hypothetical** Ending Value is equal to 60% of the Starting Value:

Starting Value: 36.00

Hypothetical Ending Value: 21.60

$$\$250,000 + [\$250,000 \times ((21.60 / 36.00) - 1) + [25]\%] = \$212,500.00$$

Hypothetical Redemption Amount (per unit) = \$212,500.00

Example 2—The **hypothetical** Ending Value is equal to 90% of the Starting Value:

Starting Value: 36.00

Hypothetical Ending Value: 32.40

In this case, because the **hypothetical** Ending Value is greater than the Lower Cap Value but less than the or equal to the Threshold Value, the **hypothetical** Redemption Amount (per unit) will equal \$[237,500], which is the Threshold Amount.

Example 3—The **hypothetical** Ending Value is equal to 115% of the Starting Value:

Starting Value: 36.00

Hypothetical Ending Value: 41.40

$$\$250,000 + [\$250,000 \times ((41.40 / 36.00) - 1)] = \$287,500.00$$

Hypothetical Redemption Amount (per unit) = \$287,500.00

Example 4—The **hypothetical** Ending Value is equal to 135% of the Starting Value:

Starting Value: 36.00

Hypothetical Ending Value: 48.60

In this case, because the **hypothetical** Ending Value is greater than or equal to the Upper Cap Value, the **hypothetical** Redemption Amount (per unit) will equal \$[293,750], which is the Upper Cap Amount.

Will you have an ownership interest in shares of the Index Fund?

No. You will have no right to receive any shares of the Index Fund as a result of your investment in the notes. The notes will be payable solely in U.S. dollars.

What has been the historical values of the Index Fund?

We have included a table showing the historical high low closing prices of the Index Fund for each calendar quarter since the first quarter in 2005 in the section entitled “The Index Fund—Historical Values of the Index Fund.” We have provided this historical information to help you evaluate the performance of the Index Fund in various economic environments; however, past performance of the Index Fund is not necessarily indicative of how the Index Fund will perform in the future.

Who is the selling agent for the notes?

MLPF&S is acting as our selling agent in connection with this offering. In this capacity, the selling agent is not your fiduciary or advisor and you should not rely upon any communication from MLPF&S in connection with the notes as investment advice or a recommendation to purchase the notes. You should make your own investment decision regarding the notes after consulting with your legal, tax, and other advisors.

How are the notes being offered?

We have registered the notes with the SEC in the U.S. However, we are not registering the notes for public distribution in any jurisdiction other than the U.S. The selling agent may solicit offers to purchase the notes from non-U.S. investors in reliance on available private placement exemptions. See the section entitled “Supplemental Plan of Distribution—Selling Restrictions” in the prospectus supplement.

Will the notes be listed on an exchange?

No. The notes will not be listed on any securities exchange, and a market for them may never develop.

Does ERISA impose any limitations on purchases of the notes?

Yes. An employee benefit plan subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974 (commonly referred to as “ERISA”) or a plan that is subject to Section 4975 of the Internal Revenue Code of 1986, as amended, or the “Code,” including individual retirement accounts, individual retirement annuities or Keogh plans, or any entity the assets of which are deemed to be “plan assets” under the ERISA regulations, should not purchase, hold, or dispose of the notes unless that plan or entity has determined that its purchase, holding, or disposition of the notes will not constitute a prohibited transaction under ERISA or Section 4975 of the Code.

Any plan or entity purchasing the notes will be deemed to be representing that it has made such determination, or that a prohibited transaction class exemption (“PTCE”) or other statutory or administrative exemption exists and can be relied upon by such plan or entity. See the section entitled “ERISA Considerations.”

Are there any risks associated with your investment?

Yes. An investment in the notes is subject to risk. Please refer to the sections entitled “Risk Factors” on the next page of this pricing supplement and beginning on page S-4 of the prospectus supplement and page 8 of the prospectus.

RISK FACTORS

Your investment in the notes entails significant risks, many of which differ from those of a conventional debt security. Your decision to purchase the notes should be made only after carefully considering the risks of an investment in the notes, including those discussed below, with your advisors in light of your particular circumstances. The notes are not an appropriate investment for you if you are not knowledgeable about significant elements of the notes or financial matters in general.

Your investment may result in a loss; there is no guaranteed return of principal. The notes are only partially principal protected and do not pay interest. We will not repay you a fixed amount of principal on the notes on the maturity date. Instead, the Redemption Amount will depend on the direction of and percentage change in the value of the Index Fund. Because the value of the Index Fund is subject to market fluctuations, the Redemption Amount may be more or less than the principal amount per unit of the notes and the original offering price per unit of the notes. If the Ending Value is not greater than the Starting Value, the Redemption Amount will be less than the original offering price per unit, and you may lose a substantial portion of your investment.

Your yield may be less than the yield on a conventional debt security of comparable maturity. The yield that you receive on the notes may be less than the return you would earn if you purchased a conventional debt security with the same maturity date. As a result, your investment in the notes may not reflect the full opportunity cost to you when you consider factors that affect the time value of money.

Your investment return may be less than a comparable investment in the Index Fund or the securities included in the Underlying Index. Any positive return on notes is based on the increase in the value of the Index Fund. However, in no event will the Redemption Amount exceed the Upper Cap Amount, regardless of the extent to which the Ending Value exceeds the Starting Value. In contrast, a direct investment in shares of the Index Fund or the stocks included in the Underlying Index would allow you to receive the full benefit of any appreciation in the value of those shares or the securities included in the Underlying Index.

In addition, your return on the notes, if any, will not reflect the return you would realize if you actually owned shares of the Index Fund or the securities included in the Underlying Index and received the dividends paid or distributions made on them because the Index Fund Return will be calculated without taking into consideration the value of dividends paid or distributions made on those shares or those securities, or any other rights with respect to those shares or those securities.

Payments on the notes are subject to our credit risk, and changes in our credit ratings are expected to affect the value of the notes. The notes are our senior unsecured debt securities. As a result, your receipt of the Redemption Amount at maturity is dependent upon our ability to repay our obligations on the maturity date. This will be the case even if the value of the Index Fund increases after the pricing date. No assurance can be given as to what our financial condition will be on the maturity date.

In addition, our credit ratings are an assessment by ratings agencies of our ability to pay our obligations. Consequently, our perceived creditworthiness and an actual or anticipated decrease in our credit ratings prior to the maturity date of the notes may adversely affect the market value of the notes. However, because your return on the notes depends upon factors in addition to our ability to pay our obligations, such as the value of the Index Fund, an improvement in our credit ratings will not reduce the other investment risks related to the notes.

You must rely on your own evaluation of the merits of an investment linked to the Index Fund. In the ordinary course of their businesses, our affiliates may have expressed views on expected movements in the Index Fund or the Underlying Index, and may do so in the future. These views or reports may be communicated to our clients and clients of our affiliates. However, these views are subject to change from time to time. Moreover, other professionals who deal in markets relating to the Index Fund or the Underlying Index may at any time have significantly different views from those of our affiliates. For these reasons, you are encouraged to derive information concerning the Index Fund and the Underlying Index from multiple sources, and you should not rely on the views expressed by our affiliates.

[Table of Contents](#)

In seeking to provide you with what we believe to be commercially reasonable terms for the notes, we have considered the costs of developing, hedging, and distributing the notes. In determining the economic terms of the notes, and consequently the potential return on the notes to you, a number of factors are taken into account. Among these factors are certain costs associated with creating, hedging, and offering the notes. In structuring the economic terms of the notes, we seek to provide you with what we believe to be commercially reasonable terms. The price, if any, at which you could sell your notes in a secondary market transaction is expected to be affected by the factors that we considered in setting the economic terms of the notes, namely the costs associated with the notes, and compensation for developing and hedging the notes. The quoted price of any of our affiliates for the notes could be higher or lower than the original offering price.

Assuming there is no change in the value of the Index Fund after the pricing date and no change in market conditions or any other relevant factors, the price, if any, at which MLPF&S or another purchaser might be willing to purchase your notes in a secondary market transaction is expected to be lower than the original offering price. This is due to, among other things, the fact that the original offering price includes, and secondary market prices are likely to exclude, the developing and hedging costs associated with the notes.

We cannot assure you that a trading market for your notes will ever develop or be maintained. We will not list the notes on any securities exchange. We cannot predict how the notes will trade in any secondary market or whether that market will be liquid or illiquid.

The development of a trading market for the notes will depend on our financial performance and other factors, including changes in value of the Index Fund. The number of potential buyers of your notes in any secondary market may be limited. We anticipate that the selling agent will act as a market-maker for the notes, but it is not required to do so. The selling agent may discontinue its market-making activities as to the notes at any time. To the extent that the selling agent engages in any market-making activities, it may bid for or offer the notes. Any price at which the selling agent may bid for, offer, purchase, or sell any notes may differ from the values determined by pricing models that it may use, whether as a result of dealer discounts, mark-ups, or other transaction costs. These bids, offers, or completed transactions may affect the prices, if any, at which the notes might otherwise trade in the market.

In addition, if at any time the selling agent were to cease acting as a market-maker as to the notes, it is likely that there would be significantly less liquidity in the secondary market. In such a case, the price at which the notes could be sold likely would be lower than if an active market existed.

The Redemption Amount will not be affected by all developments relating to the Index Fund. The values of the Index Fund during the term of the notes will not be reflected in the Redemption Amount that you receive. The calculation agent will calculate the Redemption Amount at maturity solely by reference to the closing value of the Index Fund on the calculation day (as defined below). No other value of the Index Fund will be taken into account. As a result, you may receive at maturity a Redemption Amount that is less than the original offering price of your notes, even if the value of the Index Fund has increased at certain times during their term before decreasing on the calculation day.

There are liquidity and management risks associated with the Index Fund. Although shares of the Index Fund will be listed for trading on a securities exchange and a number of similar products have been traded on various exchanges for varying periods of time, there is no assurance that an active trading market will continue for the shares of the Index Fund or that there will be liquidity in the trading market. The Index Fund is subject to management risk, which is the risk that the Investment Advisor's (as defined below) investment strategy, the implementation of which is subject to a number of constraints, may not produce the intended results.

We cannot control actions by the sponsor of the Index Fund, BlackRock Institutional Trust Company, N.A. ("BlackRock"), or BlackRock Fund Advisors (the "Investment Advisor"), the Index Fund's investment advisor, which may adjust the Index Fund in a way that could adversely affect the value of the notes and the Redemption Amount, and BlackRock and the Investment Advisor have no obligation to consider your interests. The policies of BlackRock and the Investment Advisor concerning the calculation of the Index Fund's net asset value, additions, deletions, or substitutions of securities or other investments held by the Index Fund and the manner in which changes affecting the Underlying Index are reflected in the Index Fund could affect the value of the Index Fund and, therefore,

Table of Contents

the Redemption Amount and the market value of the notes. The Redemption Amount and the market value of the notes could also be affected if BlackRock or the Investment Advisor changes these policies, for example, by changing the manner in which it calculates the Index Fund's net asset value, or if BlackRock or the Investment Advisor discontinues or suspends calculation or publication of the Index Fund's net asset value, in which case it may become difficult to determine the value of the notes. If events such as these occur or if the closing value of the Index Fund is not available on the calculation day, the calculation agent may determine the closing value of the Index Fund on the calculation day; as a result, the calculation agent would determine the Redemption Amount in a manner it considers appropriate, in its sole discretion. BlackRock and the Investment Advisor will have no obligation to consider your interests in calculating or revising the Index Fund.

The performance of the Index Fund and the performance of the Underlying Index may vary. The performance of the Index Fund and that of the Underlying Index generally will vary due to transaction costs, certain corporate actions, and timing variances. If the Index Fund maintains a "representative sampling" strategy as to the Underlying Index, the performance of the Index Fund will differ to some degree from that of the Underlying Index.

In addition, because shares of the Index Fund are traded on a securities exchange and are subject to market supply and investor demand, the market value of one share of the Index Fund may differ from its net asset value per share; shares of the Index Fund may trade at, above, or below their net asset value per share. For the foregoing reasons, the performance of the Index Fund may not match the performance of the Underlying Index over the same period. Because of this variance, the return on the notes to the extent dependent on the Index Fund Return may not be the same as an investment directly in the securities or other investments included in the Underlying Index or the same as a debt security with a payment at maturity linked to the performance of the Underlying Index.

Time zone differences between the cities where the Underlying Index and the Index Fund trade may create discrepancies in trading levels. As a result of the time zone differences between the cities where the securities comprising the Underlying Index trade and where the shares of the Index Fund trade, there may be discrepancies between the values of the Underlying Index and the trading prices of the notes. In addition, there may be periods when the foreign securities markets are closed for trading (for example during holidays in a country other than the United States) that may result in the values of the Underlying Index remaining unchanged for multiple trading days where the shares of the Index Fund trade. Conversely, there may be periods in which the foreign securities markets are open, but the securities market on which shares of the Index Fund trade is closed.

Risks associated with the Underlying Index, or underlying assets of the Index Fund, will affect the share price of the Index Fund and hence, the value of the notes. The Index Fund may hold a variety of securities, the performance of which is designed to track the performance of the Underlying Index. While the notes are linked to the Index Fund and not to its underlying assets or the Underlying Index, risks associated with the underlying assets or the Underlying Index will affect the share price of the Index Fund and hence, the value of the notes. Some of the risks that relate to the Underlying Index include those discussed above in this pricing supplement, which you should review before investing in the notes.

Ownership of the notes will not entitle you to any shareholder rights and you will have no right to receive any shares of the Index Fund at maturity. Investing in the notes will not make you a holder of any shares of the Index Fund. Neither you nor any other holder or owner of the notes will have any voting rights, any right to receive dividends or other distributions or any other rights with respect to any of shares of the Index Fund. We will not invest in any shares of the Index Fund on behalf or for the benefit of holders of the notes.

The sponsor of the Underlying Index, MSCI Inc. ("MSCI") may adjust the Underlying Index in a way that affects its value, and MSCI has no obligation to consider your interests. MSCI can add, delete, or substitute the components included in the Underlying Index or make other methodological changes that could change the value of the Underlying Index. You should realize that the changing of companies or other components included in the Underlying Index may affect the Underlying Index, as a newly added component may perform significantly better or worse than the component it replaces. Additionally, MSCI may alter, discontinue, or suspend calculation or dissemination of the Underlying Index. Any of these actions could adversely affect the value of the notes. MSCI will have no obligation to consider your interests in calculating or revising the Underlying Index.

[Table of Contents](#)

Exchange rate movements may impact the value of the notes. The notes will be denominated in U.S. dollars. However, the Index Components (as defined below) are traded in currencies other than U.S. dollars and, for purposes of calculating the net asset value of the Index Fund, are converted into U.S. dollars. As a result, the Redemption Amount may depend in part on the relevant exchange rates. If the value of the U.S. dollar decreases against the currencies of the Index Components, the net asset value of the Index Fund may be adversely affected and the Redemption Amount may be reduced. The Redemption Amount will not be adjusted as a result of changes in the applicable exchange rates between those currencies and the U.S. dollar. Exchange rate movements may be particularly impacted by existing and expected rates of inflation, existing and expected interest rate levels, the balance of payments, and the extent of governmental surpluses or deficits in the countries relevant to the Underlying Index and its components and the United States. All of these factors are in turn sensitive to the monetary, fiscal, and trade policies pursued by the governments of various countries and the United States and other countries important to international trade and finance.

If you attempt to sell the notes prior to maturity, their market value, if any, will be affected by various factors that interrelate in complex ways, and their market value may be less than the principal amount of the notes. Unlike savings accounts, certificates of deposit, and other similar investment products, you have no right to have your notes redeemed prior to maturity. If you wish to liquidate your investment in the notes prior to maturity, your only option would be to sell them. At that time, there may be an illiquid market for your notes or no market at all. Even if you were able to sell your notes, there are many factors outside of our control that may affect their market value, some of which, but not all, are stated below. Some of these factors are interrelated in complex ways. As a result, the effect of any one factor may be offset or magnified by the effect of another factor. The following paragraphs describe the expected impact on the market value of the notes from a change in a specific factor, assuming all other conditions remain constant.

- **Value of the Index Fund.** The Redemption Amount at maturity, is determined by reference to the closing value of the Index Fund on the calculation day. Consequently, the market value of the notes at any time generally will depend substantially on the value of the Index Fund. The value of the Index Fund will be influenced by complex and interrelated political, economic, financial, and other factors that affect the capital markets generally, the markets on which the securities included in the Underlying Index (the “Index Components”) are traded, and the market segments of which these Index Components are a part. Even if the value of the Index Fund increases after the pricing date, if you are able to sell your notes before the maturity date, you may receive substantially less than the amount that would be payable at maturity because of the anticipation that the value of the Index Fund will continue to fluctuate until the Ending Value is determined. If you sell your notes, you may receive less than the original offering price of your notes. In general, the market value of the notes will decrease as the value of the Index Fund decreases and increase as the value of the Index Fund increases. However, as the value of the Index Fund increases or decreases, the market value of the notes is not expected to increase or decrease at the same rate. In addition, the Redemption Amount will not exceed the Upper Cap Amount, and we do not expect that the notes will trade in any secondary market at a price above the Upper Cap Amount.
- **Volatility of the Value of the Index Fund.** Volatility is the term used to describe the size and frequency of market fluctuations. During recent periods, the value of the Index Fund has had periods of volatility, and this volatility may vary during the term of the notes. In addition, an unsettled international environment and related uncertainties may result in greater market volatility, which may continue over the term of the notes. Increases or decreases in the volatility of the value of the Index Fund may have an adverse impact on the market value of the notes.
- **Economic and Other Conditions Generally.** The general economic conditions of the capital markets in the United States, as well as geopolitical conditions and other financial, political, regulatory, and judicial events that affect stock markets generally, may affect the value of the Index Fund and the value of the notes. In addition, the Underlying Index has returns that are calculated based upon currencies other than the U.S. dollar or prices in one or more non-U.S. markets and the value of the notes may also be affected by similar events in those markets.
- **Interest Rates.** We expect that changes in interest rates will affect the market value of notes. In general, if U.S. interest rates increase, we expect that the market value of notes will decrease, and

[Table of Contents](#)

conversely, if U.S. interest rates decrease, we expect that the market value of the notes will increase. The level of prevailing interest rates also may affect the U.S. economy and the applicable markets outside of the U.S., and, in turn, the value of the Index Fund. The Index Components are traded in currencies other than the U.S. dollar. As a result, the level of interest rates in the relevant foreign countries may also affect their economies and in turn the value of the related components, and, thus, the market value of the notes may be adversely affected.

- **Dividend Yields.** In general, if dividend yields on shares of the Index Fund or the Index Components increase, we anticipate that the market value of the notes will decrease; conversely, if those dividend yields decrease, we anticipate that the market value of the notes will increase.
- **Exchange Rate Movements and Volatility.** Foreign currency exchange rates represent the number of units of one currency (an “underlying currency”) for which one unit of another currency can be exchanged (a “base currency”). An exchange rate increases when the value of an underlying currency decreases relative to the applicable base currency, and decreases when the value of the underlying currency increases relative to that base currency. The net asset value of the Index Fund is calculated based upon currencies other than the U.S. dollar and prices in one or more non-U.S. markets. Changes in, and the volatility of, the exchange rates between the U.S. dollar and the relevant non-U.S. currency or currencies could have a negative impact on the value of the notes, and the Redemption Amount may depend in part on the relevant exchange rates.
- **Relationship Between Exchange Rates and Index Fund.** The correlation between the relevant currency exchange rate and the value of an Index Component reflects the extent to which a percentage change in that exchange rate corresponds to a percentage change in that Index Component. Changes in these correlations may have a negative impact on the value of the notes.
- **Time to Maturity.** As the time remaining to maturity of the notes decreases, we anticipate that the notes may have a market value that may be different from that which would be expected based on the levels of market interest rates and the value of the Index Fund. This difference will reflect a time premium or discount due to expectations concerning the Index Fund during the period before the applicable maturity date.

Our trading and hedging activities may create conflicts of interest with you. We or one or more of our affiliates, including MLPF&S, may engage in trading activities related to the Index Fund, the Underlying Index, or the Index Components that are not for your account or on your behalf. We and our affiliates from time to time may buy or sell shares of the Index Fund or the Index Components or related futures or options contracts for our own accounts, for business reasons, or in connection with hedging our obligations under the notes. We also may issue, or our affiliates may underwrite, other financial instruments with returns based upon the Index Fund or the Underlying Index. These trading and underwriting activities could affect the Index Fund in a manner that would be adverse to your investment in the notes.

We expect to enter into arrangements to hedge the market risks associated with our obligation to pay the amounts due under the notes. We may seek competitive terms in entering into the hedging arrangements for the notes, but are not required to do so, and we may enter into such hedging arrangements with one of our subsidiaries or affiliates. Such hedging activity is expected to result in a profit to those engaging in the hedging activity, which could be more or less than initially expected, but which could also result in a loss for the hedging counterparty.

We or our affiliates may enter into these transactions on or prior to the pricing date in order to hedge some or all of our anticipated obligations under the notes. This hedging activity could increase the value of the Index Fund on the pricing date.

In addition, from time to time during the term of the notes and in connection with the determination of the Ending Value, we or our affiliates may enter into additional hedging transactions or adjust or close out existing hedging transactions. We or our affiliates also may enter into hedging transactions relating to other notes or instruments that we issue, some of which may have returns calculated in a manner related to that of the notes. We or our affiliates will price these hedging transactions with the intent to realize a profit, considering the risks inherent in these hedging activities,

[Table of Contents](#)

whether the value of the notes increases or decreases. However, these hedging activities may result in a profit that is more or less than initially expected, or could result in a loss.

These trading activities may present a conflict of interest between your interest in your notes and the interests we and our affiliates may have in our proprietary accounts, in facilitating transactions, including block trades, for our other customers, and in accounts under our management. These trading activities, if they influence the value of the Index Fund or secondary trading in your notes, could be adverse to your interests as a beneficial owner of the notes.

Our hedging activities may affect your return on the notes and their market value. We, or one or more of our affiliates, including MLPF&S, may engage in hedging activities that may affect the value of the Index Fund. Accordingly, our hedging activities may decrease the market value of your notes prior to maturity, including on the calculation day, and therefore may affect the Redemption Amount. In addition, we or one or more of our affiliates, including MLPF&S, may purchase or otherwise acquire a long or short position in the notes. We or any of our affiliates, including MLPF&S, may hold or resell the notes. Although we have no reason to believe that any of those activities will have a material impact on the value of the Index Fund, we cannot assure you that these activities will not affect the value of the Index Fund and the market value of your notes prior to maturity, or the Redemption Amount.

There may be potential conflicts of interest involving the calculation agent. We have the right to appoint and remove the calculation agent. Our subsidiary, Merrill Lynch International (“MLI”), will be the calculation agent for the notes and, as such, will determine the Starting Value, the Ending Value, and the Redemption Amount. Under some circumstances, these duties could result in a conflict of interest between MLI’s status as our subsidiary and its responsibilities as calculation agent. These conflicts could occur, for instance, in connection with judgments that it would be required to make if certain corporate events occur relating to the Index Fund. See the sections entitled “Description of the Notes—Market Disruption Events” and “—Anti-Dilution and Discontinuance Adjustments.” The calculation agent will be required to carry out its duties in good faith and using its reasonable judgment. However, because we expect to control the calculation agent, potential conflicts of interest could arise.

The U.S. federal income tax consequences of the notes are uncertain, and may be adverse to a holder of the notes. No statutory, judicial, or administrative authority directly addresses the characterization of the notes or securities similar to the notes for U.S. federal income tax purposes. As a result, significant aspects of the U.S. federal income tax consequences of an investment in the notes are not certain. Under the terms of the notes, you will have agreed with us to treat the notes as single financial contracts as described under “U.S. Federal Income Tax Summary—General.” If the Internal Revenue Service (the “IRS”) were successful in asserting an alternative characterization for the notes, the timing and character of income or loss with respect to the notes may differ. No ruling will be requested from the IRS with respect to the notes and no assurance can be given that the IRS will agree with the statements made in the section entitled “U.S. Federal Income Tax Summary.”

USE OF PROCEEDS

We will use the net proceeds we receive from the sale of the notes for the purposes described in the accompanying prospectus under “Use of Proceeds.” In addition, we expect that we or our affiliates will use a portion of the net proceeds to hedge our obligations under the notes.

DESCRIPTION OF THE NOTES

General

The notes are part of a series of medium-term notes entitled “Medium-Term Notes, Series L” issued under the Senior Indenture, as amended and supplemented from time to time. The Senior Indenture is described more fully in the accompanying prospectus supplement and prospectus. The following description of the notes supplements the description of the general terms and provisions of the notes and debt securities set forth under the headings “Description of the Notes” in the prospectus supplement and “Description of Debt Securities” in the prospectus. These documents should be read in connection with this pricing supplement.

The notes are issued in minimum denominations of whole units and integral multiples of \$1,000 in excess of a unit. Each unit will have a principal amount of \$250,000. The notes will mature on June [27], 2011. We cannot otherwise redeem the notes prior to the maturity date, except as described below under “—Anti-Dilution and Discontinuance Adjustments—Discontinuance of the Index Fund.”

Prior to maturity, the notes are not repayable at your option. The notes are not subject to any sinking fund.

The notes will be issued in book-entry form only.

Payment at Maturity

On the maturity date, you will receive a cash payment per \$250,000 of the notes equal to the Redemption Amount. The Redemption Amount will depend on the direction of and percentage change in the value of the Index Fund and will be calculated as follows:

- If the Ending Value is less than [70]% of the Starting Value (the “Lower Cap Value”), then the Redemption Amount will equal \$250,000 plus the product of (a) \$250,000 and (b) the sum of the Index Fund Return and [25]%.
- If the Ending Value is equal to or greater than the Lower Cap Value but less than [95]% of the Starting Value (the “Threshold Value”), then the Redemption Amount will equal \$[237,500] (the “Threshold Amount”).
- If the Ending Value is equal to or greater than the Threshold Value but less than [117.50]% of the Starting Value (the “Upper Cap Value”), then the Redemption Amount will equal \$250,000 plus the product of (a) \$250,000 and (b) the Index Fund Return.
- If the Ending Value is equal to or greater than the Upper Cap Value, then the Redemption Amount will equal \$[293,750] (the “Upper Cap Amount”).

The “Index Fund Return” will equal:

$$\left(\frac{\text{Ending Value}}{\text{Starting Value}} \right) - 1$$

If the Ending Value is less than the Starting Value, the Redemption Amount will be less than the principal amount of the notes. As a result, you may receive less, and possibly significantly less, than the original public offering price per unit.

The Starting Value and the Ending Value

The “Starting Value” will be equal to the reported sale price for one share of the Index Fund on the NYSE Arca on the pricing date.

Table of Contents

The “Ending Value” will be the Closing Market Price of the Index Fund on June [20], 2011 (the “calculation day”), multiplied by the Price Multiplier (as defined below).

The “Closing Market Price” means:

(A) If the Index Fund is listed or admitted to trading on a national securities exchange in the United States that is registered under the Exchange Act (“registered national securities exchange”), is included in the OTC Bulletin Board Service (the “OTC Bulletin Board”) operated by the Financial Industry Regulatory Authority, Inc., or is quoted on a U.S. quotation medium or inter-dealer quotation system (e.g., the Pink-Sheets), then the Closing Market Price for any date of determination on any trading day means for one share of the Index Fund:

a. the last reported sale price, regular way, on that day on the principal registered national securities exchange on which the Index Fund are listed or admitted to trading (without taking into account any extended or after-hours trading session);

b. if the last reported sale price is not obtainable on a registered national securities exchange, then the last reported sale price on the over-the-counter market as reported on the OTC Bulletin Board or, if not available on the OTC Bulletin Board, then the last reported sale price on any other U.S. quotation medium or inter-dealer quotation system on that day (without taking into account any extended or after-hours trading session); or

c. if the last reported sale price is not available for any reason on a registered national securities exchange, on the OTC Bulletin Board, or on any other U.S. quotation medium or inter-dealer quotation system, then the Closing Market Price will be the arithmetic mean of the bid prices on that day from as many dealers in that security, but not exceeding three (which may include one of our affiliates), as have made the bid prices available to the calculation agent after 3:00 p.m., local time in the principal market of the shares of the Index Fund on that date (without taking into account any extended or after-hours trading session), or if there are no such bids available to the calculation agent, then the Closing Market Price will be determined by the calculation agent in its sole discretion and reasonable judgment.

(B) If the Index Fund is not listed on a registered national securities exchange, is not included in the OTC Bulletin Board, or is not quoted on any other U.S. quotation medium or inter-dealer system, then the Closing Market Price for any date of determination on any trading day means for one share of the Index Fund the U.S. dollar equivalent of the last reported sale price (as determined by the calculation agent in its sole discretion and reasonable judgment) on that day on a foreign securities exchange on which the Index Fund is listed or admitted to trading with the greatest volume of trading for the calendar month preceding that trading day as determined by the calculation agent; provided that if the last reported sale price is for a transaction which occurred more than four hours prior to the close of that foreign exchange, then the Closing Market Price will mean the U.S. dollar equivalent (as determined by the calculation agent in its sole discretion and reasonable judgment) of the average of the last available bid and offer price on that foreign exchange.

(C) If the Index Fund is not listed on a registered national securities exchange, is not included in the OTC Bulletin Board, is not quoted on any other U.S. quotation medium or inter-dealer quotation system, is not listed or admitted to trading on any foreign securities exchange, or if the last reported sale price or bid and offer are not obtainable, then the Closing Market Price will mean the average of the U.S. dollar value (as determined by the calculation agent in its sole discretion) of the last available purchase and sale prices in the market of the three dealers which have the highest volume of transactions in the Index Fund (which may include one of our affiliates) in the immediately preceding calendar month as determined by the calculation agent based on information that is reasonably available to it.

A “trading day” is a day, as determined by the calculation agent, on which trading is generally conducted (or was scheduled to have been generally conducted, but for the occurrence of a Market Disruption Event) on the NYSE, NASDAQ, the Chicago Mercantile Exchange, the Chicago Board Options Exchange, and in the over-the-counter market for the Index Fund in the United States, or any successor exchange or market, or in the case of one or more non-U.S. securities exchanges or markets, on the principal non-U.S. securities exchange or market for the Index Fund.

Table of Contents

The “Price Multiplier” will be 1 and will be subject to adjustment for certain corporate events relating to the Index Fund described below under “—Anti-Dilution and Discontinuance Adjustments.”

If (i) a Market Disruption Event occurs on the scheduled calculation day or (ii) the scheduled calculation day is determined by the calculation agent not to be a trading day by reason of an extraordinary event, occurrence, declaration, or otherwise, the Ending Value will equal the Closing Market Price of the Index Fund determined (or, if not determinable, estimated) by the calculation agent in a manner which the calculation agent considers commercially reasonable under the circumstances on the scheduled calculation day, regardless of the occurrence of a Market Disruption Event on that scheduled calculation day, multiplied by the Price Multiplier. See “—Market Disruption Events” below.

Market Disruption Events

A “Market Disruption Event” means any of the following events, as determined by the calculation agent in its sole discretion:

- (1) (A) the suspension of or material limitation of trading, in each case, for more than two hours of trading, or during the one-half hour period preceding the close of trading, of the shares of the Index Fund (or successor to the Index Fund) on the primary exchange where such shares trade, as determined by the calculation agent (without taking into account any extended or after-hours trading session); or

(B) the suspension of or material limitation of trading, in each case, for more than two hours of trading, or during the one-half hour preceding the close of trading, on the primary exchange that trades options contracts or futures contracts related to the shares of the Index Fund (or successor to the Index Fund) as determined by the calculation agent (without taking into account any extended or after-hours trading session), whether by reason of movements in price otherwise exceeding levels permitted by the relevant exchange or otherwise, in options contracts or futures contracts related to the shares of the Index Fund; or
- (2) (A) the suspension of or material limitation on trading, in each case, for more than two hours of trading, or during the one-half hour period preceding the close of trading, on the primary exchange where component stocks of the Underlying Index trade, as determined by the calculation agent (without taking into account any extended or after-hours trading session), in 20% or more of the stocks which then comprise the Underlying Index or any successor underlying index; or

(B) the suspension of or material limitation on trading, in each case, for more than two hours of trading, or during the one-half hour period preceding the close of trading, on the primary exchange that trades options contracts or futures contracts related to the Underlying Index as determined by the calculation agent (without taking into account any extended or after-hours trading session), whether by reason of movements in price otherwise exceeding levels permitted by the relevant exchange or otherwise, in options contracts or futures contracts related to the Underlying Index, or any successor underlying index; or
- (3) the determination that the scheduled calculation day is not a trading day by reason of an event, occurrence, declaration, or otherwise. For the purpose of determining whether a Market Disruption Event has occurred:
 - (i) a limitation on the hours in a trading day and/or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange;
 - (ii) a decision to permanently discontinue trading in the relevant futures or options contracts related to the Underlying Index (or any successor underlying index) or shares of the Index Fund (or successor to the Index Fund), will not constitute a Market Disruption Event;
 - (iii) a suspension in trading in a futures or options contract on the Underlying Index (or any successor underlying index) or shares of the Index Fund (or successor to the Index Fund), by a major securities market by reason of (a) a price change violating limits set by that securities market, (b) an imbalance of orders relating to those contracts, or (c) a disparity in bid and ask quotes relating to those contracts, will each constitute a suspension of or material limitation on trading in futures or options contracts related to the Index Fund;
 - (iv) subject to paragraph (3) above, a suspension of or material limitation on trading on the relevant exchange will not include any time when that exchange is closed for trading under ordinary circumstances; and

[Table of Contents](#)

(v) if applicable to the Index Fund, for the purpose of clauses (1)(A) and (2)(A) above, any limitations on trading during significant market fluctuations under NYSE Rule 80B, or any applicable rule or regulation enacted or promulgated by the NYSE or any other self regulatory organization or the SEC of similar scope as determined by the calculation agent, will be considered “material.”

Anti-Dilution and Discontinuance Adjustments

The calculation agent, in its sole discretion, may adjust the Price Multiplier, and hence the Ending Value, if an event described below occurs on or before the calculation day and the calculation agent determines that such an event has a diluting or concentrative effect on the theoretical value of the shares of the Index Fund or a successor index fund (as defined below). The Price Multiplier resulting from any of the adjustments specified below will be rounded to the eighth decimal place with five one-billionths being rounded upward.

No adjustments to the Price Multiplier will be required unless the Price Multiplier adjustment would require a change of at least 0.1% in the Price Multiplier then in effect. Any adjustment that would require a change of less than 0.1% in the Price Multiplier and that is not applied at the time of the occurrence of the event that requires an adjustment may be taken into account and aggregated at the time of any subsequent adjustment that would require a change of the Price Multiplier then in effect.

No adjustments to the Price Multiplier will be required other than those specified below. However, the calculation agent may, at its sole discretion, make additional adjustments to the Price Multiplier to reflect changes occurring in relation to the component stocks of the Index Fund, the terms of the Index Fund or any other security received in a reorganization event in other circumstances where the calculation agent determines that it is appropriate to reflect those changes to ensure an equitable result. The required adjustments specified below do not cover all events that could affect the Closing Market Price per share of the Index Fund.

The calculation agent will be solely responsible for the determination and calculation of any adjustments to the Price Multiplier and of any related determinations and calculations with respect to any distributions of stock, other securities, or other property or assets, including cash, in connection with any corporate event described below; its determinations and calculations will be conclusive absent a determination of a manifest error.

We will provide, within ten business days following the occurrence of an event that requires an adjustment to the Price Multiplier, or, if later, within ten business days following the date on which we become aware of this occurrence, written notice to the trustee, which will provide notice to the holders of the notes of the occurrence of this event and a statement in reasonable detail setting forth the adjusted Price Multiplier.

Anti-Dilution Adjustments

The calculation agent, in its sole discretion and as it deems reasonable, may adjust the Price Multiplier, and hence the Ending Value, as a result of certain events related to the Index Fund or any successor index fund, as applicable, which include, but is not limited to, the following:

Stock Splits and Reverse Stock Splits. If the Index Fund is subject to a stock split or reverse stock split, then once any split has become effective, the Price Multiplier will be adjusted such that the new Price Multiplier will equal the product of:

- the prior Price Multiplier; and

Table of Contents

- the number of shares which a holder of one share of the Index Fund before the effective date of such stock split or reverse stock split would have owned immediately following the applicable effective date.

Stock Dividends. If the Index Fund is subject to (i) a stock dividend (i.e., issuance of additional shares of the Index Fund by the Index Fund) that is given ratably to all holders of record of shares of the Index Fund or (ii) any other distribution of shares of the Index Fund to all holders of record of shares of the Index Fund, then once the dividend has become effective and the shares of the Index Fund is trading ex-dividend, the Price Multiplier will be adjusted on the ex-dividend date such that the new Price Multiplier will equal the product of:

- the prior Price Multiplier; and
- the number of shares of the Index Fund which a holder of one share of the Index Fund before the date the dividend became effective and the shares of the Index Fund traded ex-dividend would have owned immediately following that date;

provided that no adjustment will be made for a stock dividend for which the number of shares of the Index Fund paid or distributed is based on a fixed cash equivalent value, unless such distribution is an Extraordinary Dividend (as defined below).

Extraordinary Dividends. There will be no adjustments to the Price Multiplier to reflect any cash dividends or cash distributions paid with respect to the shares of the Index Fund other than Extraordinary Dividends, as described below, and distributions described under the sections entitled “—Anti-Dilution Adjustments—Other Distributions” and “—Reorganization Events” below.

An “Extraordinary Dividend” means, with respect to a cash dividend or other distribution with respect to the shares of the Index Fund, a dividend or other distribution that the calculation agent determines, in its sole discretion, is not declared or otherwise made according to the Index Fund’s then-existing policy or practice of paying such dividends on a quarterly or other regular basis. If an Extraordinary Dividend occurs with respect to the Index Fund, the Price Multiplier will be adjusted on the ex-dividend date with respect to the Extraordinary Dividend so that the new Price Multiplier will equal the product of:

- the prior Price Multiplier; and
- a fraction, the numerator of which is the Closing Market Price per share of the Index Fund on the trading day preceding the ex-dividend date, and the denominator of which is the amount by which the Closing Market Price per share of the Index Fund on the trading day preceding the ex-dividend date exceeds the Extraordinary Dividend Amount.

The “Extraordinary Dividend Amount” with respect to an Extraordinary Dividend for the shares of the Index Fund will equal:

- in the case of cash dividends or other distributions that constitute regular dividends, the amount per share of the Index Fund of that Extraordinary Dividend minus the amount per share of the immediately preceding non-Extraordinary Dividend for that share of the Index Fund; or
- in the case of cash dividends or other distributions that do not constitute regular dividends, the amount per share of the Index Fund of that Extraordinary Dividend.

To the extent an Extraordinary Dividend is not paid in cash, the value of the non-cash component will be determined by the calculation agent, whose determination will be conclusive. A distribution on the shares of the Index Fund described under the sections entitled “—Reorganization Events” and “—Anti-Dilution Adjustments—Other Distributions” below that also constitute an Extraordinary Dividend will only cause an adjustment under those respective sections.

Table of Contents

Other Distributions. If the Index Fund, after the pricing date, declares or makes a distribution to all holders of the shares of the Index Fund of any class of its capital stock (other than shares of the Index Fund), evidences of its indebtedness, or other non-cash assets, including, but not limited to, transferable rights and warrants, then, in each of these cases, the Price Multiplier will be adjusted such that the new Price Multiplier will equal the product of:

- the prior Price Multiplier; and
- a fraction, the numerator of which will be the Closing Market Price per share of the Index Fund, and the denominator of which will be the Closing Market Price per share of the Index Fund, less the fair market value, as determined by the calculation agent, as of the time the adjustment is effected of the portion of the capital stock, evidences of indebtedness, rights or warrants or other non-cash assets so distributed or issued applicable to one share of the Index Fund.

Reorganization Events

If prior to the maturity date of the notes, the Index Fund, or any successor index fund, has been subject to a merger, combination, consolidation, or statutory exchange of securities with another exchange traded index fund, and the Index Fund is not the surviving entity, then, on or after the date of such event, the calculation agent will, in its sole discretion, make an adjustment to the Price Multiplier or to the method of determining the Redemption Amount or any other terms of the notes as the calculation agent, in its sole discretion, determines appropriate to account for the economic effect on the notes of such event (including adjustments to account for changes in volatility, expected dividends, stock loan rate, or liquidity relevant to the Index Fund, the Underlying Index, or to the notes), and determine the effective date of that adjustment. If the calculation agent determines that no adjustment that it could make will produce a commercially reasonable result, then the calculation agent may deem the Index Fund to be de-listed, liquidated, discontinued, or otherwise terminated, the treatment of which is described below under “—Discontinuance of the Index Fund.”

Discontinuance of the Index Fund

If the Index Fund is de-listed from its primary securities exchange (or any other relevant exchange), liquidated, or otherwise terminated, the calculation agent will substitute a fund that the calculation agent determines, in its sole discretion, is comparable to the discontinued Index Fund, which may be, but is not limited to, an exchange traded fund comparable to the Index Fund (such exchange traded fund being referred to herein as a “successor index fund”), the Underlying Index or a successor to the Underlying Index. In such event, the calculation agent will adjust the Price Multiplier, as necessary, such that the substitute fund closely replicates the performance of the Index Fund.

If the Index Fund (or a successor index fund) is de-listed, liquidated, or otherwise terminated and the calculation agent determines that no adequate substitute for the Index Fund (or a successor index fund) is available, then the calculation agent will, in its sole discretion, calculate the Closing Market Price of the shares of such Index Fund (or a successor index fund) by a computation methodology that the calculation agent determines will as closely as reasonably possible replicate such Index Fund (or a successor index fund).

If a successor index fund is selected or the calculation agent calculates the Closing Market Price by a computation methodology that the calculation agent determines will as closely as reasonably possible replicate the Index Fund (or a successor index fund), that successor index fund or substitute computation methodology, as applicable, will be substituted for the Index Fund (or such successor index fund) for all purposes of the notes.

Upon any selection by the calculation agent of any successor index fund, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us, and to the holders of the notes. The calculation agent will provide information as to the method of calculating the Closing Market Price of the shares of the Index Fund (or such successor index fund) upon your written request.

Table of Contents

If at any time:

- the Underlying Index (or the underlying index related to a successor index fund) is changed in a material respect; or
- the Index Fund (or a successor index fund) in any other way is modified so that it does not, in the opinion of the calculation agent, fairly represent the price per share of that Index Fund (or that successor index fund) had those changes or modifications not been made,

then, from and after that time, the calculation agent will make those calculations and adjustments that, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a Closing Market Price of the Index Fund (or the successor index fund) as if those changes or modifications had not been made. The calculation agent also may determine that no adjustment is required.

The calculation agent will be solely responsible for the method of calculating the Closing Market Price of the Index Fund (or any successor index fund) and of any related determinations and calculations, and its determinations and calculations with respect thereto will be conclusive in the absence of manifest error.

Notwithstanding these alternative arrangements, any modification or discontinuance of the Index Fund may adversely affect trading in the notes.

If the calculation agent determines that no adjustment that it could make will produce a commercially reasonable result, then the calculation agent, in its discretion, may cause the notes to be accelerated to the fifth business day following the date of that determination and the Redemption Amount payable to you will be calculated as though the date of early repayment were the stated maturity date of the notes and as though the calculation day were the fifth business day prior to the date of acceleration.

Role of the Calculation Agent

The calculation agent has the sole discretion to make all determinations regarding the notes, including determinations regarding the Starting Value, the Ending Value, the Closing Market Price, the Price Multiplier, the Redemption Amount, any Market Disruption Events, any successor index fund, trading days, and calculations related to the discontinuance of the Index Fund. Absent manifest error, all determinations of the calculation agent will be final and binding on you and us, without any liability on the part of the calculation agent.

We have initially appointed our subsidiary, MLI, as the calculation agent, but we may change the calculation agent at any time without notifying you.

Same-Day Settlement and Payment

The notes will be delivered in book-entry form only through The Depository Trust Company against payment by purchasers of the notes in immediately available funds. We will pay the Redemption Amount in immediately available funds so long as the notes are maintained in book-entry form.

Events of Default and Acceleration

If an event of default, as defined in the Senior Indenture, with respect to the notes occurs and is continuing, the amount payable to a holder of the notes upon any acceleration permitted under the Senior Indenture will be equal to the Redemption Amount described under the caption “—Payment at Maturity,” determined as if the notes matured on the date of acceleration. If a bankruptcy proceeding is commenced in respect of us, your claim may be limited, under the United States Bankruptcy Code, to the original offering price of your notes. In case of a default in payment of the notes, whether at their maturity or upon acceleration, they will not bear a default interest rate.

[Table of Contents](#)

Listing

The notes will not be listed on any securities exchange.

PS-21

THE INDEX FUND

The iShares® MSCI Emerging Markets Index Fund

We have derived the following information from publicly available documents published by the iShares, Inc., a registered investment company. We make no representation or warranty as to the accuracy or completeness of the following information. We are not affiliated with the Index Fund and the Index Fund will have no obligations with respect to the notes. This pricing supplement relates only to the notes and does not relate to the shares of the Index Fund or securities in the Underlying Index. Neither we nor MLPF&S has or will participate in the preparation of the publicly available documents described below. Neither we nor MLPF&S has made any due diligence inquiry with respect to the Index Fund in connection with the offering of the notes. There can be no assurance that all events occurring prior to the date of this pricing supplement, including events that would affect the accuracy or completeness of the publicly available documents described below, that would affect the trading price of the shares of the Index Fund have been or will be publicly disclosed. Subsequent disclosure of any events or the disclosure of or failure to disclose material future events concerning the Index Fund could affect the value of the shares of the Index Fund on the calculation day and therefore could affect the Redemption Amount.

iShares, Inc. consists of numerous separate investment portfolios, including the Index Fund. This fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the Underlying Index. The Index Fund typically earns income dividends from securities included in the Underlying Index. These amounts, net of expenses and taxes (if applicable), are passed along to the Index Fund's shareholders as "ordinary income." In addition, the Index Fund realizes capital gains or losses whenever it sells securities. Net long-term capital gains are distributed to shareholders as "capital gain distributions." However, because your notes are linked only to the share price of the Index Fund, you will not be entitled to receive income, dividend, or capital gain distributions from the Index Fund or any equivalent payments. The Index Fund currently has an expense ratio of approximately 0.72% per year.

Information provided to or filed with the SEC by iShares, Inc. under the Investment Company Act of 1940 can be located at the SEC's facilities or through the SEC's website by reference to SEC file number 811-09102. We make no representation or warranty as to the accuracy or completeness of the information or reports.

The selection of the Index Fund is not a recommendation to buy or sell the shares of the Index Fund. Neither we nor any of our affiliates make any representation to you as to the performance of the shares of the Index Fund.

The shares of the Index Fund trade on the NYSE Arca under the symbol "EEM".

The MSCI Emerging Markets IndexSM

All disclosure contained in this term sheet regarding the Underlying Index, including, without limitation, its make-up, method of calculation and changes in its components has been derived from publicly available information. Such information reflects the policies of, and is subject to change by, MSCI Inc. The Underlying Index is calculated, maintained, and published by MSCI Inc.

The Underlying Index is designed to measure equity market performance in the global emerging markets. The Underlying Index is a free float-adjusted market capitalization index with a base date of December 31, 1987 and an initial value of 100. The Underlying Index is calculated daily in U.S. dollars and published in real time every 60 seconds during market trading hours. The Underlying Index currently consists of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The Underlying Index is part of the MSCI Equity Indices series and is an MSCI Global Investable Market Index, which is an index family within the MSCI International Equity Indices. MSCI aims to include in its indices 85% of the free float-adjusted market capitalization in each industry sector, within each country included in an index.

[Table of Contents](#)

General—MSCI Indices

MSCI provides global equity indices intended to measure equity performance in international markets and the MSCI International Equity Indices are designed to serve as global equity performance benchmarks. In constructing these indices, MSCI applies its index construction and maintenance methodology across developed, emerging, and frontier markets.

MSCI recently enhanced the methodology used in its MSCI International Equity Indices. The MSCI Standard and MSCI Small Cap Indices, along with the other MSCI equity indices based on them, transitioned to the global investable market indices methodology described below. The transition was completed at the end of May 30, 2008. The enhanced MSCI Standard Indices are composed of the MSCI Large Cap and Mid Cap Indices. The MSCI Global Small Cap Index transitioned to the MSCI Small Cap Index resulting from the Global Investable Market Indices methodology, and contains no overlap with constituents of the transitioned MSCI Standard Indices. Together, the relevant MSCI Large Cap, Mid Cap, and Small Cap Indices will make up the MSCI investable market index for each country, composite, sector, and style index that MSCI offers.

Constructing the MSCI Global Investable Market Indices. MSCI undertakes an index construction process, which involves:

- defining the equity universe;
- determining the market investable equity universe for each market;
- determining market capitalization size segments for each market;
- applying index continuity rules for the MSCI Standard Index;
- creating style segments within each size segment within each market; and
- classifying securities under the Global Industry Classification Standard (the “GICS”).

Defining the Equity Universe. Identifying Eligible Equity Securities: the equity universe initially looks at securities listed in any of the countries in the MSCI Global Index Series, which will be classified as either Developed Markets (“DM”) or Emerging Markets (“EM”). All listed equity securities, or listed securities that exhibit characteristics of equity securities, except mutual funds, exchange-traded funds (“ETFs”), equity derivatives, limited partnerships, and most investment trusts, are eligible for inclusion in the equity universe. Real Estate Investment Trusts (“REITs”) in some countries and certain income trusts in Canada are also eligible for inclusion.

Country Classification of Eligible Securities: each company and its securities (i.e., share classes) are classified in only one country.

Determining the Market Investable Equity Universes. A market investable equity universe for a market is derived by applying investability screens to individual companies and securities in the equity universe that are classified in that market. A market is equivalent to a single country, except in DM Europe, where all DM countries in Europe are aggregated into a single market for index construction purposes. Subsequently, individual DM Europe country indices within the MSCI Europe Index are derived from the constituents of the MSCI Europe Index under the global investable market indices methodology.

The investability screens used to determine the investable equity universe in each market are as follows:

- *Equity Universe Minimum Size Requirement:* this investability screen is applied at the company level. In order to be included in a market investable equity universe, a company must have the required minimum full market capitalization.

Table of Contents

- *Equity Universe Minimum Free Float-Adjusted Market Capitalization Requirement:* this investability screen is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security must have a free float-adjusted market capitalization equal to or higher than 50% of the equity universe minimum size requirement.
- *DM and EM Minimum Liquidity Requirement:* this investability screen is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security must have adequate liquidity. The Annualized Traded Value Ratio (“ATVR”), a measure that screens out extreme daily trading volumes and takes into account the free float-adjusted market capitalization size of securities, is used to measure liquidity. In the calculation of the ATVR, the trading volumes in depository receipts associated with that security, such as ADRs or GDRs, are also considered. A minimum liquidity level of 20% ATVR is required for inclusion of a security in a market investable equity universe of a Developed Market, and a minimum liquidity level of 15% ATVR is required for inclusion of a security in a market investable equity universe of an Emerging Market.
- *Global Minimum Foreign Inclusion Factor Requirement:* this investability screen is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security’s Foreign Inclusion Factor (“FIF”) must reach a certain threshold. The FIF of a security is defined as the proportion of shares outstanding that is available for purchase in the public equity markets by international investors. This proportion accounts for the available free float of and/or the foreign ownership limits applicable to a specific security (or company). In general, a security must have an FIF equal to or larger than 0.15 to be eligible for inclusion in a market investable equity universe.
- *Minimum Length of Trading Requirement:* this investability screen is applied at the individual security level. For an initial public offering (“IPO”) to be eligible for inclusion in a market investable equity universe, the new issue must have started trading at least four months before the implementation of the initial construction of the index or at least three months before the implementation of a semi-annual index review (as described below). This requirement is applicable to small new issues in all markets. Large IPOs are not subject to the minimum length of trading requirement and may be included in a market investable equity universe and the Standard Index outside of a Quarterly or Semi-Annual Index Review.

Defining Market Capitalization Size Segments for Each Market. Once a market investable equity universe is defined, it is segmented into the following size-based indices:

- Investable Market Index (Large + Mid + Small);
- Standard Index (Large + Mid);
- Large Cap Index;
- Mid Cap Index; or
- Small Cap Index.

Creating the size segment indices in each market involves the following steps:

- defining the market coverage target range for each size segment;
- determining the global minimum size range for each size segment;
- determining the market size-segment cutoffs and associated segment number of companies;

Table of Contents

- assigning companies to the size segments; and
- applying final size-segment investability requirements.

Index Continuity Rules for the Standard Indices. In order to achieve index continuity, as well as to provide some basic level of diversification within a market index, and notwithstanding the effect of other index construction rules described in this section, a minimum number of five constituents will be maintained for a DM Standard Index and a minimum number of three constituents will be maintained for an EM Standard Index.

Creating Style Indices within Each Size Segment. All securities in the investable equity universe are classified into value or growth segments using the MSCI Global Value and Growth methodology.

Classifying Securities under the Global Industry Classification Standard. All securities in the global investable equity universe are assigned to the industry that best describes their business activities. To this end, MSCI has designed, in conjunction with Standard & Poor's®, the GICS. Under the GICS, each company is assigned to one sub-industry according to its principal business activity. Therefore, a company can belong to only one industry grouping at each of the four levels of the GICS.

Index Maintenance

The MSCI global investable market indices are maintained with the objective of reflecting the evolution of the underlying equity markets and segments on a timely basis, while seeking to achieve index continuity, continuous investability of constituents replicability of the indices, index stability, and low index turnover. In particular, index maintenance involves:

(i) Semi-Annual Index Reviews (“SAIRs”) in May and November of the Size Segment and Global Value and Growth Indices which include:

- updating the indices on the basis of a fully refreshed equity universe;
- taking buffer rules into consideration for migration of securities across size and style segments; and
- updating FIFs and Number of Shares (“NOS”).

(ii) Quarterly Index Reviews (“QIRs”) in February and August of the Size Segment Indices aimed at:

- including significant new eligible securities (such as IPOs that were not eligible for earlier inclusion) in the index;
- allowing for significant moves of companies within the Size Segment Indices, using wider buffers than in the SAIR; and
- reflecting the impact of significant market events on FIFs and updating NOS.

(iii) Ongoing Event-Related Changes: changes of this type are generally implemented in the indices as they occur. Significantly large IPOs are included in the indices after the close of the company's tenth day of trading.

Neither we nor any of our affiliates, including the selling agent, accepts any responsibility for the calculation, maintenance, or publication of, or for any error, omission, or disruption in the Underlying Index or any successor to the Underlying Index.

[Table of Contents](#)

Historical Prices of the Index Fund

The following table sets forth the high and low closing prices of the shares of the Index Fund for each calendar quarter since the first quarter in 2005. The closing prices listed below were obtained from publicly available information at Bloomberg Financial Market, rounded to two decimal places. The historical closing prices of shares of the Index Fund should not be taken as an indication of future performance, and we cannot assure you that the price per share of the Index Fund will not decrease. On [May 20, 2010], the closing price per share of the Index Fund was 36.00.

	High	Low
2005		
First Quarter	24.65	21.23
Second Quarter	24.36	21.66
Third Quarter	28.32	23.93
Fourth Quarter	29.82	25.06
2006		
First Quarter	33.58	30.42
Second Quarter	37.02	27.33
Third Quarter	33.13	29.19
Fourth Quarter	38.14	31.79
2007		
First Quarter	39.52	35.02
Second Quarter	44.41	39.12
Third Quarter	50.10	39.49
Fourth Quarter	55.63	47.26
2008		
First Quarter	50.35	42.15
Second Quarter	51.69	44.42
Third Quarter	44.42	31.32
Fourth Quarter	33.89	18.21
2009		
First Quarter	27.08	19.93
Second Quarter	34.63	25.64
Third Quarter	39.28	30.74
Fourth Quarter	42.06	37.55
2010		
First Quarter	43.22	36.83
Second Quarter (through May 19, 2010)	43.98	37.99

License Agreement with BlackRock

BlackRock Institutional Trust Company, N.A. and MLPF&S have entered into a non-exclusive license agreement under which BlackRock has licensed to MLPF&S and certain of its affiliates the right to use the iShares® mark in connection with the Index Fund.

The license agreement provides that the following language must be set forth in this pricing supplement:

iShares® is a registered mark of Blackrock Institutional Trust Company, N.A. (“BTC”). BTC has licensed certain trademarks and trade names of BlackRock to Merrill Lynch, Pierce, Fenner & Smith Incorporated. The notes are not sponsored, endorsed, sold, or

[Table of Contents](#)

promoted by BTC or any of its affiliates (collectively “BlackRock”). BlackRock makes no representations or warranties to the owners of the notes or any member of the public regarding the advisability of investing in the notes. BlackRock has no obligation or liability in connection with the operation, marketing, trading or sale of the notes.

SUPPLEMENTAL PLAN OF DISTRIBUTION

Our broker-dealer subsidiary, MLPF&S, will act as our selling agent in connection with the offering of the notes. The selling agent is a party to the Distribution Agreement described in the “Supplemental Plan of Distribution” beginning on page S-12 of the accompanying prospectus supplement.

You must have an account with the selling agent to purchase the notes.

The selling agent is a member of the Financial Industry Regulatory Authority, Inc. (formerly the National Association of Securities Dealers, Inc. (the “NASD”). Accordingly, the offering of the notes will conform to the requirements of NASD Rule 2720.

The selling agent is not acting as your fiduciary or advisor, and you should not rely upon any communication from the selling agent in connection with the notes as investment advice or a recommendation to purchase notes. You should make your own investment decision regarding the notes after consulting with your legal, tax, and other advisors.

We may deliver the notes against payment therefor in New York, New York on a date that is greater than three business days following the pricing date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, if the initial settlement of the notes occurs more than three business days from the pricing date, purchasers who wish to trade the notes more than three business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement. See “Supplemental Plan of Distribution” beginning on page S-12 of the accompanying prospectus supplement.”

If you place an order to purchase the notes, you are consenting to MLPF&S acting as a principal in effecting the transaction for your account. Under the terms of our distribution agreement with the MLPF&S, MLPF&S will purchase the notes from us on the issue date as principal at the purchase price indicated on the cover of this pricing supplement, less the indicated underwriting discount.

MLPF&S and any of our other broker-dealer affiliates may use this pricing supplement and the accompanying prospectus supplement and prospectus for offers and sales in secondary market transactions and market-making transactions in the notes. However, they are not obligated to engage in such secondary market transactions and/or market-making transactions. Our affiliates may act as principal or agent in these transactions, and any such sales will be made at prices related to prevailing market prices at the time of the sale.

U.S. FEDERAL INCOME TAX SUMMARY

The following summary of the material U.S. federal income tax considerations applicable to the acquisition, ownership, and disposition of the notes is based upon the advice of Morrison & Foerster LLP, our tax counsel. The following discussion is not exhaustive of all possible tax considerations. This summary is based upon the Code, regulations promulgated under the Code by the U.S. Treasury Department (“Treasury”) (including proposed and temporary regulations), rulings, current administrative interpretations and official pronouncements of the IRS, and judicial decisions, all as currently in effect and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below.

This summary is for general information only, and does not purport to discuss all aspects of U.S. federal income taxation that may be important to a particular holder in light of its investment or tax circumstances or to holders subject to special tax rules, such as partnerships, subchapter S corporations, or other pass-through entities, banks, financial institutions, tax-exempt entities, insurance companies, regulated investment companies, real estate investment trusts, trusts and estates, dealers in securities or currencies, traders in securities that have elected to use the mark-to-market method of accounting for their securities, persons holding the notes as part of an integrated investment, including a “straddle,” “hedge,” “constructive sale,” or “conversion transaction,” persons whose functional currency for tax purposes is not the U.S. dollar, persons holding the notes in a tax-deferred or tax-advantaged account, and persons subject to the alternative minimum tax provisions of the Code. This summary does not include any description of the tax laws of any state or local governments, or of any foreign government, that may be applicable to a particular holder.

This summary is directed solely to U.S. Holders (as defined below) that, except as otherwise specifically noted, will purchase the notes upon original issuance and will hold the notes as capital assets within the meaning of Section 1221 of the Code, which generally means property held for investment.

You should consult your own tax advisor concerning the U.S. federal income tax consequences to you of acquiring, owning, and disposing of the notes, as well as any tax consequences arising under the laws of any state, local, foreign, or other tax jurisdiction and the possible effects of changes in U.S. federal or other tax laws.

As used in this pricing supplement, the term “U.S. Holder” means a beneficial owner of the notes that is for U.S. federal income tax purposes:

- a citizen or resident of the U.S.;
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S. or of any state of the U.S. or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- any trust if a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

Notwithstanding the preceding paragraph, to the extent provided in Treasury regulations, some trusts in existence on August 20, 1996, and treated as United States persons prior to that date, that elect to continue to be treated as United States persons also are U.S. Holders.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the notes, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership and, accordingly, this summary does not apply to partnerships. A partner of a partnership holding the notes should consult its own tax advisor regarding

[Table of Contents](#)

the U.S. federal income tax consequences to the partner of the acquisition, ownership, and disposition by the partnership of the notes.

General

Although there is no statutory, judicial, or administrative authority directly addressing the characterization of the notes, we intend to treat the notes for all tax purposes as single financial contracts with respect to the Index Fund that requires the investor to pay us at inception an amount equal to the purchase price of the notes and that entitles the investor to receive at maturity an amount in cash linked to the performance of the Index Fund. Under the terms of the notes, we and every investor in the notes agree, in the absence of an administrative determination or judicial ruling to the contrary, to treat the notes as described in the preceding sentence. This discussion assumes that the notes constitute single financial contracts with respect to the Index Fund for U.S. federal income tax purposes. If the notes do not constitute single financial contracts, the tax consequences described below would be materially different.

This characterization of the notes is not binding on the IRS or the courts. No statutory, judicial, or administrative authority directly addresses the characterization of the notes or any similar instruments for U.S. federal income tax purposes, and no ruling is being requested from the IRS with respect to their proper characterization and treatment. Due to the absence of authorities on point, significant aspects of the U.S. federal income tax consequences of an investment in the notes are not certain, and no assurance can be given that the IRS or any court will agree with the characterization and tax treatment described in this pricing supplement. Accordingly, you are urged to consult your tax advisor regarding all aspects of the U.S. federal income tax consequences of an investment in the notes, including possible alternative characterizations.

On December 7, 2007, the IRS released Notice 2008-2 (“Notice”) seeking comments from the public on the taxation of financial instruments currently taxed as “prepaid forward contracts.” This Notice addresses instruments such as the notes. According to the Notice, the IRS and Treasury are considering whether a holder of an instrument such as the notes should be required to accrue ordinary income on a current basis, regardless of whether any payments are made prior to maturity. It is not possible to determine what guidance the IRS and Treasury will ultimately issue, if any. Any such future guidance may affect the amount, timing and character of income, gain, or loss in respect of the notes, possibly with retroactive effect.

The IRS and Treasury are also considering additional issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital, whether foreign holders of such instruments should be subject to withholding tax on any deemed income accruals, whether Section 1260 of the Code, concerning certain “constructive ownership transactions,” generally applies or should generally apply to such instruments, and whether any of these determinations depend on the nature of the underlying asset.

In addition, in late 2007, legislation was introduced in the U.S. Congress which, if enacted, would also impact the taxation of the notes. Under the proposed legislation, a U.S. Holder that acquires an instrument such as the notes after the date of enactment of the legislation would be required to include income in respect of the notes on a current basis. It is not possible to predict whether any legislation will be enacted in its proposed form or whether any other legislative action may be taken in the future that may adversely affect the taxation of instruments such as the notes. Further, it is possible that any such legislation, if enacted, may apply on a retroactive basis.

We urge you to consult your own tax advisors concerning the impact and the significance of the above considerations. We intend to continue treating the notes for U.S. federal income tax purposes in the manner described in this pricing supplement unless and until such time as we determine, or the IRS or Treasury determines, that some other treatment is more appropriate.

Unless otherwise stated, the following discussion is based on the characterization described above. The discussion in this section assumes that there is a significant possibility of a significant loss of principal on an investment in the notes.

[Table of Contents](#)

U.S. Holders—Income Tax Considerations

Tax Basis

A U.S. Holder's tax basis in the notes will equal the amount paid by that holder to acquire them.

Settlement at Maturity or Sale or Exchange Prior to Maturity

Upon receipt of a cash payment at maturity or upon a sale or exchange of the notes prior to maturity, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized and the U.S. Holder's basis in the notes. Subject to the discussion below concerning the potential application of the "constructive ownership" rules under Section 1260 of the Code, this capital gain or loss generally will be long-term capital gain or loss if the U.S. Holder held the notes for more than one year. The deductibility of capital losses is subject to limitations.

Possible Application of Section 1260 of the Code

Because the Index Fund is a type of financial asset described under Section 1260 of the Code, while the matter is not entirely clear, there exists a substantial risk that an investment in the notes will be treated, in whole or in part, as a "constructive ownership transaction" to which Section 1260 of the Code applies. If Section 1260 of the Code applies, all or a portion of any long-term capital gain recognized by a U.S. Holder in respect of the notes will be recharacterized as ordinary income (the "Excess Gain"). In addition, an interest charge will also apply to any deemed underpayment of tax in respect of any Excess Gain to the extent such gain would have resulted in gross income inclusion for the U.S. Holder in taxable years prior to the taxable year of the sale, exchange, or settlement (assuming such income accrued at a constant rate equal to the applicable federal rate as of the date of sale, exchange, or settlement).

If an investment in the notes is treated as a constructive ownership transaction, it is not clear to what extent any long-term capital gain of a U.S. Holder in respect of the notes will be recharacterized as ordinary income. It is possible, for example, that the amount of the Excess Gain (if any) that would be recharacterized as ordinary income in respect of the notes will equal the excess of (i) any long-term capital gain recognized by the U.S. Holder in respect of the notes and attributable to Section 1260 Financial Assets, over (ii) the "net underlying long-term capital gain" (as defined in Section 1260 of the Code) such U.S. Holder would have had if such U.S. Holder had acquired an amount of the corresponding Section 1260 Financial Assets at fair market value on the original issue date for an amount equal to the portion of the issue price of the notes attributable to the corresponding Section 1260 Financial Assets and sold such amount of Section 1260 Financial Assets upon the date of sale, exchange, or settlement of the notes at fair market value. Alternatively, the IRS may contend that the Excess Gain should not be limited to amounts attributable to a Section 1260 Financial Asset, but should instead apply to the entire Market Measure. U.S. Holders should consult their tax advisors regarding the potential application of Section 1260 of the Code to an investment in the notes.

As described above, the IRS, as indicated in the Notice, is considering whether Section 1260 of the Code generally applies or should apply to the notes, including in situations where the Index Fund is not the type of financial asset described under Section 1260 of the Code.

Possible Alternative Tax Treatments of an Investment in the Notes

Due to the absence of authorities that directly address the proper tax treatment of the notes, prospective investors are urged to consult their tax advisors regarding all possible alternative tax treatments of an investment in the notes. In particular, the IRS could seek to subject the notes to the Treasury regulations governing contingent payment debt instruments (the "Contingent Payment Regulations"). If the IRS were successful in that regard, the timing and character of income on the notes would be affected significantly. Among other things, a U.S. Holder would be required to accrue original issue discount every year at a "comparable yield" determined at the time of issuance. In addition, any gain realized by a U.S. Holder at maturity, or upon a sale or other disposition of the notes generally would be treated as ordinary income, and any loss realized at maturity would be treated as ordinary loss to the extent of the U.S. Holder's prior accruals of original issue discount, and as capital loss thereafter.

Table of Contents

Even if the Contingent Payment Regulations do not apply to the notes, other alternative U.S. federal income tax characterizations of the notes are possible which, if applied, also could affect the timing and the character of a U.S. Holder's income or loss. It is possible, for example, that the notes could be treated as units consisting of a loan and a forward contract, in which case a U.S. Holder would be required to accrue interest income or original issue discount on a current basis.

Proposed Treasury regulations require the accrual of income on a current basis for contingent payments made under certain notional principal contracts. The preamble to the regulations states that the "wait and see" method of accounting does not properly reflect the economic accrual of income on those contracts, and requires current accrual of income for some contracts already in existence. While the proposed regulations do not apply to prepaid forward contracts, the preamble to the proposed regulations expresses the view that similar timing issues exist in the case of prepaid forward contracts. If the IRS or Treasury publishes future guidance requiring current economic accrual for contingent payments on prepaid forward contracts, it is possible that you could be required to accrue income over the term of the notes.

Unrelated Business Taxable Income

Section 511 of the Code generally imposes a tax, at regular corporate or trust income tax rates, on the "unrelated business taxable income" of certain tax-exempt organizations, including qualified pension and profit sharing plan trusts and individual retirement accounts. As discussed above, the U.S. federal income tax characterization and treatment of the notes is uncertain. Nevertheless, in general, if the notes are held for investment purposes, the amount of gain, if any, realized at maturity or upon a sale or exchange of the notes prior to maturity, should not constitute unrelated business taxable income. However, if the notes constitute debt-financed property (as defined in Section 514(b) of the Code) by reason of indebtedness incurred by a holder of the notes to purchase or carry the notes, all or a portion of any gain realized with respect to such notes may be classified as unrelated business taxable income pursuant to Section 514 of the Code. Moreover, prospective investors in the notes should be aware that whether or not any gain realized with respect to the notes which are owned by an organization that is generally exempt from U.S. federal income taxation constitutes unrelated business taxable income will depend upon the specific facts and circumstances applicable to such organization. Accordingly, any potential investors in the notes that are generally exempt from U.S. federal income taxation should consult with their own tax advisors concerning the U.S. federal income tax consequences of investing in the notes.

Backup Withholding and Information Reporting

In general, backup withholding may apply in respect of the amounts paid to a U.S. Holder, unless such U.S. Holder provides proof of an applicable exemption or a correct taxpayer identification number, or otherwise complies with applicable requirements of the backup withholding rules. In addition, information returns will be filed with the IRS in connection with payments on the notes as well as in connection with the proceeds from a sale, exchange, or other disposition of the notes, unless the U.S. Holder provides proof of an applicable exemption from the information reporting rules.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

Reportable Transactions

Applicable Treasury regulations require taxpayers that participate in "reportable transactions" to disclose their participation to the IRS by attaching Form 8886 to their U.S. federal tax returns and to retain a copy of all documents and records related to the transaction. In addition, "material advisors" with respect to such a transaction may be required to file returns and maintain records, including lists identifying investors in the transactions, and to furnish those records to the IRS upon demand. A transaction may be a "reportable transaction" based on any of several criteria, one or more of which may be present with respect to an investment in the notes. Whether an investment in the notes constitutes a "reportable transaction" for any investor depends on the investor's particular circumstances. The Treasury regulations provide that, in addition to certain other transactions, a "loss transaction"

[Table of Contents](#)

constitutes a “reportable transaction.” A “loss transaction” is any transaction resulting in the taxpayer claiming a loss under Section 165 of the Code, in an amount equal to or in excess of certain threshold amounts, subject to certain exceptions. Investors should consult their own tax advisors concerning any possible disclosure obligation they may have with respect to their investment in the securities that we are offering and should be aware that, should any “material advisor” determine that the return filing or investor list maintenance requirements apply to such a transaction, they would be required to comply with these requirements.

ERISA CONSIDERATIONS

Each fiduciary of a pension, profit-sharing, or other employee benefit plan subject to ERISA (a “Plan”), should consider the fiduciary standards of ERISA in the context of the Plan’s particular circumstances before authorizing an investment in the notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan.

In addition, we and certain of our subsidiaries and affiliates, including MLPF&S, may be each considered a party in interest within the meaning of ERISA, or a disqualified person within the meaning of the Code, with respect to many Plans, as well as many individual retirement accounts and Keogh plans (also “Plans”). Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the notes are acquired by or with the assets of a Plan with respect to which MLPF&S or any of our other affiliates is a party in interest, unless the notes are acquired under an exemption from the prohibited transaction rules. A violation of these prohibited transaction rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

Under ERISA and various PTCEs issued by the U.S. Department of Labor, exemptive relief may be available for direct or indirect prohibited transactions resulting from the purchase, holding, or disposition of the notes. Those exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts), PTCE 84-14 (for certain transactions determined by independent qualified asset managers), and the exemption under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain arm’s-length transactions with a person that is a party in interest solely by reason of providing services to Plans or being an affiliate of such a service provider (the “Service Provider Exemption”).

Because we may be considered a party in interest with respect to many Plans, the notes may not be purchased, held, or disposed of by any Plan, any entity whose underlying assets include plan assets by reason of any Plan’s investment in the entity (a “Plan Asset Entity”) or any person investing plan assets of any Plan, unless such purchase, holding, or disposition is eligible for exemptive relief, including relief available under PTCE 96-23, 95-60, 91-38, 90-1, or 84-14 or the Service Provider Exemption, or such purchase, holding, or disposition is otherwise not prohibited. Any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of the notes will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the notes that either (a) it is not a Plan or a Plan Asset Entity and is not purchasing such notes on behalf of or with plan assets of any Plan or with any assets of a governmental, church, or foreign plan that is subject to any federal, state, local, or foreign law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or (b) its purchase, holding, and disposition are eligible for exemptive relief or such purchase, holding, and disposition are not prohibited by ERISA or Section 4975 of the Code (or in the case of a governmental, church, or foreign plan, any substantially similar federal, state, local, or foreign law).

The fiduciary investment considerations summarized above generally apply to employee benefit plans maintained by private-sector employers and to individual retirement accounts and other arrangements subject to Section 4975 of the Code, but generally do not apply to governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and foreign plans (as described in Section 4(b)(4) of ERISA). However, these other plans may be subject to similar provisions under applicable federal, state, local, foreign, or other regulations, rules, or laws (“similar laws”). The fiduciaries of plans subject to similar laws should also consider the foregoing issues in general terms as well as any further issues arising under the applicable similar laws.

Purchasers of the notes have exclusive responsibility for ensuring that their purchase, holding, and disposition of the notes do not violate the prohibited transaction rules of ERISA or the Code or any similar regulations applicable to governmental or church plans, as described above.

This discussion is a general summary of some of the rules which apply to benefit plans and their related investment vehicles. This summary does not include all of the investment considerations relevant

Table of Contents

to Plans and other benefit plan investors such as governmental, church, and foreign plans and should not be construed as legal advice or a legal opinion. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the notes on behalf of or with “plan assets” of any Plan or other benefit plan investor consult with their legal counsel prior to directing any such purchase.