

**Subject to Completion**  
**Preliminary Term Sheet dated January 14, 2011**

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| <p>Units<br/>Accelerated Return Notes®<br/>Linked to a Global Equity Basket,<br/>due February , 2013<br/>\$10 principal amount per unit<br/>Term Sheet No.</p> | <p>Expected Pricing Date*      January , 2011<br/>Settlement Date*            February , 2011<br/>Maturity Date*                February , 2013<br/>CUSIP No.</p> |
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## Accelerated Return Notes®

- 2-to-1 upside exposure to increases in the level of a Basket comprised of the S&P 500® Index, the EURO STOXX 50® Index, and the S&P Asia 50® Index, subject to a cap of 31% to 35%
- The S&P 500® Index will be given an initial weight of 50%, and the EURO STOXX 50® Index and the S&P Asia 50® Index will each be given an initial weight of 25%
- 1-to-1 downside exposure, with no downside limit
- A maturity of approximately 2 years
- Payment of the Redemption Amount at maturity is subject to the credit risk of Bank of America Corporation
- No periodic interest payments
- No listing on any securities exchange

- Market Downside Protection**
- Enhanced Income**
- Market Access**
- Enhanced Return**



The ARNs are being offered by Bank of America Corporation ("BAC"). The ARNs will have the terms specified in this term sheet as supplemented by the documents indicated below under "Additional Terms" (together, the "Note Prospectus"). Investing in the ARNs involves a number of risks. **There are important differences between the ARNs and a conventional debt security, including different investment risks. See "Risk Factors" on page TS-5 of this term sheet and beginning on page S-10 of product supplement ARN-3. The ARNs:**

|                             |                                |                       |
|-----------------------------|--------------------------------|-----------------------|
| <b>Are Not FDIC Insured</b> | <b>Are Not Bank Guaranteed</b> | <b>May Lose Value</b> |
|-----------------------------|--------------------------------|-----------------------|

In connection with this offering, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") is acting in its capacity as principal for your account.

None of the Securities and Exchange Commission (the "SEC"), any state securities commission, or any other regulatory body has approved or disapproved of these securities or determined if this Note Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

|   | Per Unit | Total |
|---|----------|-------|
| Public offering price <sup>(1)</sup>                      | \$ 10.00 | \$    |
| Underwriting discount <sup>(1)</sup>                      | \$ 0.20  | \$    |
| Proceeds, before expenses, to Bank of America Corporation | \$ 9.80  | \$    |

<sup>(1)</sup> The public offering price and underwriting discount for any purchase of 500,000 units or more in a single transaction by an individual investor will be \$9.95 per unit and \$0.15 per unit, respectively. The public offering price and underwriting discount for any purchase by certain fee-based trusts and fee-based discretionary accounts managed by U.S. Trust operating through Bank of America, N.A. will be \$9.80 per unit and \$0.00 per unit, respectively.

\*Depending on the date the ARNs are priced for initial sale to the public (the "pricing date"), which may be in January or February 2011, the settlement date may occur in January or February 2011, and the maturity date may occur in January or February 2013. Any reference in this term sheet to the month in which the pricing date, settlement date, or maturity date will occur is subject to change as specified above.

**Merrill Lynch & Co.**

January , 2011



## Summary

The Accelerated Return Notes<sup>®</sup> Linked to a Global Equity Basket, due February , 2013 (the "ARNs") are our senior unsecured debt securities. The ARNs are not guaranteed or insured by the Federal Deposit Insurance Corporation or secured by collateral. **The ARNs will rank equally with all of our other unsecured and unsubordinated debt, and any payments due on the ARNs, including any repayment of principal, will be subject to the credit risk of BAC.** The ARNs provide a leveraged return for investors, subject to a cap, if the level of the Global Equity Basket described below (the "Basket") increases moderately from the Starting Value of the Basket, which will be set to 100.00 on the pricing date, to the Ending Value of the Basket, determined during the Maturity Valuation Period. Investors must be willing to forgo interest payments on the ARNs and be willing to accept a return that is capped or a repayment that is less, and potentially significantly less, than the Original Offering Price.

The Basket is comprised of the S&P 500<sup>®</sup> Index, the EURO STOXX 50<sup>®</sup> Index, and the S&P Asia 50<sup>®</sup> Index (each, a "Basket Component Index," and together, the "Basket Component Indices"). On the pricing date, the S&P 500<sup>®</sup> Index will be given an initial weight of 50%, and each of the EURO STOXX 50<sup>®</sup> Index and the S&P Asia 50<sup>®</sup> Index will be given an initial weight of 25%.

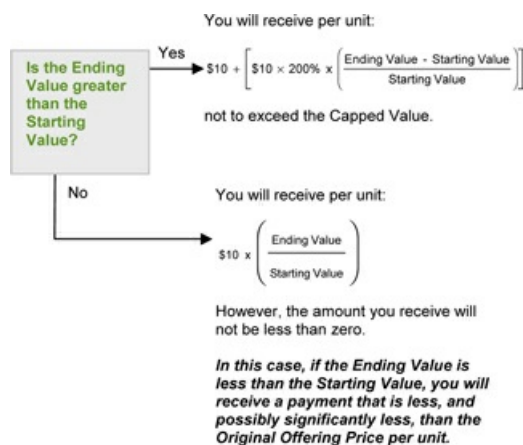
Capitalized terms used but not defined in this term sheet have the meanings set forth in product supplement ARN-3. Unless otherwise indicated or unless the context requires otherwise, all references in this document to "we," "us," "our," or similar references are to BAC.

## Terms of the ARNs

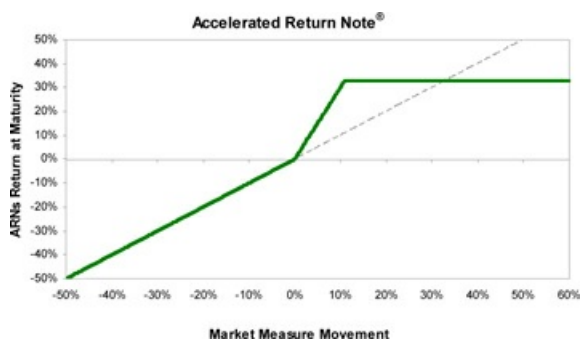
|                                   |   |
|-----------------------------------|---|
| <b>Issuer:</b>                    | Bank of America Corporation ("BAC")   |
| <b>Original Offering Price:</b>   | \$10.00 per unit  |
| <b>Term:</b>                      | Approximately 2 years   |
| <b>Market Measure:</b>            | A Global Equity Basket comprised of the S&P 500 <sup>®</sup> Index (Bloomberg symbol: "SPX"), the EURO STOXX 50 <sup>®</sup> Index (Bloomberg symbol: "SX5E"), and the S&P Asia 50 <sup>®</sup> Index (Bloomberg symbol: "SPA50").  |
| <b>Starting Value:</b>            | The Starting Value will be set to 100.00 on the pricing date.   |
| <b>Ending Value:</b>              | The average of the closing levels of the Basket on each scheduled calculation day during the Maturity Valuation Period. If it is determined that a scheduled calculation day is not a Market Measure Business Day, or if a Market Disruption Event occurs on a scheduled calculation day, the Ending Value will be determined as more fully described on page S-24 of product supplement ARN-3. |
| <b>Capped Value:</b>              | \$13.10 to \$13.50 per unit of the ARNs, which represents a return of 31% to 35% over the Original Offering Price. The actual Capped Value will be determined on the pricing date and set forth in the final term sheet that will be made available in connection with sales of the ARNs.   |
| <b>Participation Rate:</b>        | 200%  |
| <b>Maturity Valuation Period:</b> | Five scheduled calculation days shortly before the maturity date, determined on the pricing date and set forth in the final term sheet that will be made available in connection with sales of the ARNs.  |
| <b>Calculation Agent:</b>         | MLPF&S, a subsidiary of BAC   |

## Determining the Redemption Amount for the ARNs

On the maturity date, you will receive a cash payment per unit (the "Redemption Amount") calculated as follows:



## Hypothetical Payout Profile



This graph reflects the **hypothetical** returns on the ARNs, based on the Participation Rate of 200% and a **hypothetical** Capped Value of \$13.30 (a 33% return), the midpoint of the Capped Value range of \$13.10 to \$13.50. The green line reflects the **hypothetical** returns on the ARNs, while the dotted gray line reflects the **hypothetical** returns of a direct investment in the stocks included in the Basket Component Indices, excluding dividends.

This graph has been prepared for purposes of illustration only. Your actual return will depend on the actual Ending Value, Capped Value, and the term of your investment.

## Hypothetical Redemption Amounts

### Examples

Set forth below are three examples of **hypothetical** Redemption Amount calculations (rounded to two decimal places) payable at maturity, based upon the Participation Rate of 200%, the Starting Value of 100.00, and a **hypothetical** Capped Value of \$13.30 (per unit), the midpoint of the Capped Value range of \$13.10 and \$13.50:

**Example 1** — The **hypothetical** Ending Value is 70% of the Starting Value:

Starting Value: 100.00  
 Hypothetical Ending Value: 70.00

$$\$10 \times \left( \frac{70.00}{100.00} \right) = \$7.00$$

Hypothetical Redemption Amount (per unit) = \$7.00

**Example 2** — The **hypothetical** Ending Value is 104% of the Starting Value:

Starting Value: 100.00  
 Hypothetical Ending Value: 104.00

$$\$10 + \left[ \$10 \times 200\% \times \left( \frac{104.00 - 100.00}{100.00} \right) \right] = \$10.80$$

Hypothetical Redemption Amount (per unit) = \$10.80

**Example 3** — The **hypothetical** Ending Value is 150% of the Starting Value:

Starting Value: 100.00  
 Hypothetical Ending Value: 150.00

$$\$10 + \left[ \$10 \times 200\% \times \left( \frac{150.00 - 100.00}{100.00} \right) \right] = \$20.00$$

Hypothetical Redemption Amount (per unit) = \$13.30 (The Redemption Amount cannot be greater than the Capped Value.)

The following table illustrates, for the Starting Value of 100.00 and a range of **hypothetical** Ending Values of the Basket:

- the percentage change from the Starting Value to the **hypothetical** Ending Value;
- the **hypothetical** Redemption Amount per unit of the ARNs (rounded to two decimal places); and
- the **hypothetical** total rate of return to holders of the ARNs.

The table below is based on the Participation Rate of 200% and a **hypothetical** Capped Value of \$13.30 (per unit), the midpoint of the Capped Value range of \$13.10 and \$13.50.

| <u>Hypothetical<br/>Ending Value</u> <sup>(1)</sup> | <u>Percentage Change from<br/>the Starting<br/>Value to the Hypothetical<br/>Ending Value</u> | <u>Hypothetical<br/>Redemption<br/>Amount per Unit</u> | <u>Hypothetical<br/>Total Rate<br/>of Return on<br/>the ARNs</u> |
|---|---|--|--|
| 50.00   | -50.00%   | 5.00   | -50.00%  |
| 60.00   | -40.00%   | 6.00   | -40.00%  |
| 70.00   | -30.00%   | 7.00   | -30.00%  |
| 85.00   | -15.00%   | 8.50   | -15.00%  |
| 90.00   | -10.00%   | 9.00   | -10.00%  |
| 96.00   | -4.00%  | 9.60   | -4.00%   |
| 98.00   | -2.00%  | 9.80   | -2.00%   |
| 100.00 <sup>(2)</sup>                               | 0.00%   | 10.00  | 0.00%  |
| 102.00  | 2.00%   | 10.40  | 4.00%  |
| 104.00  | 4.00%   | 10.80  | 8.00%  |
| 110.00  | 10.00%  | 12.00  | 20.00%   |
| 120.00  | 20.00%  | 13.30 <sup>(3)</sup>                                   | 33.00%   |
| 130.00  | 30.00%  | 13.30  | 33.00%   |
| 140.00  | 40.00%  | 13.30  | 33.00%   |
| 150.00  | 50.00%  | 13.30  | 33.00%   |

(1) Each Basket Component Index comprising the Basket is a price return index. Accordingly, the Ending Value will not include any income generated by dividends paid on the stocks included in the Basket Component Indices, which you would otherwise be entitled to receive if you invested in those stocks directly.

(2) The Starting Value will be set to 100.00 on the pricing date.

(3) The Redemption Amount per unit of the ARNs cannot exceed the **hypothetical** Capped Value of \$13.30 (the midpoint of the Capped Value range of \$13.10 and \$13.50). The actual Capped Value will be determined on the pricing date and set forth in the final term sheet that will be made available in connection with sales of the ARNs.

The above figures are for purposes of illustration only. The actual amount you receive and the resulting total rate of return will depend on the actual Ending Value, Capped Value, and the term of your investment.

## Risk Factors

There are important differences between the ARNs and a conventional debt security. An investment in the ARNs involves significant risks, including those listed below. You should carefully review the more detailed explanation of risks relating to the ARNs in the "Risk Factors" sections beginning on page S-10 of product supplement ARN-3 and page S-4 of the MTN prospectus supplement identified below under "Additional Terms." We also urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the ARNs.

- Your investment may result in a loss; there is no guaranteed return of principal.
- Your yield may be less than the yield on a conventional debt security of comparable maturity.
- Your investment return, if any, is limited to the return represented by the Capped Value.
- Your investment return, if any, may be less than a comparable investment directly in the stocks included in the Basket Component Indices.
- You must rely on your own evaluation of the merits of an investment linked to the Basket.
- In seeking to provide you with what we believe to be commercially reasonable terms for the ARNs while providing MLPF&S with compensation for its services, we have considered the costs of developing, hedging, and distributing the ARNs.
- A trading market is not expected to develop for the ARNs. MLPF&S is not obligated to make a market for, or to repurchase, the ARNs.
- The Redemption Amount will not be affected by all developments relating to the Basket Component Indices.
- Changes in the levels of the Basket Component Indices may offset each other. Due to its Initial Component Weight, changes in the level of the S&P 500® Index will have a more substantial impact on the value of the Basket than similar changes in the levels of the other Basket Component Indices.
- Each Index Publisher (as defined below) may adjust its Basket Component Index in a way that affects its level, and those publishers have no obligation to consider your interests.
- You will have no rights of a holder of the securities represented by the Basket Component Indices, and you will not be entitled to receive securities or dividends or other distributions by the issuers of those securities.
- While we or our affiliates may from time to time own shares of companies included in the Basket Component Indices, except to the extent that our common stock is included in the S&P 500® Index, we do not control any company included in any Basket Component Index, and are not responsible for any disclosure made by any other company.
- Your return on the ARNs may be affected by factors affecting the international securities markets.
- Exchange rate movements may impact the value of the ARNs.
- If you attempt to sell the ARNs 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 their Original Offering Price.
- Payments on the ARNs are subject to our credit risk, and changes in our credit ratings are expected to affect the value of the ARNs.
- Purchases and sales by us and our affiliates of shares of companies included in the Basket Component Indices may affect your return.
- Our trading and hedging activities may create conflicts of interest with you.
- Our hedging activities may affect your return on the ARNs and their market value.
- Our business activities relating to the companies represented by the Basket Component Indices may create conflicts of interest with you.
- There may be potential conflicts of interest involving the calculation agent. We have the right to appoint and remove the calculation agent.
- The U.S. federal income tax consequences of the ARNs are uncertain, and may be adverse to a holder of the ARNs. See "Summary Tax Consequences" and "Certain U.S. Federal Income Taxation Considerations" below and "U.S. Federal Income Tax Summary" beginning on page S-43 of product supplement ARN-3.

## Other Terms of the Notes

### Market Measure Business Day

The following definition shall supersede and replace the definition of a "Market Measure Business Day" set forth on pages S-7 and S-24 of product supplement ARN-3.

A "Market Measure Business Day" means a day on which:

- (A) the New York Stock Exchange and The NASDAQ Stock Market (as to the S&P 500® Index); the Eurex (as to the EURO STOXX 50® Index), and the Hong Kong Stock Exchange, the Korea Stock Exchange, the Singapore Exchange, and the Taiwan Stock Exchange (as to the S&P Asia 50® Index) (or any successor to the foregoing exchanges) are open for trading; and
- (B) the Basket Component Indices or any successors thereto are calculated and published.

## Investor Considerations

### You may wish to consider an investment in the ARNs if:

- You anticipate that the value of the Basket will increase moderately from the Starting Value to the Ending Value.
- You accept that your investment will result in a loss, which could be significant, if the value of the Basket decreases from the Starting Value to the Ending Value.
- You accept that the return on the ARNs will not exceed the return represented by the Capped Value.
- You are willing to forgo interest payments on the ARNs, such as fixed or floating rate interest paid on traditional interest bearing debt securities.
- You seek exposure to the Basket Component Indices with no expectation of dividends or other benefits of owning the stocks included in the Basket Component Indices.
- You are willing to accept that a trading market is not expected to develop for the ARNs. You understand that secondary market prices for the ARNs, if any, will be affected by various factors, including our actual and perceived creditworthiness.
- You are willing to make an investment, the payments on which depends on our creditworthiness, as the issuer of the ARNs.

### The ARNs may not be an appropriate investment for you if:

- You anticipate that the value of the Basket will decrease from the Starting Value to the Ending Value or that the value of the Basket will not increase sufficiently over the term of the ARNs to provide you with your desired return.
- You seek principal protection or preservation of capital.
- You seek a return on your investment that will not be capped at a percentage that will be between 31% and 35% over the Original Offering Price.
- You seek interest payments or other current income on your investment.
- You want to receive dividends or other distributions paid on the stocks included in the Basket Component Indices.
- You seek assurances that there will be a liquid market if and when you want to sell the ARNs prior to maturity.
- You are unwilling or are unable to assume the credit risk associated with us, as the issuer of the ARNs.

## Other Provisions

We may deliver the ARNs 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 ARNs occurs more than three business days from the pricing date, purchasers who wish to trade the ARNs more than three business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

If you place an order to purchase the ARNs, you are consenting to MLPF&S acting as a principal in effecting the transaction for your account.

## Supplement to the Plan of Distribution

MLPF&S, a broker-dealer subsidiary of BAC, is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and will participate as selling agent in the distribution of the ARNs. Accordingly, offerings of the ARNs will conform to the requirements of FINRA Rule 5121. Under our distribution agreement with MLPF&S, MLPF&S will purchase the ARNs from us on the issue date as principal at the purchase price indicated on the cover of this term sheet, less the indicated underwriting discount. MLPF&S will not receive an underwriting discount for ARNs sold to certain fee-based trusts and fee-based discretionary accounts managed by U.S. Trust operating through Bank of America, N.A. In the original offering of the ARNs, the ARNs will be sold in minimum investment amounts of 100 units.

MLPF&S may use this Note Prospectus for offers and sales in secondary market transactions and market-making transactions in the ARNs but is not obligated to engage in such secondary market transactions and/or market-making transactions. MLPF&S 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.

## The Basket

The Basket is designed to allow investors to participate in the percentage changes in the levels of the Basket Component Indices from the Starting Value to the Ending Value of the Basket. The Basket Component Indices are described in the section "The Basket Component Indices" below. Each Basket Component Index will be assigned an initial weight on the pricing date, as set forth in the table below.

For more information on the calculation of the value of the Basket, please see the section entitled "Description of ARNs—Basket Market Measures" beginning on page S-38 of product supplement ARN-3.

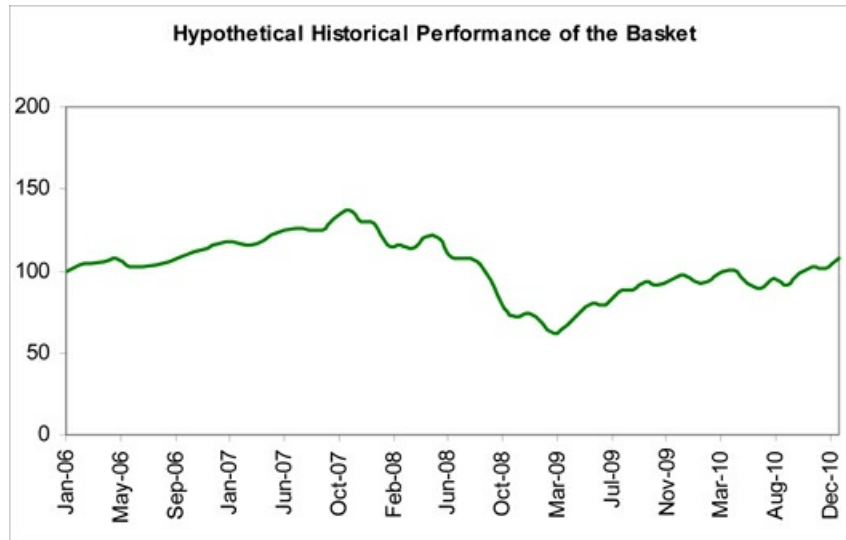
If January 11, 2011 were the pricing date, for each Basket Component Index, the Initial Component Weight, the closing level, the **hypothetical** Component Ratio and the initial contribution to the Basket value would be as follows:

| <u>Basket Component Index</u> | <u>Bloomberg Symbol</u> | <u>Initial Component Weight</u> | <u>Closing Level<sup>(1)(2)</sup></u> | <u>Hypothetical Component Ratio<sup>(1)(3)</sup></u> | <u>Initial Basket Value Contribution</u> |
|-------------------------------|-------------------------|---------------------------------|---------------------------------------|--|--|
| The S&P 500® Index            | SPX                     | 50.00%                          | 1,274.48                              | 0.03923169   | 50.00                                    |
| EURO STOXX 50® Index          | SX5E                    | 25.00%                          | 2,796.60                              | 0.00893943   | 25.00                                    |
| S&P Asia 50® Index            | SPA50                   | 25.00%                          | 3,581.52                              | 0.00698028   | 25.00                                    |
|                               |                         |                                 | <b>Starting Value</b>                 |  | 100.00                                   |

- (1) The actual closing level of each Basket Component Index and the resulting actual Component Ratios will be determined on the pricing date, subject to adjustment as more fully described in the section entitled "Description of the ARNs—Basket Market Measures—Determination of the Component Ratio for Each Basket Component—Equity-Based Basket Components" beginning on page S-38 of product supplement ARN-3 if a Market Disruption Event occurs on the pricing date as to any Basket Component Index. The actual closing level and Component Ratio of each Basket Component Index will be set forth in the final term sheet that will be made available in connection with sales of the ARNs.
- (2) These were the closing levels of the Basket Component Indices on January 11, 2011.
- (3) Each **hypothetical** Component Ratio equals the Initial Component Weight of the Basket Component Index (as a percentage) multiplied by 100, and then divided by the closing level of that Basket Component Index on January 11, 2011 and rounded to eight decimal places.

The calculation agent will calculate the value of the Basket by summing the products of the closing level for each Basket Component Index on the calculation day and the Component Ratio applicable to such Basket Component Index. If a Market Disruption Event occurs as to any Basket Component Index on the scheduled calculation day, the closing level of that Basket Component Index will be determined as more fully described beginning on page S-24 of product supplement ARN-3 in the section "Description of the ARNs—The Starting Value and the Ending Value—Ending Value - Equity - Based Basket Market Measures."

While actual historical information on the Basket will not exist before the pricing date, the following graph sets forth the hypothetical historical monthly performance of the Basket in the period from January 2006 through December 2010, based upon actual month-end historical levels of each Basket Component Index, hypothetical Component Ratios determined as of December 31, 2005, and a Basket Value of 100.00 as of that date. This hypothetical historical data on the Basket is not necessarily indicative of the future performance of the Basket or what the value of the ARNs may be. Any historical upward or downward trend in the value of the Basket during any period set forth below is not an indication that the value of the Basket is more or less likely to increase or decrease at any time over the term of the ARNs.





## The Basket Component Indices

All disclosures contained in this term sheet regarding the Basket Component Indices, including, without limitation, their make up, method of calculation, and changes in their components, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by each of Standard & Poor's Financial Services ("S&P") and STOXX Limited (together, the "Index Publishers"). The Index Publishers have no obligation to continue to publish, and may discontinue publication of, the Basket Component Indices. The consequences of the Index Publishers discontinuing publication of the Basket Component Indices are discussed in the section of product supplement ARN-3 entitled "Description of the ARNs—Discontinuance of a Market Measure" on page S-36 of product supplement ARN-3. None of us, the calculation agent, or the selling agent accepts any responsibility for the calculation, maintenance, or publication of any of the Basket Component Indices or any successor index.

### The S&P 500® Index

"Standard & Poor's®", "Standard & Poor's 500™", "S&P 500®", and "S&P®" are trademarks of S&P and have been licensed for use in this offering by our subsidiary, MLPF&S. The ARNs are not sponsored, endorsed, sold, or promoted by S&P, and S&P makes no representation regarding the advisability of investing in the ARNs.

The S&P 500® Index is intended to provide an indication of the pattern of common stock price movement. The calculation of the level of the S&P 500® Index is based on the relative value of the aggregate market value of the common stocks of 500 companies as of a particular time compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. As of December 31, 2010, 401 companies included in the S&P 500® traded on the New York Stock Exchange, and 99 companies included in the S&P 500® traded on The NASDAQ Stock Market. On December 31, 2010, the average market capitalization of the companies included in S&P 500® was \$22.86 billion. As of that date, the largest component of the S&P 500® had a market capitalization of \$368.71 billion, and the smallest component of the S&P 500® had a market capitalization of \$1.26 billion.

S&P chooses companies for inclusion in the S&P 500® Index with the aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of its Stock Guide Database of over 10,000 companies, which S&P uses as an assumed model for the composition of the total market. Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company's common stock generally is responsive to changes in the affairs of the respective industry, and the market value and trading activity of the common stock of that company. Ten main groups of companies constitute the S&P 500® Index, with the approximate percentage of the market capitalization of the S&P 500® Index included in each group as of December 31, 2010 indicated in parentheses: Consumer Discretionary (10.63%); Consumer Staples (10.63%); Energy (12.03%); Financials (16.06%); Health Care (10.91%); Industrials (10.95%); Information Technology (18.65%); Materials (3.74%); Telecommunication Services (3.11%); and Utilities (3.30%). S&P from time to time, in its sole discretion, may add companies to, or delete companies from, the S&P 500® Index to achieve the objectives stated above.

S&P calculates the S&P 500® Index by reference to the prices of the constituent stocks of the S&P 500® Index without taking account of the value of dividends paid on those stocks. As a result, the return on the ARNs will not reflect the return you would realize if you actually owned the S&P 500® Index constituent stocks and received the dividends paid on those stocks.

### Computation of the S&P 500® Index

While S&P currently employs the following methodology to calculate the S&P 500® Index, no assurance can be given that S&P will not modify or change this methodology in a manner that may affect the Redemption Amount.

Historically, the market value of any component stock of the S&P 500® Index was calculated as the product of the market price per share and the number of then outstanding shares of such component stock. In March 2005, S&P began shifting the S&P 500® Index halfway from a market capitalization weighted formula to a float-adjusted formula, before moving the S&P 500® Index to full float adjustment on September 16, 2005. S&P's criteria for selecting stocks for the S&P 500® Index did not change with the shift to float adjustment. However, the adjustment affects each company's weight in the S&P 500® Index.

Under float adjustment, the share counts used in calculating the S&P 500® Index reflect only those shares that are available to investors, not all of a company's outstanding shares. S&P defines three groups of shareholders whose holdings are subject to float adjustment:

- holdings by other publicly traded corporations, venture capital firms, private equity firms, strategic partners, or leveraged buyout groups;
- holdings by government entities, including all levels of government in the U.S. or foreign countries; and
- holdings by current or former officers and directors of the company, founders of the company, or family trusts of officers, directors, or founders, as well as holdings of trusts, foundations, pension funds, employee stock ownership plans, or other investment vehicles associated with and controlled by the company.

However, treasury stock, stock options, restricted shares, equity participation units, warrants, preferred stock, convertible stock, and rights are not part of the float. In cases where holdings in a group exceed 10% of the outstanding shares of a company, the holdings of that group are excluded from the float-adjusted count of shares to be used in the S&P 500® Index calculation. Mutual funds, investment advisory firms, pension funds, or foundations not associated with the company and investment funds in insurance companies, shares of a U.S. company traded in Canada as "exchangeable shares," shares that trust beneficiaries may buy or sell without difficulty or significant additional expense beyond typical brokerage fees, and, if a company has multiple classes of stock outstanding, shares in an unlisted or non-traded class if such shares are convertible by shareholders without undue delay and cost, are also part of the float.

For each stock, an investable weight factor ("IWF") is calculated by dividing the available float shares, defined as the total shares outstanding less shares held in one or more of the three groups listed above where the group holdings exceed 10% of the outstanding shares, by the total shares outstanding. The float-adjusted S&P 500<sup>®</sup> Index is then calculated by multiplying, for each stock in the S&P 500<sup>®</sup> Index, the IWF, the price, and total number of shares outstanding, adding together the resulting amounts, and then dividing that sum by the index divisor. For companies with multiple classes of stock, S&P calculates the weighted average IWF for each stock using the proportion of the total company market capitalization of each share class as weights. The S&P 500<sup>®</sup> Index is calculated using a base-weighted aggregate methodology. The level of the S&P 500<sup>®</sup> Index reflects the total market value of all 500 component stocks relative to the base period of the years 1941 through 1943. An indexed number is used to represent the results of this calculation in order to make the level easier to work with and track over time. The actual total market value of the component stocks during the base period of the years 1941 through 1943 has been set to an indexed level of 10. This is often indicated by the notation 1941-43 = 10. In practice, the daily calculation of the S&P 500<sup>®</sup> Index is computed by dividing the total market value of the component stocks by the "index divisor." By itself, the index divisor is an arbitrary number. However, in the context of the calculation of the S&P 500<sup>®</sup> Index, it serves as a link to the original base period level of the S&P 500<sup>®</sup> Index. The index divisor keeps the S&P 500<sup>®</sup> Index comparable over time and is the manipulation point for all adjustments to the S&P 500<sup>®</sup> Index, which is index maintenance.

**S&P 500<sup>®</sup> Index Maintenance**

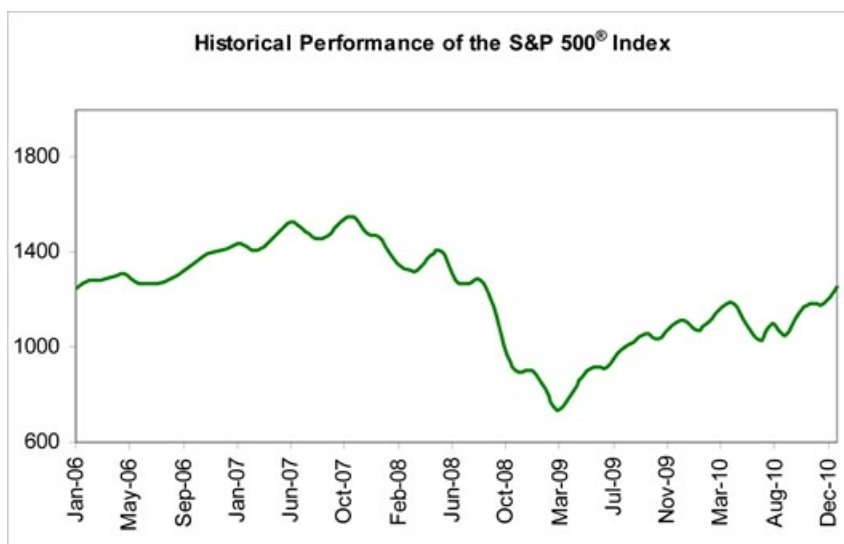
S&P 500<sup>®</sup> Index maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to company restructuring or spinoffs. Some corporate actions, such as stock splits and stock dividends, require changes in the common shares outstanding and the stock prices of the companies in the S&P 500<sup>®</sup> Index, and do not require index divisor adjustments.

To prevent the level of the S&P 500<sup>®</sup> Index from changing due to corporate actions, corporate actions which affect the total market value of the S&P 500<sup>®</sup> Index require an index divisor adjustment. By adjusting the index divisor for the change in market value, the level of the S&P 500<sup>®</sup> Index remains constant and does not reflect the corporate actions of individual companies in the S&P 500<sup>®</sup> Index. Index divisor adjustments are made after the close of trading and after the calculation of the S&P 500<sup>®</sup> Index closing level.

Changes in a company's shares outstanding of 5% or more due to mergers, acquisitions, public offerings, tender offers, Dutch auctions, or exchange offers are made as soon as reasonably possible. All other changes of 5% or more (due to, for example, company stock repurchases, private placements, redemptions, exercise of options, warrants, conversion of preferred stock, notes, debt, equity participation units, at the market offerings, or other recapitalizations) are made weekly and are announced on Wednesdays for implementation after the close of trading on the following Wednesday. Changes of less than 5% due to a company's acquisition of another company in the S&P 500<sup>®</sup> Index are made as soon as reasonably possible. All other changes of less than 5% are accumulated and made quarterly on the third Friday of March, June, September, and December, and are usually announced two to five days prior.

Changes in IWFs of more than ten percentage points caused by corporate actions (such as merger and acquisition activity, restructurings, or spinoffs) will be made as soon as reasonably possible. Other changes in IWFs will be made annually when IWFs are reviewed.

*The following graph sets forth the monthly historical performance of the S&P 500<sup>®</sup> Index in the period from January 2006 through December 2010. This historical data on the S&P 500<sup>®</sup> Index is not necessarily indicative of the future performance of the S&P 500<sup>®</sup> Index or what the value of the ARNs may be. Any historical upward or downward trend in the level of the S&P 500<sup>®</sup> Index during any period set forth below is not an indication that the level of the S&P 500<sup>®</sup> Index is more or less likely to increase or decrease at any time over the term of the ARNs. On January 11, 2011, the closing level of the S&P 500<sup>®</sup> Index was 1,274.48.*



Before investing in the ARNs, you should consult publicly available sources for the levels and trading pattern of the S&P 500<sup>®</sup> Index. The generally unsettled international environment and related uncertainties, including the risk of terrorism, may result in the S&P 500<sup>®</sup> Index and financial markets generally exhibiting greater volatility than in earlier periods.

*License Agreement*

S&P does not guarantee the accuracy and/or the completeness of the S&P 500<sup>®</sup> Index or any data included in the S&P 500<sup>®</sup> Index. S&P shall have no liability for any errors, omissions, or interruptions in the S&P 500<sup>®</sup> Index. S&P makes no warranty, express or implied, as to results to be obtained by MLPF&S, us, holders of the ARNs or any other person or entity from the use of the S&P 500<sup>®</sup> Index or any data included in the S&P 500<sup>®</sup> Index in connection with the rights licensed under the license agreement described in this term sheet or for any other use. S&P makes no express or implied warranties, and hereby expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect to the S&P 500<sup>®</sup> Index or any data included in the S&P 500<sup>®</sup> Index. Without limiting any of the above information, in no event shall S&P have any liability for any special, punitive, indirect, or consequential damages, including lost profits, even if notified of the possibility of these damages.

S&P and MLPF&S have entered into a non-exclusive license agreement providing for the license to MLPF&S, in exchange for a fee, of the right to use the S&P 500<sup>®</sup> Index in connection with this offering. The license agreement provides that the following language must be stated in this term sheet:

"The ARNs are not sponsored, endorsed, sold, or promoted by S&P. S&P makes no representation or warranty, express or implied, to the holders of the ARNs or any member of the public regarding the advisability of investing in securities generally or in the ARNs particularly or the ability of the S&P 500<sup>®</sup> Index to track general stock market performance. S&P's only relationship to MLPF&S and to us (other than transactions entered into in the ordinary course of business) is the licensing of certain trademarks and trade names of S&P and of the S&P 500<sup>®</sup> Index which is determined, composed, and calculated by S&P without regard to MLPF&S, us, or the ARNs. S&P has no obligation to take the needs of MLPF&S, our needs, or the needs of the holders of the ARNs into consideration in determining, composing, or calculating the S&P 500<sup>®</sup> Index. S&P is not responsible for and has not participated in the determination of the timing of the sale of the ARNs, prices at which the ARNs are to initially be sold, or quantities of the ARNs to be issued or in the determination or calculation of the equation by which the ARNs are to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing, or trading of the ARNs."

**The EURO STOXX 50<sup>®</sup> Index**

The EURO STOXX 50<sup>®</sup> Index was created by STOXX Limited ("STOXX"), a joint venture between Deutsche Börse AG and SIX Group AG. Publication of the EURO STOXX 50<sup>®</sup> Index began in February 1998, based on an initial EURO STOXX 50<sup>®</sup> Index level of 1,000 at December 31, 1991. On March 1, 2010, STOXX announced the removal of the "Dow Jones" prefix from all of its indices, including the EURO STOXX 50<sup>®</sup> Index.

*EURO STOXX 50<sup>®</sup> Index Composition and Maintenance*

The EURO STOXX 50<sup>®</sup> Index is composed of 50 component stocks of market sector leaders from within the 19 EURO STOXX<sup>®</sup> Supersector indices, which represent the Eurozone portion of the STOXX Europe 600<sup>®</sup> Supersector indices. Set forth below are the country weightings and market sector weightings of the securities included in the EURO STOXX 50<sup>®</sup> Index as of December 31, 2010:

| <u>Country Weightings</u> |       | <u>Industrial Sector Weightings</u> |       |
|---------------------------|-------|-------------------------------------|-------|
| France                    | 35.5% | Banks                               | 17.3% |
| Germany                   | 30.6% | Utilities                           | 9.5%  |
| Spain                     | 13.2% | Oil & Gas                           | 9.2%  |
| Italy                     | 9.0%  | Telecommunications                  | 8.7%  |
| Netherlands               | 5.5%  | Insurance                           | 8.3%  |
| Belgium                   | 2.0%  | Chemicals                           | 8.1%  |
| Finland                   | 1.8%  | Industrial Goods & Services         | 7.5%  |
| Luxembourg                | 1.7%  | Food & Beverage                     | 6.2%  |
| Ireland                   | 0.7%  | Personal & Household Goods          | 4.7%  |
|                           |       | Automobiles & Parts                 | 4.1%  |
|                           |       | Technology                          | 4.1%  |
|                           |       | Health Care                         | 3.4%  |
|                           |       | Construction & Materials            | 3.1%  |
|                           |       | Basic Resources                     | 1.7%  |
|                           |       | Media                               | 1.6%  |
|                           |       | Retail                              | 1.2%  |
|                           |       | Real Estate                         | 0.9%  |
|                           |       | Financial Services                  | 0.6%  |

The composition of the EURO STOXX 50<sup>®</sup> Index is reviewed annually, based on the closing stock data on the last trading day in August. The component stocks are announced on the first trading day in September. Changes to the component stocks are implemented on the third Friday in September and are effective the following trading day. Changes in the composition of the EURO STOXX 50<sup>®</sup> Index are made to ensure that the EURO STOXX 50<sup>®</sup> Index includes the 50 market sector leaders from within the EURO STOXX<sup>®</sup> Index.

The free float factors for each component stock used to calculate the EURO STOXX 50<sup>®</sup> Index, as described below, are reviewed, calculated, and implemented on a quarterly basis and are fixed until the next quarterly review.

The EURO STOXX 50<sup>®</sup> Index is also reviewed on an ongoing basis. Corporate actions (including initial public offerings, mergers and takeovers, spin-offs, delistings, and bankruptcy) that affect the EURO STOXX 50<sup>®</sup> Index composition are immediately reviewed. Any changes are announced, implemented, and effective in line with the type of corporate action and the magnitude of the effect.

*EURO STOXX 50<sup>®</sup> Index Calculation*

The EURO STOXX 50<sup>®</sup> Index is calculated with the "Laspeyres formula," which measures the aggregate price changes in the component stocks against a fixed base quantity weight. The formula for calculating the EURO STOXX 50<sup>®</sup> Index value can be expressed as follows:

$$\text{Index} = \frac{\text{free float market capitalization of the EURO STOXX 50<sup>®</sup> Index}}{\text{adjusted base date market capitalization of the EURO STOXX 50<sup>®</sup> Index}} \times 1,000$$

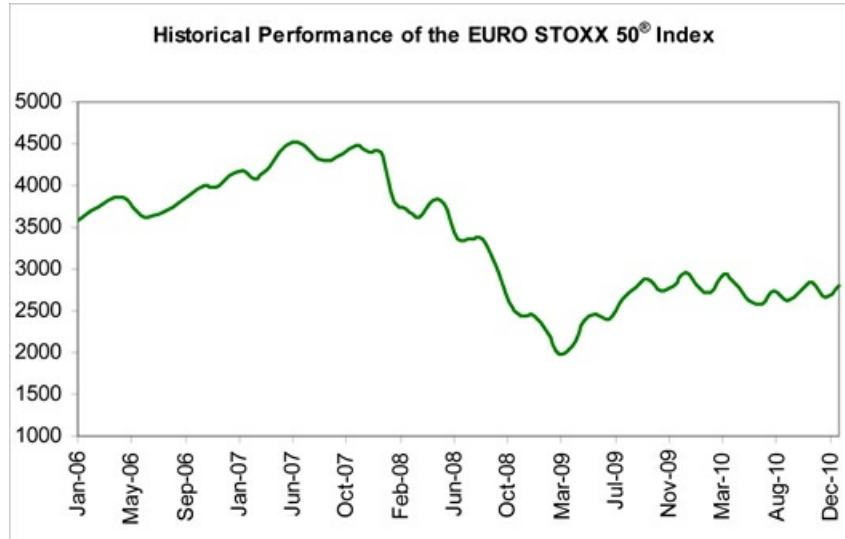
The "free float market capitalization of the EURO STOXX 50<sup>®</sup> Index" is equal to the sum of the products of the closing price, market capitalization, and free float factor for each component stock as of the time the EURO STOXX 50<sup>®</sup> Index is being calculated.

The STOXX 50<sup>®</sup> Index is also subject to a divisor, which is adjusted to maintain the continuity of the EURO STOXX 50<sup>®</sup> Index values across changes due to corporate actions, such as the deletion and addition of stocks, the substitution of stocks, stock dividends, and stock splits.

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 EURO STOXX 50<sup>®</sup> Index or any successor to the EURO STOXX 50<sup>®</sup> Index. STOXX does not guarantee the accuracy or the completeness of the EURO STOXX 50<sup>®</sup> Index or any data included in the EURO STOXX 50<sup>®</sup> Index. STOXX assumes no liability for any errors, omissions, or disruption in the calculation and dissemination of the EURO STOXX 50<sup>®</sup> Index. STOXX disclaims all responsibility for any errors or omissions in the calculation and dissemination of the EURO STOXX 50<sup>®</sup> Index or the manner in which the EURO STOXX 50<sup>®</sup> Index is applied in determining the amount payable on the ARNs at maturity.

Since its inception, the EURO STOXX 50® Index has experienced significant fluctuations. Any historical upward or downward trend in the level of the EURO STOXX 50® Index during any period shown below is not an indication that the level of the EURO STOXX 50® Index is more or less likely to increase or decrease at any time during the term of the ARNs. The historical EURO STOXX 50® Index levels do not give an indication of future performance of the EURO STOXX 50® Index.

*The following graph sets forth the monthly historical performance of the EURO STOXX 50® Index in the period from January 2006 through December 2010. This historical data on the EURO STOXX 50® Index is not necessarily indicative of the future performance of the EURO STOXX 50® Index or what the value of the ARNs may be. Any historical upward or downward trend in the level of the EURO STOXX 50® Index during any period set forth below is not an indication that the level of the EURO STOXX 50® Index is more or less likely to increase or decrease at any time over the term of the ARNs. On January 11, 2011, the closing level of the EURO STOXX 50® Index was 2,796.60.*



Before investing in the ARNs, you should consult publicly available sources for the levels and trading pattern of the EURO STOXX 50® Index. The generally unsettled international environment and related uncertainties, including the risk of terrorism, may result in the EURO STOXX 50® Index and financial markets generally exhibiting greater volatility than in earlier periods.

*License Agreement*

We have entered into a non-exclusive license agreement with STOXX providing for the license to us and certain of our affiliated or subsidiary companies, in exchange for a fee, of the right to use indices owned and published by STOXX (including the EURO STOXX 50® Index) in connection with certain securities, including the ARNs.

The license agreement between us and STOXX requires that the following language be stated in this term sheet:

STOXX has no relationship to us, other than the licensing of the EURO STOXX 50® Index and the related trademarks for use in connection with the ARNs. STOXX does not:

- sponsor, endorse, sell, or promote the ARNs;
- recommend that any person invest in the ARNs or any other securities;
- have any responsibility or liability for or make any decisions about the timing, amount, or pricing of the ARNs;
- have any responsibility or liability for the administration, management, or marketing of the ARNs; or
- consider the needs of the ARNs or the holders of the ARNs in determining, composing, or calculating the EURO STOXX 50® Index, or have any obligation to do so.

**STOXX will not have any liability in connection with the ARNs. Specifically:**

- STOXX does not make any warranty, express or implied, and disclaim any and all warranty concerning:
  - i the results to be obtained by the ARNs, the holders of the ARNs or any other person in connection with the use of the EURO STOXX 50® Index and the data included in the EURO STOXX 50® Index;
  - i the accuracy or completeness of the EURO STOXX 50® Index and its data;
  - i the merchantability and the fitness for a particular purpose or use of the EURO STOXX 50® Index and its data;
- STOXX will have no liability for any errors, omissions, or interruptions in the EURO STOXX 50® Index or its data; and
- Under no circumstances will STOXX be liable for any lost profits or indirect, punitive, special, or consequential damages or losses, even if STOXX knows that they might occur.

**The licensing agreement between us and STOXX is solely for their benefit and our benefit, and not for the benefit of the holders of the ARNs or any other third parties.**

### The S&P Asia 50<sup>®</sup> Index

"Standard & Poor's<sup>®</sup>", "S&P Asia 50<sup>®</sup>", and "S&P<sup>®</sup>" are trademarks of S&P and have been licensed for use in this offering by our subsidiary, MLPF&S. The ARNs are not sponsored, endorsed, sold, or promoted by S&P, and S&P makes no representation regarding the advisability of investing in the ARNs.

The S&P Asia 50<sup>®</sup> Index is published by S&P. The S&P Asia 50<sup>®</sup> Index is intended to provide an indication of the pattern of common stock price movement of 50 companies from four major Asian markets—Hong Kong, Singapore, South Korea, and Taiwan. The 50 companies included in the S&P Asia 50<sup>®</sup> Index have been selected by S&P on the basis of their size, liquidity, sector representation, and country representation. The S&P Asia 50<sup>®</sup> Index mirrors the sector weights of the broader universe of stocks from the four Asian markets. Similarly, the S&P Asia 50<sup>®</sup> Index mirrors the country weights of the four Asian markets within the same universe of stocks. This policy aims to approximate, with 50 stocks, the sector and country mix of the region.

The companies included in the S&P Asia 50<sup>®</sup> Index are drawn from a universe of stocks representing over 95% of the market capitalization of the stock exchanges of Hong Kong, Singapore, South Korea, and Taiwan. S&P follows the following criteria for determining whether a specific stock is eligible for inclusion in the S&P Asia 50<sup>®</sup> Index:

- **Market Capitalization:** A stock is included if it falls within the top 95% of the market capitalization of the stock exchanges of Hong Kong, Singapore, South Korea, and Taiwan.
- **Liquidity:** The stocks are ranked according to liquidity, measured by dollar value traded. Generally, a minimum float turnover of 0.30 is necessary for inclusion.
- **Domicile:** A stock's domicile is determined based on a number of criteria that include headquarters of the company, registration, listing of stock, place of operations, and residence of the senior officers.
- **Eligible Securities:** All common and preferred shares (which are of an equity and not of a fixed income nature) are eligible. Convertible stock, bonds, warrants, and preferred stock that provide a guaranteed fixed return are not eligible.
- **Sector Classification:** Stocks are classified by the Global Industry Classification Standard (GICS<sup>®</sup>).

Set forth below are the market sector weightings of the securities included in the S&P Asia 50<sup>®</sup> Index as of January 11, 2011:

| <b>Industrial Sector Weightings</b> |        |
|-------------------------------------|--------|
| Financials                          | 32.21% |
| Information Technology              | 24.62% |
| Energy                              | 8.43%  |
| Consumer Discretionary              | 7.54%  |
| Materials                           | 7.49%  |
| Industrials                         | 7.26%  |
| Telecommunication Services          | 7.21%  |
| Utilities                           | 3.70%  |
| Consumer Staples                    | 1.54%  |

### Computation of the S&P Asia 50<sup>®</sup> Index

While S&P currently employs the following methodology to calculate the S&P Asia 50<sup>®</sup> Index, no assurance can be given that S&P will not modify or change this methodology in a manner that may affect the Redemption Amount.

The S&P Asia 50<sup>®</sup> Index is calculated using a base-weighted aggregate methodology. S&P currently computes the S&P Asia 50<sup>®</sup> Index as of a particular time as follows:

- the market price per share of each of the stocks included in the S&P Asia 50<sup>®</sup> Index in its local currency is converted to U.S. dollars using the spot exchange rate applicable at the time of calculation (the result being referred to as the "U.S. dollar market value" of the stocks included in the S&P Asia 50<sup>®</sup> Index);
- the number of free-floating available shares outstanding for each of the stocks included in the S&P Asia 50<sup>®</sup> Index is determined (the "availability factor");
- the U.S. dollar market value of each of the stocks included in the S&P Asia 50<sup>®</sup> Index is multiplied by its corresponding availability factor (the result being referred to as the "U.S. dollar market capitalization" for each underlying stock);
- the U.S. dollar market capitalization for the stocks included in the S&P Asia 50<sup>®</sup> Index are aggregated; and
- the result is divided by an index divisor calculated by S&P which is adjusted to account for additions and deletions to the S&P Asia 50<sup>®</sup> Index, rights issues, share buybacks and issuances, spin-offs and adjustments in availability (the result being referred to as the "U.S. dollar market capitalization component" of the S&P Asia 50<sup>®</sup> Index).

The number of free-floating available shares outstanding reflects only the shares that are available to investors, and not all of a company's outstanding shares. S&P defines three groups of shareholders whose holdings are subject to float adjustment:

- holdings by other publicly traded corporations, venture capital firms, private equity firms, strategic partners, or leveraged buyout groups;
- holdings by government entities, including all levels of government (restricted only to governments of domestic listing markets only); and
- holdings by current or former officers and directors of the company, founders of the company, or family trusts of officers, directors, or founders, as well as holdings of trusts, foundations, pension funds, employee stock ownership plans, or other investment vehicles associated with and controlled by the company.

In cases where holdings in a group exceed 10% of the outstanding shares of a company, the holdings of that group are excluded from the float-adjusted count of shares to be used in the S&P Asia 50<sup>®</sup> Index calculation.

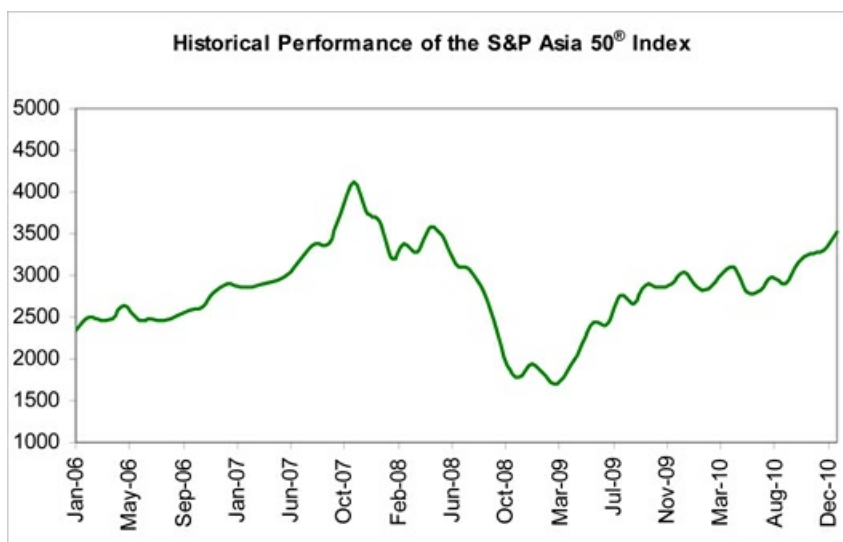
#### S&P Asia 50<sup>®</sup> Index Maintenance

S&P Asia 50<sup>®</sup> Index maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to company restructuring or spinoffs. Some corporate actions, such as stock splits and stock dividends, require changes in the common shares outstanding and the stock prices of the companies in the S&P Asia 50<sup>®</sup> Index, and do not require index divisor adjustments.

To prevent the level of the S&P Asia 50<sup>®</sup> Index from changing due to corporate actions, corporate actions which affect the total market value of the S&P Asia 50<sup>®</sup> Index require an index divisor adjustment. By adjusting the index divisor for the change in market value, the level of the S&P Asia 50<sup>®</sup> Index remains constant and does not reflect the corporate actions of individual companies in the S&P Asia 50<sup>®</sup> Index. Index divisor adjustments are made after the close of trading and after the calculation of the S&P Asia 50<sup>®</sup> Index closing level.

Changes in a company's shares outstanding of 5% or more are made as soon as reasonably possible. Changes of less than 5% are accumulated and made quarterly on the third Friday of March, June, September, and December.

*The following graph sets forth the monthly historical performance of the S&P Asia 50<sup>®</sup> Index in the period from January 2006 to December 2010. This historical data on the S&P Asia 50<sup>®</sup> Index is not necessarily indicative of the future performance of the S&P Asia 50<sup>®</sup> Index or what the value of the ARNs may be. Any historical upward or downward trend in the level of the S&P Asia 50<sup>®</sup> Index during any period set forth below is not an indication that the level of the S&P Asia 50<sup>®</sup> Index is more or less likely to increase or decrease at any time over the term of the ARNs. On January 11, 2011, the closing level of the S&P Asia 50<sup>®</sup> Index was 3,581.52.*



Before investing in the ARNs, you should consult publicly available sources for the levels and trading pattern of the S&P Asia 50<sup>®</sup> Index. The generally unsettled international environment and related uncertainties, including the risk of terrorism, may result in the S&P Asia 50<sup>®</sup> Index and financial markets generally exhibiting greater volatility than in earlier periods.



*License Agreement*

S&P does not guarantee the accuracy and/or the completeness of the S&P Asia 50<sup>®</sup> Index or any data included in the S&P Asia 50<sup>®</sup> Index. S&P shall have no liability for any errors, omissions, or interruptions in the S&P Asia 50<sup>®</sup> Index. S&P makes no warranty, express or implied, as to results to be obtained by MLPF&S, us, holders of the ARNs or any other person or entity from the use of the S&P Asia 50<sup>®</sup> Index or any data included in the S&P Asia 50<sup>®</sup> Index in connection with the rights licensed under the license agreement described in this term sheet or for any other use. S&P makes no express or implied warranties, and hereby expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect to the S&P Asia 50<sup>®</sup> Index or any data included in the S&P Asia 50<sup>®</sup> Index. Without limiting any of the above information, in no event shall S&P have any liability for any special, punitive, indirect, or consequential damages, including lost profits, even if notified of the possibility of these damages.

S&P and MLPF&S have entered into a non-exclusive license agreement providing for the license to MLPF&S, in exchange for a fee, of the right to use the S&P Asia 50<sup>®</sup> Index in connection with this offering. The license agreement provides that the following language must be stated in this term sheet:

“The ARNs are not sponsored, endorsed, sold, or promoted by S&P. S&P makes no representation or warranty, express or implied, to the holders of the ARNs or any member of the public regarding the advisability of investing in securities generally or in the ARNs particularly or the ability of the S&P Asia 50<sup>®</sup> Index to track general stock market performance. S&P’s only relationship to MLPF&S and to us (other than transactions entered into in the ordinary course of business) is the licensing of certain trademarks and trade names of S&P and the S&P Asia 50<sup>®</sup> Index which is determined, composed, and calculated by S&P without regard to MLPF&S, us, or the ARNs. S&P has no obligation to take the needs of MLPF&S, our needs, or the needs of the holders of the ARNs into consideration in determining, composing, or calculating the S&P Asia 50<sup>®</sup> Index. S&P is not responsible for and has not participated in the determination of the timing of the sale of the ARNs, prices at which the ARNs are to initially be sold, or quantities of the ARNs to be issued or in the determination or calculation of the equation by which the ARNs are to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing, or trading of the ARNs.”

## Summary Tax Consequences

You should consider the U.S. federal income tax consequences of an investment in the ARNs, including the following:

- You agree with us (in the absence of an administrative determination, or judicial ruling to the contrary) to characterize and treat the ARNs for all tax purposes as a single financial contract with respect to Basket that requires you to pay us at inception an amount equal to the purchase price of the ARNs and that entitles you to receive at maturity an amount in cash based upon the performance of Basket.
- Under this characterization and tax treatment of the ARNs, upon receipt of a cash payment at maturity or upon a sale or exchange of the ARNs prior to maturity, you generally will recognize capital gain or loss. This capital gain or loss generally will be long-term capital gain or loss if you held the ARNs for more than one year.

## Certain U.S. Federal Income Taxation Considerations

Set forth below is a summary of certain U.S. federal income tax considerations relating to an investment in the ARNs. The following summary is not complete and is qualified in its entirety by the discussion under the section entitled "U.S. Federal Income Tax Summary" beginning on page S-43 of product supplement ARN-3, which you should carefully review prior to investing in the ARNs.

*General.* Although there is no statutory, judicial, or administrative authority directly addressing the characterization of the ARNs, we intend to treat the ARNs for all tax purposes as a single financial contract with respect to the Basket that requires the investor to pay us at inception an amount equal to the purchase price of the ARNs and that entitles the investor to receive at maturity an amount in cash based upon the performance of the Basket. Under the terms of the ARNs, we and every investor in the ARNs agree, in the absence of an administrative determination or judicial ruling to the contrary, to treat the ARNs as described in the preceding sentence. This discussion assumes that the ARNs constitute a single financial contract with respect to the Basket for U.S. federal income tax purposes. If the ARNs did not constitute a single financial contract, the tax consequences described below would be materially different. The discussion in this section also assumes that there is a significant possibility of a significant loss of principal on an investment in the ARNs.

This characterization of the ARNs is not binding on the Internal Revenue Service ("IRS") or the courts. No statutory, judicial, or administrative authority directly addresses the characterization of the ARNs 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 ARNs 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 product supplement ARN-3. 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 ARNs, including possible alternative characterizations.

*Settlement at Maturity or Sale or Exchange Prior to Maturity.* Assuming that the ARNs are properly characterized and treated as single financial contracts with respect to the Basket for U.S. federal income tax purposes, upon receipt of a cash payment at maturity or upon a sale or exchange of the ARNs prior to maturity, a U.S. Holder (as defined in product supplement ARN-3) generally will recognize capital gain or loss equal to the difference between the amount realized and the U.S. Holder's basis in the ARNs. This capital gain or loss generally will be long-term capital gain or loss if the U.S. Holder held the ARNs for more than one year. The deductibility of capital losses is subject to limitations.

*Possible Future Tax Law Changes.* From time to time, there may be legislative proposals or interpretive guidance addressing the tax treatment of financial instruments such as the ARNs. We cannot predict the likelihood of any such legislation or guidance being adopted, or the ultimate impact on the ARNs. For example, 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 ARNs. According to the Notice, the IRS and Treasury are considering whether a holder of an instrument such as the ARNs 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 ARNs, 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 Internal Revenue Code of 1986, as amended, 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. 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 ARNs for U.S. federal income tax purposes in the manner described herein unless and until such time as we determine, or the IRS or Treasury determines, that some other treatment is more appropriate.

*Additional Medicare Tax on Unearned Income.* With respect to taxable years beginning after December 31, 2012, certain U.S. Holders, including individuals, estates and trusts, will be subject to an additional 3.8% Medicare tax on unearned income. For individual U.S. Holders, the additional Medicare tax applies to the lesser of (i) "net investment income," or (ii) the excess of "modified adjusted gross income" over \$200,000 (\$250,000 if married and filing jointly or \$125,000 if married and filing separately). "Net investment income" generally equals the taxpayer's gross investment income reduced by the deductions that are allocable to such income. Investment income generally includes passive income such as interest, dividends, annuities, royalties, rents, and capital gains. U.S. Holders are urged to consult their own tax advisors regarding the implications of the additional Medicare tax resulting from an investment in the ARNs.

**You should consult your own tax advisor concerning the U.S. federal income tax consequences to you of acquiring, owning, and disposing of the ARNs, 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. See the discussion under the section entitled "U.S. Federal Income Tax Summary" beginning on page S-43 of product supplement ARN-3.**

## Additional Terms

You should read this term sheet, together with the documents listed below, which together contain the terms of the ARNs and supersede all prior or contemporaneous oral statements as well as any other written materials. You should carefully consider, among other things, the matters set forth under "Risk Factors" in the sections indicated on the cover of this term sheet. The ARNs involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the ARNs.

You may access the following documents on the SEC Website at [www.sec.gov](http://www.sec.gov) as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC Website):

- Product supplement ARN-3 dated April 1, 2010:  
<http://www.sec.gov/Archives/edgar/data/70858/000119312510075888/d424b5.htm>
- Series L MTN prospectus supplement dated April 21, 2009 and prospectus dated April 20, 2009:  
<http://www.sec.gov/Archives/edgar/data/70858/000095014409003387/q18667b5e424b5.htm>

Our Central Index Key, or CIK, on the SEC Website is 70858.

**We have filed a registration statement (including a product supplement, a prospectus supplement, and a prospectus) with the SEC for the offering to which this term sheet relates. Before you invest, you should read the product supplement, the prospectus supplement, and the prospectus in that registration statement, and the other documents relating to this offering that we have filed with the SEC for more complete information about us and this offering. You may get these documents without cost by visiting EDGAR on the SEC Website at [www.sec.gov](http://www.sec.gov). Alternatively, we, any agent, or any dealer participating in this offering will arrange to send you the Note Prospectus if you so request by calling MLPF&S toll-free at 1-866-500-5408.**

## Market-Linked Investments Classification

Market-Linked Investments come in four basic categories, each designed to meet a different set of investor risk profiles, time horizons, income requirements, and market views (bullish, bearish, moderate outlook, etc.). *The following descriptions of these categories are meant solely for informational purposes and are not intended to represent any particular Market-Linked Investment or guarantee performance. Certain Market-Linked Investments may have overlapping characteristics.*

**Market Downside Protection:** Market Downside Protection Market-Linked Investments combine some of the capital preservation features of traditional bonds with the growth potential of equities and other asset classes. They offer full or partial market downside protection at maturity, while offering market exposure that may provide better returns than comparable fixed-income securities. It is important to note that the market downside protection feature provides investors with protection only at maturity, subject to issuer credit risk. In addition, in exchange for full or partial protection, you forfeit dividends and full exposure to the linked asset's upside. In some circumstances, this could result in a lower return than with a direct investment in the asset.

**Enhanced Income:** These short- to medium-term market-linked notes offer you a way to enhance your income stream, either through variable or fixed-interest coupons, an added payout at maturity based on the performance of the linked asset, or both. In exchange for receiving current income, you will generally forfeit upside potential on the linked asset. Even so, the prospect of higher interest payments and/or an additional payout may equate to a higher return potential than you may be able to find through other fixed-income securities. Enhanced Income Market-Linked Investments generally do not include market downside protection. The degree to which your principal is repaid at maturity is generally determined by the performance of the linked asset. Although enhanced income streams may help offset potential declines in the asset, you can still lose part or all of your original investment.

**Market Access:** Market Access notes may offer exposure to certain market sectors, asset classes, and/or strategies that may not even be available through the other three categories of Market-Linked Investments. Subject to certain fees, the returns on Market Access Market-Linked Investments will generally correspond on a one-to-one basis with any increases or decreases in the value of the linked asset, similar to a direct investment. In some instances, they may also provide interim coupon payments. These investments do not include the market downside protection feature and, therefore, your principal remains at risk.

**Enhanced Return:** These short- to medium-term investments offer you a way to enhance exposure to a particular market view without taking on a similarly enhanced level of market downside risk. They can be especially effective in a flat to moderately positive market (or, in the case of bearish investments, a flat to moderately negative market). In exchange for the potential to receive better-than market returns on the linked asset, you must generally accept a degree of market downside risk and capped upside potential. As these investments are not market downside protected, and do not assure full repayment of principal at maturity, you need to be prepared for the possibility that you may lose all or part of your investment.

\*Accelerated Return Notes® and \*ARNs® are our registered service marks.