

IMPORTANT NOTICE
about
THE MERRILL LYNCH AUCTION RATE SECURITIES PROGRAM
and its
Offer to Purchase for Cash at Par
Eligible Auction Rate Securities

*The Offer commences October 1, 2008 and expires at 5:00 p.m.,
New York City time, on January 15, 2010*

Merrill Lynch is pleased to announce its Auction Rate Securities Program (the "ML ARS Program"), including its Offer to Purchase, starting October 1, 2008 (the "Offer"). The ML ARS Program and the Offer cover certain publicly issued and sold auction rate securities issued by municipalities or closed-end funds and publicly issued and sold auction rate securities backed by student loans ("ARS") that were purchased from Merrill Lynch by, or are held at Merrill Lynch by, individual, not-for-profit and small business clients of the Merrill Lynch Global Wealth Management Group that meet certain eligibility thresholds, all as more fully described below.

This Important Notice will provide you with information about the ML ARS Program, including the Offer to Purchase. It also will provide you with certain other information regarding rights that Merrill Lynch has agreed to make available to you under agreements in principle entered into with federal and state regulatory authorities, as more particularly described herein.

Our records indicate that you may qualify to participate in the ML ARS Program and the Offer being made hereby and that some or all of your ARS securities are eligible to be purchased pursuant to the Offer.

THERE ARE NO CONDITIONS TO THE OFFER BUT THERE ARE ELIGIBILITY
REQUIREMENTS THAT MUST BE SATISFIED IN ORDER TO PARTICIPATE

This Important Notice and Offer to Purchase contains important information and you should carefully read it in its entirety before making a decision with respect to the Offer.

If you are eligible to participate in the ML ARS Program and desire to tender Eligible ARS (as defined herein) in the Offer, you should give instructions to your financial advisor to enter an order to sell the Eligible ARS for you. If you do not have a financial advisor and desire to participate, you may do so by first contacting the Merrill Lynch ARS Support Center at the toll free number: 1-888-706-1381 and making arrangements with them for the tender, which may involve the delivery of your Eligible ARS to Merrill Lynch and meeting account documentation requirements. You may direct any questions for assistance to your financial advisor at his or her respective address and telephone number or to the Merrill Lynch ARS Support Center at the toll free number noted above. Additional copies of this Important Notice and Offer to Purchase may be obtained from your financial advisor or by contacting the Merrill Lynch ARS Support Center at their toll free number noted above.

Merrill Lynch & Co
The date of this Notice and Offer to Purchase is September 26, 2008

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OVERVIEW

Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”), a registered broker-dealer, by itself or through any of its affiliates, is offering to purchase from October 1st Eligible Clients (as defined below) at par in cash certain publicly issued and sold auction rate securities issued by municipalities or closed-end funds and publicly registered auction rate securities backed by student loans (i) purchased prior to February 13, 2008 that were held in the October 1st Eligible Client’s Merrill Lynch account(s) as of August 7, 2008 or (ii) that were originally purchased by an October 1st Eligible Client directly from Merrill Lynch at any time prior to February 13, 2008 while a client of Merrill Lynch (“Eligible ARS”).

For purposes of this Offer to Purchase, you are an October 1st Eligible Client if you are an individual client, not-for-profit organization client or a small business client of the Merrill Lynch Global Wealth Management Group (“GWM”):

- who is a current client that had less than \$4 million in total assets at Merrill Lynch on August 7, 2008 and who had transferred the Eligible ARS to Merrill Lynch prior to August 7, 2008, the announcement date of the ML ARS Program or
- who had less than \$4 million in total assets at Merrill Lynch on February 13, 2008 or, on an earlier date if you moved your Eligible ARS to another firm (provided we obtain verification that the total asset threshold requirement was met on that transfer date).

An individual client includes any retirement plan account established for that individual. A not-for-profit organization includes a charitable, education or religious organization as to which proper documentation of that status is on file at, or is made available to, Merrill Lynch upon its request.

This Offer to Purchase does not extend to ARS purchased by clients after February 13, 2008 or to ARS that had not been originally purchased by a client directly from Merrill Lynch and at the time of tender by the client bears a credit rating of “below investment grade” by at least one credit rating agency. In addition, this Offer does not extend to institutional and middle market clients of the Merrill Lynch Global Markets and Investment Banking Group or the Merrill Lynch Institutional Advisory Division.

If you purchased your ARS from another firm and you were not a Merrill Lynch GWM client as of August 7, 2008, you are not eligible for the ML ARS Program. You should contact the financial institution who sold those ARS to you to ascertain your eligibility under their offer, if any. If you transferred Eligible ARS purchased from Merrill Lynch to another firm and your eligibility to participate in this Offer cannot be verified either through our records or with your documentation, it is possible that you may participate in our January 2, 2009 offer described below, provided you meet the eligibility requirements for that offer.

The Offer provided for under this Offer to Purchase will commence on October 1, 2008 and expire at 5:00 p.m., New York City time, on January 15, 2010. The purchases will be made at par for cash (subject to applicable withholding taxes), together with the payment of any accrued but unpaid dividends or interest on the Eligible ARS. You may only tender your Eligible ARS in whole lots (*i.e.*, the minimum denomination of the particular security). The Offer is being made upon the terms and subject to the eligibility requirements set forth in this Offer to Purchase.

Our records indicate that you may qualify as an October 1st Eligible Client and that some or all of your auction rate securities are Eligible ARS that may be purchased by Merrill Lynch pursuant to the Offer.

Please note that Merrill Lynch will also be making an offer to purchase Eligible ARS from January 2nd Eligible Clients (as defined below), with such offer starting January 2, 2009 and ending January 15, 2010. That offer will be substantially similar to this Offer except for the commencement date and the eligibility requirements. The January 2nd Eligible Clients are (i) individual clients and not-for-profit organization clients of GWM with total assets of \$4 million or more at Merrill Lynch and (ii) small business clients of GWM with total assets of less than \$100 million at Merrill Lynch as of February 13, 2008, August 7, 2008 or the date of transfer to another firm, if earlier, along the lines outlined above. January 2nd Eligible Clients will be receiving information about this January 2nd Offer in a separate notice and offer to purchase. Please note that we are informing you of the January 2nd Offer for your information only.

SUMMARY OFFER INFORMATION

This summary term sheet highlights selected information from this Offer to Purchase and may not contain all of the information that is important to you. To better understand our Offer and for a complete description of the legal terms of the Offer, you should carefully read this Offer to Purchase in its entirety. Questions or requests for assistance may be directed to your financial advisor or to a Merrill Lynch representative at the Merrill Lynch ARS Support Center at its toll free number 1-888-706-1381.

Who is offering to buy my Eligible ARS?

Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S” or “Merrill Lynch”) is a registered broker dealer subsidiary of Merrill Lynch & Co., Inc. and it will be making the Offer contemplated hereby. Merrill Lynch & Co., Inc. is one of the world’s leading wealth management, capital markets and advisory companies, with offices in 40 countries and territories and total client assets of approximately \$1.6 trillion. On September 15, 2008, Merrill Lynch & Co., Inc. and Bank of America Corporation entered into an Agreement and Plan of Merger. For more information on Merrill Lynch & Co., Inc. and MLPF&S, please visit www.ml.com.

Merrill Lynch may transfer or assign to one or more of its affiliates, in whole or from time to time in part, its obligation to purchase all or any portion of the Eligible ARS tendered in the Offer as described in this Offer to Purchase. As of the date hereof, Merrill Lynch has determined to transfer to its broker dealer affiliate, First Republic Securities Company LLC (“FRS”) the obligation to purchase Eligible ARS purchased by Eligible Clients of FRS.

Who is eligible to participate in the Offer?

You have to satisfy the eligibility requirements applicable to clients or purchasers of Eligible ARS to be considered an October 1st Eligible Client and you have to have purchased Eligible ARS prior to February 13, 2008. You are an October 1st Eligible Client if you are an individual, not-for-profit organization or small business client of GWM:

- who is a current client that had less than \$4 million in total assets at Merrill Lynch on August 7, 2008 and who had transferred the Eligible ARS to Merrill Lynch prior to August 7, 2008 or
- who had less than \$4 million in total assets at Merrill Lynch on February 13, 2008 or an earlier date, if you moved your Eligible ARS to another firm (provided we obtain verification that the total asset threshold requirement was met on that transfer date).

The term “individual client” includes any retirement plan account established for that individual at Merrill Lynch and the term “not-for-profit organizations” includes all charitable, educational and religious organizations. FRS clients meeting the criteria outlined above may also participate as to their Eligible ARS in the Offer. If former clients who, while a client, purchased Eligible ARS directly from Merrill Lynch prior to February 13, 2008 cannot verify they meet the total asset threshold requirements for the Offer, they may be eligible to participate in our ARS purchase offer commencing on January 2, 2009, if they meet the eligibility requirements for that offer.

What ARS are eligible for purchase by Merrill Lynch?

Only certain public municipality-issued, closed-end fund-issued and student loan-backed auction rate securities purchased by you prior to February 13, 2008 are eligible for purchase under the ML ARS Program and in this Offer. Merrill Lynch may only purchase such Eligible ARS in whole lots, *i.e.*, the minimum denomination of the particular ARS. Under the terms hereof, such Eligible ARS must have been originally purchased directly from Merrill Lynch prior to February 13, 2008 or purchased from Merrill Lynch or any other firm prior to February 13, 2008 and held in your account(s) with us on August 7, 2008. In addition, in order for your tender of Eligible ARS to be accepted, the particular Eligible ARS may not be the subject of a successful auction market process or to an announced and pending redemption call by the issuer at the time of tender. See “*Section 1. Terms of the Purchase Offer*” below. See also <http://www.auctionratesecuritydata.com> for information on the current auction status of the particular Eligible ARS you hold.

What if I transferred my Eligible ARS to another firm? Can I still participate in the Offer?

If you are an October 1st Eligible Client that originally purchased the Eligible ARS directly from Merrill Lynch prior to February 13, 2008, you may participate in the Offer even if you have moved the Eligible ARS purchased from Merrill Lynch to an account at another financial institution or broker-dealer (“ML-Purchased ARS held away”). If this is the case for you, in order to participate in the Offer, you should contact the Merrill Lynch ARS Support Center at 1-888-706-1381 to make arrangements for the tendering of those ARS. If you are not a current client, you may need to provide us with certain required documentation. For those ML-Purchased ARS held away, Merrill Lynch will not accept them for tender unless (i) it is able to verify your eligibility for the Offer as to your meeting the total asset threshold requirement and that you purchased it while a client of Merrill Lynch; (ii) it receives a copy of the ARS transfer form (enclosed in mailings to October 1st Eligible Clients holding Eligible ARS away); and (iii) it receives information reasonably satisfactory to it from the firm at which you hold such securities that the bidding rights associated with those securities will be transferred to Merrill Lynch, along with the tendered securities. See “*Section 1. Terms of the Purchase Offer*” below.

Please note that it is possible that the financial institution or broker dealer firm at which you are currently holding the Eligible ARS has made an offer to purchase ARS held in its current clients’ accounts. You should determine whether you are eligible for any such offer in order to avoid having to move your securities to Merrill Lynch in order to participate in the Offer. Offers to purchase auction rate securities by other firms will be different from this Offer to Purchase.

How is the amount of my total assets at Merrill Lynch determined?

In determining the total assets held at Merrill Lynch either as of August 7, 2008, February 13, 2008, or the date on which you transferred the Eligible ARS out of your Merrill Lynch account, the assets held in client accounts will be aggregated where the social security number or taxpayer identification number (TIN), as the case may be, associated with the accounts are the same. For example, where an individual has an IRA account, a single name account and is the primary listed holder of a joint account, all three of these accounts will be aggregated to determine the \$4 million threshold. If you have any questions

regarding your eligibility, please contact your financial advisor or the Merrill Lynch ARS Support Center (toll free) at 1-888-706-1381.

How much are you offering to pay for my Eligible ARS and what is the form of payment?

We will pay the full dollar amount of the principal amount (in the case of debt securities) or liquidation preference (in the case of preferred securities), which amount we refer to as “par”, plus accrued interest or dividends to the date of purchase. Your account at Merrill Lynch or the transferring firm will be credited with the payment as soon as practicable following the purchase.

What if the Eligible ARS is the subject of a successful auction or issuer-provided liquidity event?

If there is a successful auction for a particular Eligible ARS at the time you submit an order to sell that Eligible ARS to Merrill Lynch, the ARS is not eligible for the Offer. At your request, your financial advisor will assist you in selling your ARS in the next auction. If you are not a client of Merrill Lynch, you must make that instruction to your current firm. If, for any reason, the auction is not then successful or any of your ARS securities remain outstanding after the auction, you may re-tender any and all remaining Eligible ARS to Merrill Lynch pursuant to this Offer to Purchase. If there is an announced and pending redemption for the particular ARS (detailing redemption date, covered security and redemption percentage amount) occurring within 30 days of your tender request, you may tender your Eligible ARS after the redemption date, if any remained outstanding.

What if I sold my ARS below par?

For (i) all individual investor and not-for-profit clients and (ii) small business clients with assets at Merrill Lynch of less than \$100 million on February 13, 2008 or on the date transferred from Merrill Lynch, if earlier, in each case, that originally purchased the Eligible ARS directly from Merrill Lynch and sold some or all of it in secondary market sales at less than par, Merrill Lynch will compensate them for the difference between par and the price at which they sold such ARS. To be eligible for compensation, the sales in the secondary market must have occurred prior to August 20, 2008 and relate to Eligible ARS purchased from Merrill Lynch prior to February 13, 2008. Supporting documentation must be provided to evidence the sale of the Eligible ARS below par during this time period. You must exercise this right by December 31, 2008. See “*Section 11. Additional Rights under the Settlement*” for more information.

Why are you making the Offer?

Recently, Merrill Lynch announced an agreement in principle with each of the U.S. Securities and Exchange Commission, the New York Attorney General, the Massachusetts Securities Division and other state securities regulators regarding its practices and procedures in the auction rate securities market and settling potential litigation relating thereto (the “Agreements in Principle”). Under these agreements, Merrill Lynch agreed to offer certain individual, charitable and small business clients an opportunity to sell Eligible ARS at par. The Agreements in Principle accelerated and enhanced our previously announced ML ARS Program.

Will you have the financial resources to pay for the tendered Eligible ARS?

Merrill Lynch has sufficient liquidity to meet its obligations under the ML ARS Program.

How long do I have to decide whether to participate in the Offer?

You may notify us to tender your Eligible ARS in the Offer any time prior to the expiration of the Offer, which is currently scheduled for 5:00 p.m., New York City time, on January 15, 2010.

How will I be notified of any material changes to the Offer, including any extensions of the Offer period?

If we make any material changes to the Offer, we will inform you by mailing a supplement to this Offer containing the revised terms of the Offer.

How do I elect to participate in the Offer? Can I withdraw my previously tendered Eligible ARS?

You may elect to participate in the Offer by informing your financial advisor that you would like to tender your Eligible ARS in the Offer. If you do not have a financial advisor, you may contact the ML ARS Support Center for assistance in tendering your Eligible ARS. You cannot withdraw any Eligible ARS that you tender because, upon tender, they are immediately accepted by Merrill Lynch, unless rejected for failure to meet the eligibility requirements.

What are the U.S. federal income tax consequences of participating in the Offer?

If you are a U.S. person and are not a non-profit organization, your sale of your Eligible ARS could have U.S. federal income tax consequences to you. Holders that are non-profit organizations generally will not have tax consequences arising from the sale of their Eligible ARS. Holders should consult with their tax advisors. See “*Section 6. Certain Federal Income Tax Considerations*” below.

Where can I get information about the ARS I hold?

You can contact your financial advisor to discuss the ARS you hold and to obtain information about its coupon rate, auction information and eligibility status. You may also obtain this information by going to the following website: <http://www.auctionratesecuritydata.com>.

Who can I talk to if I have questions about the Offer?

Questions may be directed to your financial advisor at his or her address and telephone number or to the Merrill Lynch ARS Support Center (toll-free) at 1-888-706-1381.

Are employees who hold ARS eligible for the ML ARS Program?

Yes. Employees of Merrill Lynch & Co., Inc. and its affiliates that meet the eligibility requirements as to total assets at Merrill Lynch (less than \$4 million) with Eligible ARS will be considered October 1st Eligible Clients.

INTRODUCTION

To the October 1st Eligible Client:

We, Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”), by itself or through its affiliates, are offering to purchase at par in cash certain publicly issued and sold auction rate securities issued by municipalities or closed-end funds and publicly issued and sold auction rate securities backed by student loans (i) purchased prior to February 13, 2008 that were held in a Merrill Lynch account(s) by an October 1st Eligible Client as of August 7, 2008 or (ii) that were originally purchased by an October 1st Eligible Client directly from Merrill Lynch at any time prior to February 13, 2008 while a client (“Eligible ARS”). These purchases will be made at par in cash, net to the seller (subject to applicable withholding taxes), together with accrued but unpaid interest or dividends thereon, upon the terms and subject to satisfying the eligibility requirements set forth in the Offer to Purchase (which, together with any amendments or supplements hereto being the “Offer”).

For purposes of this Offer to Purchase, you are an October 1st Eligible Client if you are an individual, not-for-profit organization or a small business client of GWM:

- who is a current client that had less than \$4 million in total assets at Merrill Lynch on August 7, 2008 and who had transferred the Eligible ARS to Merrill Lynch prior to August 7, 2008, the announcement date of the ML ARS Program or
- who had less than \$4 million in total assets at Merrill Lynch on February 13, 2008 or, on an earlier date if you moved your Eligible ARS to another firm (provided we obtain verification that the total asset threshold requirement is met on that transfer date).

The Offer will commence on October 1, 2008 and expire at 5:00 p.m., New York City time, on January 15, 2010.

Tendering October 1st Eligible Clients will not have to pay brokerage fees or commissions to Merrill Lynch with respect to the purchase of Eligible ARS by Merrill Lynch pursuant to the Offer. For holders tendering Eligible ARS who are not current clients of Merrill Lynch, there may be account transfer and wire transfer fees that apply from the submitting firm. Additional documentation may need to be provided to verify eligibility, obtain bidding rights associated with a particular Eligible ARS where such bidding rights are not currently held by Merrill Lynch or to facilitate proper tax reporting of the transaction.

There are no conditions to the Offer. However, Merrill Lynch will only accept Eligible ARS tendered into the Offer that, as of the date of such tender, are the subject of a “failed” or unsuccessful auction and as to which there are no then outstanding redemptions announced and still pending by the Eligible ARS issuer. For this purpose, an Eligible ARS that is the subject of a failed or unsuccessful auction is one where there has been a failed or unsuccessful auction in the last three auctions held prior to the date of your acceptance of the Offer. In the case of redemptions, a redemption announcement that provides specific information about the redemption, including the security number of the ARS, the redemption date and the amount of the redemption and is within 30 days of the date of the tender will result in the subject ARS

being ineligible until that redemption is concluded. After that time, the Eligible ARS remaining after the redemption may be tendered in the Offer.

To permit Merrill Lynch to purchase your Eligible ARS, you must affirmatively notify us of your consent to our purchase of your securities pursuant to this Offer. You should notify us even if you have granted Merrill Lynch investment discretion with respect to your account and even if the Eligible ARS were purchased for your account pursuant to that grant of discretion.

SPECIAL NOTICE FOR INVESTMENT ADVISORY CLIENTS INCLUDING THOSE WITH DISCRETIONARY ACCOUNTS

Merrill Lynch will be acting in the capacity of principal when it purchases your Eligible ARS in the Offer. It will not charge a commission for the transaction and does not expect to make a profit upon a later resale (if any) of Eligible ARS purchased in the Offer because the Eligible ARS are generally bought and sold at prices not greater than par plus accrued but unpaid interest or dividends. It does expect to receive interest or dividends on such Eligible ARS (which may in the future bear interest or pay dividends in an amount greater than the current rate). Merrill Lynch may, however, earn customary fees in the future in connection with arranging the sale or refinancing of the purchased Eligible ARS and/or other auction rate securities held by Merrill Lynch or by its clients.

The tender of Eligible ARS and the direction to sell the Eligible ARS by an October 1st Eligible Client will constitute such client's consent to the transaction with respect to their investment advisory accounts for which a Merrill Lynch or an advisory affiliate has discretionary authority ("Discretionary Client"). If any such Discretionary Client has not informed its financial advisor orally or in writing that it has elected not to tender its Eligible ARS by the date that is 15 business days prior to the expiration of the Offer, Merrill Lynch (or an investment advisory affiliate) may, but is not obligated to, tender such Eligible ARS on behalf of the Discretionary Client without first obtaining such client's consent to the transaction. **Because Merrill Lynch may decide that it will not so exercise its discretionary authority to determine whether to tender Eligible ARS on behalf of a Discretionary Client, it is important that a Discretionary Client contact his financial advisor to provide instructions on whether or not the Discretionary Client wishes to participate in the Offer.**

Special Notice for Benefit Plan and Retirement Accounts

If the holder of the Eligible ARS is an employee benefit plan, an IRA or similar type account, then this notice is intended to alert the plan's fiduciary, the account's owner, or such other person entitled to exercise control over the assets of such plan or account of the Offer. Furthermore, under the ML ARS Program, Merrill Lynch is merely making an offer to purchase the Eligible ARS. None of Merrill Lynch, its affiliates or your financial advisor is providing you with advice or a recommendation as to whether any such plan or account should participate in this Offer or tender any Eligible ARS held by such plan or account.

You may, at your sole discretion (except as described immediately above), continue to hold some or all of your Eligible ARS or may sell those securities at par to Merrill Lynch at any time during the term of the Offer. Acceptance of the Offer will not constitute a waiver of any claim you may have against Merrill Lynch with respect to those securities.

We will advise you by a further mailing and other forms of notices if we extend the expiration date of the Offer or make other material changes to the terms or eligibility criteria of the Offer.

This Offer to Purchase contains important information and you should carefully read it in its entirety before you make a decision.

This letter also explains other elements of the Agreements in Principle with securities regulators that may be of interest to you.

THE OFFER

1. Terms of the Purchase Offer

Securities Eligible for Purchase. In this Offer, Merrill Lynch is only offering to purchase Eligible ARS issued and sold in the public markets prior to February 13, 2008 on a new issue or secondary market purchase basis, issued and offered by municipal issuers, closed-end fund issuers and certain governmental or private issuers of auction rate securities backed by pools of student loans. It will only accept tender of ARS in whole lots or units (*i.e.*, \$25,000 minimum denomination size). To be eligible, at the time of the tender by the Eligible Client into the Offer, the ARS must be the subject of a “failed” or unsuccessful auction in at least one of the three previously held auctions prior to the date of your acceptance of our Offer and may not be subject to an announced redemption by the issuer, occurring within 30 days of the proposed tender. See below.

Eligible ARS subject to Failed or Unsuccessful Auction Market or to a Full or Partial Issuer Redemption. ARS for which auctions have not functioned or been successful in one out of the three scheduled auctions held prior to the date the October 1st Eligible Customer accepts the Offer are deemed to be subject to a failed or unsuccessful auction market and are eligible for the Offer. If the Eligible ARS is subject of a successful auction and you desire to sell the ARS, your financial advisor will inform you of that fact and, on your instructions, submit that particular Eligible ARS into the auction. If you are not a current client of Merrill Lynch, you must instruct the broker at your current firm to sell your ARS into the auction. If the auction then fails or is unsuccessful, you may then tender the Eligible ARS in the Offer by so instructing your financial advisor. Holders of auction rate securities for which auctions are successful should consult with their financial advisor regarding the advisability of holding their auction rate securities or selling in an auction. See

<http://www.auctionratesecuritydata.com> or call your financial advisor to determine whether the Eligible ARS you hold is subject to a successful auction.

Likewise, ARS that are the subject of a redemption announcement that provides for specific information about the redemption, including the security number of the ARS, the redemption date and the amount of the redemption, and is within 30 days of the date of the tender are not eligible for the Offer until after the redemption is completed. If, after a redemption has been completed by the issuer, you have remaining Eligible ARS that were not redeemed, you may then submit those ARS for purchase in the Offer.

Privately issued and Certain Below Investment Grade ARS-- Not Eligible. Merrill Lynch is not offering to purchase ARS issued as part of a collateralized debt obligation financing or issued and sold on a private placement basis to qualifying purchasers. Merrill Lynch is also not offering to purchase auction rate securities that it did not originally sell to an October 1st Eligible Client and that are rated below investment grade.

ML-Purchased ARS held away from Merrill Lynch. Merrill Lynch will purchase in the Offer that Eligible ARS originally purchased directly from Merrill Lynch prior to February 13, 2008 but that is currently held at another financial institution or broker dealer firm ("Eligible ARS held away"). In order to take advantage of the ML ARS Program and this Offer, such client may have to transfer those Eligible ARS back into a Merrill Lynch account and provide appropriate documentation. Merrill Lynch representatives will instruct you as to how to arrange for the transfer of those securities to Merrill Lynch and as to their tender. You may reach a Merrill Lynch representative for this purpose by calling the Merrill Lynch ARS Support Center at 1-888-706-1381 (toll-free).

For those Eligible ARS held away, Merrill Lynch will only accept such ARS for tender if: (i) it is able to verify your eligibility for the Offer in that you meet the total asset threshold requirement previously detailed in this Offer to Purchase and that you purchased such ARS while a client of Merrill Lynch; (ii) it receives a completed W-8 or W-9 tax form, as applicable; (iii) it receives a copy of the completed transfer letter of authorization form for delivery to your current financial institution or broker dealer firm; and (iv) it receives information reasonably satisfactory to it from such firm that the bidding rights associated with those securities will be transferred to Merrill Lynch in the ordinary course, along with the tendered Eligible ARS. This generally involves your providing us with the account name and account number where the ARS are currently held, the name of the firm where they are being held and, if applicable, the account name and number at any other firm where the ARS may have been held after being transferred from Merrill Lynch.

In order to provide you with appropriate tax reporting on the transaction and to facilitate the orderly transfer of Eligible ARS held away and associated bidding rights, please provide your telephone number on the W-8 or W-9 tax form, as applicable, (this is very important in case we need to contact you to address any missing information) and send the completed document to: [Merrill Lynch, Attention: Auction Rate Security Processing, P.O. Box 1520, Pennington, NJ 08534-1520](#). You may also need to contact your current financial institution or broker-dealer firm and provide them with the completed transfer letter of

authorization form contained in this mailing. Your current firm will deliver the Eligible ARS held away to Merrill Lynch once they have received your completed form. Both of these forms are enclosed in mailings of this Offer to Purchase to October 1st Eligible Clients holding Eligible ARS away. Please contact the ML ARS Support Center for any assistance in respect of this process.

You may also have to provide information necessary to confirm that you purchased the tendered securities originally from Merrill Lynch while a client at the firm and that you meet the total asset threshold requirements. In order to verify that status, we may need for you to furnish the name and account number of your prior Merrill Lynch account, the approximate date on which you purchased the Eligible ARS from Merrill Lynch, and/or your social security or tax identification number so we can search our books and records for your purchase. Other documentation and information may be required in order to process the transaction.

- **Note: the foregoing process will not apply to you if you hold your Eligible ARS in a Merrill Lynch account.**

Eligible ARS Purchased Away from Merrill Lynch. Provided you meet the eligibility requirements for an October 1st Eligible Client, Merrill Lynch will purchase in the Offer any Eligible ARS you had purchased from a financial institution or broker-dealer firm prior to February 13, 2008 but which you held in a Merrill Lynch account as of August 7, 2008 (“Eligible ARS purchased away”). This applies so long as you are a current client of Merrill Lynch. For those Eligible ARS purchased away, Merrill Lynch will not accept such ARS for tender unless it is able to verify you purchased the ARS prior to February 13, 2008 from the selling firm and it receives information reasonably satisfactory to it from the firm at which you purchased such securities that the bidding rights associated with those securities will be transferred to Merrill Lynch. In order to facilitate the verification process, your financial advisor may request that you provide information to us so we can confirm the date of purchase at the selling firm and arrange for the transfer of the bidding rights associated with the securities to Merrill Lynch, including the name and account number of your prior account at such firm. We will endeavor to verify and arrange for such transfer as promptly as practicable.

Other. For the avoidance of doubt, in addition to the categories of auction rate securities described above as ineligible, auction rate securities are not eligible under the ML ARS Program and this Offer if they were purchased:

- from Merrill Lynch or another firm on or after February 13, 2008
- from another firm but were transferred into a Merrill Lynch account on or after August 7, 2008
- from another firm and were held at Merrill Lynch at one time but are not currently held in a Merrill Lynch account.

You may determine whether your ARS are eligible by calling your financial advisor, visiting <http://www.auctionratesecuritydata.com> or calling the Merrill Lynch ARS Support Center (toll free) at 1-888-706-1381.

Commencement Dates for Purchases. This Offer commences October 1, 2008 and expires at 5:00 p.m., New York City time, on January 15, 2010. In order to participate in this Offer, you must be an October 1st Eligible Client. You are an October 1st Eligible Client if you are an individual, not-for-profit organization or a small business client of GWM:

- who is a current client that had less than \$4 million in total assets at Merrill Lynch on August 7, 2008 and who had transferred the Eligible ARS to Merrill Lynch prior to August 7, 2008, the announcement date of the ML ARS Program or
- who had less than \$4 million in total assets at Merrill Lynch on February 13, 2008 or on an earlier date, if you moved your Eligible ARS to another firm (provided we obtain verification that the total asset threshold requirement was met on that transfer date).

An individual client includes any retirement plan account established for that individual. A not-for-profit organization includes a charitable, education or religious organization as to which proper documentation of that status is on file at, or is made available to, Merrill Lynch upon its request.

Clients that purchased Eligible ARS from Merrill Lynch and transferred such ARS out of Merrill Lynch prior to February 13, 2008 must have had less than \$4 million in assets in their Merrill Lynch account on the date of the transfer to qualify for the Offer.

2. Purchase Price and Payment Dates

All purchases will be at par plus accrued but unpaid dividends and interest to the day of purchase. Payment will be made by crediting your account as soon as practicable (expected to be within one to three business days of your tender in the Offer being accepted). Your tender, once eligibility requirements are confirmed, is irrevocable. For certain Eligible ARS purchased away (that is, ARS that you did not purchase directly from Merrill Lynch), as to which this Offer is being extended, payment for such ARS will be made as promptly as practicable upon Merrill Lynch receiving (i) the current coupon information necessary to pay you for accrued but unpaid interest or dividends due thereon, which may be the next auction or coupon date for the security, and (ii) verification from the selling firm that you purchased the ARS prior to February 13, 2008 and that the bidding rights associated with those securities will be transferred to Merrill Lynch. For such Eligible ARS securities purchased away, Merrill Lynch may make a payment of the par tender price and a later payment of any accrued interest or dividends upon ascertaining the amount of such interest or dividend payment to make. Therefore, you may receive a delayed payment of the tender price or of any interest or dividends owing through the settlement date.

Purchase of the Eligible ARS intra auction will mean that you will receive payment of purchase price equal to par plus accrued but unpaid interest or dividends. Your confirmation may show a premium paid, which is equivalent to the accrued but unpaid dividend or interest to which you are entitled. The payment of accrued but unpaid interest or dividends as part of the purchase price may have tax consequences. See “*Section 6. Certain Federal Income Tax Considerations*”.

No fees, commission or expenses will be charged by Merrill Lynch in connection with the purchase. Some firms to which you may have transferred your Eligible ARS held away may charge a fee to transfer the Eligible ARS back to Merrill Lynch. In addition, Merrill Lynch reserves the right to charge a nominal fee for account and wire transfers for such Eligible ARS transferred to Merrill Lynch from another firm.

If you have any outstanding loans with Merrill Lynch or any of its affiliates against your Eligible ARS, you may apply the proceeds from the sale of your Eligible ARS in the Offer against any outstanding loan balance and arrange for the net amount to be credited to your account. If you do not use the proceeds to pay down any such loans, the loan may remain outstanding at Merrill Lynch’s determination but Merrill Lynch will increase the rate of interest to be paid on the loan to the loan rate by providing you with prior written notice to that effect to be delivered under the terms of the loan agreement. Merrill Lynch is not obligated to keep outstanding any previously extended loan against your Eligible ARS after the October 1st Offer commencement date.

3. Acceptance Procedures for the Offer

If you are interested in participating in this Offer, it is necessary for you to contact your financial advisor to notify us that you desire to tender your Eligible ARS in the Offer. If you are not a current client of Merrill Lynch, you may call the ML ARS Support Center (toll free) at 1-888-706-1381 for assistance to tender. Your financial advisor or a Merrill Lynch representative will verify your eligibility and will explain the steps needed for you to participate. As always, you can contact your financial advisor if you have questions about your auction rate securities holdings, market conditions and potential liquidity alternatives. It will be helpful if you have your most recent account statement available when you contact us.

For those Eligible ARS held away, Merrill Lynch will only accept such ARS for tender if (i) it is able to verify your eligibility for the Offer in that you meet the total asset threshold requirement previously detailed in this Offer to Purchase and that you purchased such ARS while a client of Merrill Lynch; (ii) it receives a completed W-8 or W-9 tax form, as applicable; (iii) it receives a copy of the completed transfer letter of authorization form for delivery to your current financial institution or broker dealer firm; and (iv) it receives information reasonably satisfactory to it from such firm that the bidding rights associated with those securities will be transferred to Merrill Lynch in the ordinary course, along with the tendered Eligible ARS. This generally involves your providing us with the account name and account number where the ARS are currently held, the name of the firm where

they are being held and, if applicable, the account name and number at any other firm where the ARS may have been held after being transferred from Merrill Lynch.

In order to provide you with appropriate tax reporting on the transaction and to facilitate the orderly transfer of Eligible ARS held away and associated bidding rights, please provide your telephone number on the W-8 or W-9 tax form, as applicable (this is very important in case we need to contact you to address any missing information) and send the completed document to: Merrill Lynch, Attention: Auction Rate Security Processing, P.O. Box 1520, Pennington, NJ 08534-1520. You may also need to contact your current financial institution or broker-dealer firm and provide them with the completed transfer letter of authorization form contained in the mailing. Your current firm will deliver the ARS to Merrill Lynch once they have received your completed form. Both of these forms are enclosed in mailings of this Offer to Purchase to October 1st Eligible Clients holding Eligible ARS away.

You may also have to provide information necessary to confirm that you purchased the tendered securities originally from Merrill Lynch while a client at the firm and that you meet the total asset threshold requirements. In order to verify that status, we may need for you to furnish the name and account number of your prior Merrill Lynch account, the approximate date on which you purchased the Eligible ARS from Merrill Lynch, and/or your social security or tax identification number so we can search our books and records for your purchase. Other documentation and information may be required in order to process the transaction. Please contact the ML ARS Support Center for any assistance in respect of this process.

- **Note: The foregoing process will not apply to you if you hold your Eligible ARS in a Merrill Lynch account.**

For those Eligible ARS purchased away from Merrill Lynch, Merrill Lynch will not accept such ARS for tender unless (i) it is able to verify that you purchased the ARS prior to February 13, 2008 from the selling firm and (ii) if the bidding rights associated with such ARS had not been previously transferred to Merrill Lynch, it receives information reasonably satisfactory to it from the firm at which you purchased such securities that the bidding rights associated with those securities will be transferred to Merrill Lynch in the ordinary course. This generally involves obtaining from you the account name and account number where the ARS were previously held at the prior firm and, if applicable, the account name and number at any other firm where the ARS may have been held before being transferred from Merrill Lynch. We will endeavor to verify and arrange for such transfer as promptly as practicable.

4. Important Considerations

Before deciding to accept or reject this Offer, you should carefully consider the following factors. You may wish to consult your financial advisor regarding some or all of these issues.

Interest Rate Risk. You should compare the current interest or dividend rate paid on your Eligible ARS with yields that currently may be obtained from other possible investments. Current interest and dividend rates paid on your Eligible ARS are available by calling your financial advisor, visiting <http://www.auctionratesecuritydata.com> or calling Merrill Lynch ARS Support Center (toll free) at 1-888-706-1381. Unlike most other firms that are offering to buy back auction rate securities from their clients, Merrill Lynch is providing its clients more than a full year to sell their Eligible ARS to Merrill Lynch. You may find that your Eligible ARS offer an attractive yield relative to market alternatives and that it may be advantageous to delay acceptance of this Offer, bearing in mind that after 5:00 p.m., New York City time, on January 15, 2010, the offer to purchase your Eligible ARS will no longer be available.

Absence of Secondary Market. Unless the auction process revives or the issuers of your Eligible ARS redeem the securities, you may not be able to sell your Eligible ARS at par following the expiration of the Offer. Secondary market sales, if available, may be below par. As we have previously notified you, the value of the auction rate securities appearing on your account statement may not be indicative of the amount the securities could be sold at in the secondary market.

Credit Risks. You should also consider the credit quality of your Eligible ARS. You may not be able to sell your Eligible ARS at par following the termination of this Offer if the credit quality of the securities has deteriorated. You may obtain information regarding the current rating of your security by calling your financial advisor or calling Merrill Lynch ARS Support Center (toll free) at 1-888-706-1381.

Purchases and Sales Outside the Offer. Merrill Lynch will also be working with clients with more immediate liquidity needs to purchase their securities or provide loans on favorable terms. In addition, Merrill Lynch may repurchase auction rate securities from its institutional and other clients who may not be eligible for the Offer at negotiated prices at or below par during the term of the ML ARS Program. Merrill Lynch may sell, hold, or seek to restructure, redeem or otherwise dispose of any auction rate securities purchased from its clients.

Merrill Lynch Participation in Auction Markets. Merrill Lynch is an active participant in the auction rate securities markets (even though there have been unsuccessful or failed auctions as to certain ARS), acting on behalf of clients, issuers and for its own account. Merrill Lynch also acts as auction agent for certain auction rate securities. Merrill Lynch may on occasion submit bids in auctions on behalf of municipal issuers or underlying obligors in conduit financings, which may prevent a failed auction. A description of Merrill Lynch's practices and procedures for the auction rate market can be obtained by visiting <http://ml.com/media/70501.pdf>.

Absence of Issuer Involvement with Respect to the Offer. Please note that this Offer is being made without the assistance or prior notice to the auction rate securities issuers and is not contingent on the approval or recommendation of the issuers.

5. **No Withdrawal Rights.**

Once you have accepted our offer to purchase your Eligible ARS, we will promptly pay for your Eligible ARS and you will not be able to revoke your decision, even though the term of the Offer has not expired.

6. **Certain Federal Income Tax Considerations**

If you are a U.S. person and are **not** a not-for-profit organization, your sale of Eligible ARS could have U.S. federal income tax consequences to you. Holders that are not-for-profit organizations or that are retirement plan accounts generally will not have tax consequences arising from the sale of their Eligible ARS unless the investment in that ARS has been debt-financed. Any discussion of holders in special tax situations such as not-for-profit organizations and foreign persons is beyond the scope of this summary. Holders should consult with their own tax advisors concerning the application of U.S. federal income tax laws to their particular situations.

The Internal Revenue Service issued Rev. Proc. 2008-58 on September 23, 2008, which provides "safe harbor" relief for certain taxpayer positions taken in connection with a broker dealer firm's purchase of the taxpayer's auction rate securities pursuant to a settlement offer. Currently, Rev. Proc. 2008-58 describes a unique fact pattern that differs from the Offer, and it is not clear whether the safe harbor relief is limited to the unique fact pattern. We understand that the Treasury Department is considering broadening the safe harbor to cover fact patterns similar to the Offer. In any event, Merrill Lynch plans to take the position for information reporting purposes that the purchase of Eligible ARS from a holder occurs only at such time as the holder tenders the Eligible ARS to Merrill Lynch and that the entire purchase price (other than the portion attributable to accrued but unpaid interest, which is treated separately as tax-exempt interest in the case of tax-exempt debt securities and taxable interest in the case of non-exempt securities) is attributable to the purchase of Eligible ARS. Holders having loans from Merrill Lynch may have special issues to address and should consult their own tax advisor.

Holders also should be aware that in certain situations their tax consequences may be affected by the timing of their tender. If between dividend record dates, you tender Eligible ARS that reflect preferred securities with accrued but unpaid exempt interest dividends, the portion of the payment attributable to such dividends could result in taxable capital gain. This capital gain may be avoided if tender is made on a dividend record date.

All payments under the Offer to a non-corporate holder will be subject to a 28% backup withholding tax if the holder does not have a Form W-8 or Form W-9, as applicable, on file with Merrill Lynch.

7. **Background to the Offer**

Auction rate securities are municipal bonds, corporate bonds, and preferred stocks with interest rates or dividend yields that are periodically re-set through auctions, typically every

7, 14, 28, or 35 days. In February 2008, ARS were estimated to comprise a \$330 billion market, with municipal and certain taxable student loan backed auction rate securities (estimated at approximately \$265 billion) and auction rate preferred securities (estimated at approximately \$65 billion), principally issued by closed-end funds.

ARS are usually issued with maturities of 30 years, but the maturities can range from five years to perpetuity. Notwithstanding these differences, in a successful auction, ARS are auctioned at par so the return on the investment to the investor and the cost of financing to the issuer between auction dates is determined by the interest rate or dividend yield set through the auctions, subject to maximum rates. Between successful auctions, investors are able to buy or sell ARS in the secondary market at prices slightly greater than, equal to, or slightly less than par.

The marketplace for auction rate securities provided ready liquidity to customers for over 23 years. Since mid-February 2008, however, the turmoil in the financial markets has resulted in an unprecedented collapse of the auction rate securities marketplace. Since then, auction failures have been wide-spread and persistent. Widespread auction failures left many investors holding ARS for which there were no successful auctions and no secondary market that would yield prices at or near par, thereby, severely limiting liquidity in this market.

Many investors filed complaints against the firms where they purchased the auction rate securities that had become illiquid due to the auction market collapse and sought help from various securities regulators, including the U.S. Securities and Exchange Commission ("SEC") and various state regulators in connection with their efforts to sell their ARS back to selling brokers or to otherwise obtain compensation. Merrill Lynch had been working with the issuers of ARS, particularly the issuers of closed-end fund auction rate preferred securities to help find liquidity options for holders of the ARS. This effort did result in a number of closed-end fund issuers engaging in partial and full redemptions or refinancings after February 2008. However, the pace of these liquidity events did not satisfy Merrill Lynch or the federal and state securities regulators looking into the matter. Merrill Lynch engaged in discussions with these regulators regarding its auction rate securities practices and, one regulator, the Massachusetts Securities Division, filed an enforcement action against Merrill Lynch for alleged violations of sales practices and alleged conflicts of interest.

At the time of these discussions, Merrill Lynch had determined to announce a purchase program aimed at providing liquidity to those of its clients holding auction rate securities purchased prior to the auction market collapse at or around February 13, 2008. It announced its ML ARS Purchase Program on August 7, 2008.

It continued its discussions with the various regulators looking into the matter as to the practices followed by Merrill Lynch as well as by other financial institutions and broker-dealer firms who sold ARS. On August 21, 2008, Merrill Lynch announced that an agreement in principle had been reached with each of the SEC, the New York Attorney General, the Massachusetts Securities Division and the other state securities regulators

(the “Agreements in Principle”). The terms of such agreements augmented and accelerated our previously announced ML ARS Program. According to the SEC’s press release announcing the Agreement in Principle, the proposed charges, which have not been finally agreed to, involve allegations that Merrill Lynch told its customers that ARS were safe, highly liquid investments equivalent to money market instruments and cash. Additional allegations claim that Merrill Lynch failed to make adequate disclosures that the liquidity of these securities was based on Merrill Lynch’s alleged support of the auctions it managed when there was not enough demand. Furthermore, the proposed charges would allege that Merrill Lynch continued to highlight the purported liquidity of ARS to customers despite its awareness of the escalating liquidity risks in the weeks and months preceding the collapse of the ARS market. Merrill Lynch did not admit or deny any of the allegations in connection with its Agreement in Principle with the SEC. The terms of the Agreements in Principle are subject to finalization, review and approval by the SEC, the New York Attorney General, the Massachusetts Securities Division and the other state securities regulators.

8. Description of the Merrill Lynch Settlement

Under the terms of the Agreements in Principle, Merrill Lynch has agreed to augment and accelerate its previously announced ARS purchase program. The terms of these agreements provide for the following:

Merrill Lynch is obligated to offer to buy back at par auction rate securities issued by municipalities or closed-end funds or backed by student loans that have not been auctioning from individual investors who purchased such securities from Merrill Lynch prior to February 13, 2008 and who had less than \$4 million in assets at Merrill Lynch. Merrill Lynch is required to keep its offer open from October 1, 2008 until January 15, 2010 and shall promptly purchase such securities from any investor who accepts this offer during the offer period.

- As noted in this Offer to Purchase, as part of its ML ARS Program, Merrill Lynch expanded the category of clients from whom it would purchase Eligible Securities to include those of its current clients holding Eligible ARS (whether or not purchased from Merrill Lynch) in their Merrill Lynch accounts as of August 7, 2008. See “*Section 1. Terms of the Purchase Offer*”.

Merrill Lynch is obligated to offer to buy back at par auction rate securities issued by municipalities or closed-end funds or backed by student loans that have not been auctioning from individual investors who purchased such securities from Merrill Lynch prior to February 13, 2008 and who had \$4 million or more in assets at Merrill Lynch and from other investors who purchased such ARS from Merrill Lynch prior to February 13, 2008 and who had less than \$100 million in assets at Merrill Lynch. Merrill Lynch is to purchase such ARS from investors who accept the offer as of January 2, 2009 and is to keep this offer open until January 15, 2010. It is to promptly purchase such securities from any investor who accepts this offer during the offer period.

- As noted in this Offer to Purchase, as part of its ML ARS Program, Merrill Lynch expanded the category of clients from whom it would purchase Eligible Securities to include all not-for-profit clients of GWM irrespective of the size of their total assets at Merrill Lynch. It also has determined to purchase Eligible ARS from January 2nd Clients that are holding Eligible ARS (whether or not purchased from Merrill Lynch) in their Merrill Lynch accounts as of August 7, 2008. See “Section 1. Terms of the Purchase Offer”.

Relief to Investors who Sold Eligible ARS Below Par. For any covered client or investor reasonably identifiable by Merrill Lynch who sold their ARS that had been originally purchased directly from Merrill Lynch in the secondary market at a price below par, Merrill Lynch will compensate such person for the difference between par and the price at which the security was sold. To be eligible for compensation, the sales in the secondary market must have occurred between February 13, 2008 and August 20, 2008 and relate to those Eligible ARS that were originally purchased directly from Merrill Lynch prior to February 13, 2008.

- Please note that this right does not apply to all Eligible ARS that are the subject of the ML ARS Program and its Offers to Purchase. It applies to only those purchased from Merrill Lynch prior to February 13, 2008.

In order to receive this payment, you will have to submit to Merrill Lynch documentation satisfactory to it that evidences that you sold the covered ARS as described in the preceding paragraph. This documentation will consist of a copy of the sale confirmation from a registered broker-dealer or (i) a copy of the purchase document between you and the buyer, (ii) evidence of the transfer from an account in your name of the securities sold; and (iii) evidence of receipt of the purchase price thereof. This evidence may include a copy of an account statement from the firm holding your ARS as to such account activity. Any requests for compensation, along with the documentary evidence, should be submitted to your financial advisor (if you maintain an account at Merrill Lynch) or as directed by the ML ARS Support Center. Merrill Lynch representatives, including legal counsel, will be reviewing these materials for authenticity and may need to obtain information from you regarding the sale transaction for verification in order to process your request. You must exercise this right prior to December 31, 2008.

Facilitating Industry Solutions. Merrill Lynch is obligated to endeavor to continue to work with issuers and other interested parties to expeditiously provide liquidity solutions for institutional investors not covered by the offers to purchase contemplated by the Preliminary Settlement. Merrill Lynch is to use its best efforts to facilitate issuer redemptions and/or to resolve liquidity concerns through securitizations and other means.

Loans to Address Liquidity Needs. Merrill Lynch has agreed to make available loan facilities to clients needing liquidity prior to the commencement date of the offers up to the offers' commencement dates. For the clients covered by the agreements in principle needing liquidity prior to January 2, 2009 and who are willing to enter into Merrill Lynch standard loan documentation, Merrill Lynch or one of its affiliates will make a loan available

to that client of up to 75 percent of the par value of Eligible ARS holdings in the account(s). The interest rate on any such loan will be set such that there is no negative carry. Such loans may become fully due and payable upon the borrower's tender being accepted and upon receipt of proceeds from the offers, upon receipt of proceeds from any redemptions or sales in successful auctions or at the time of the expiration of the offers. For investors who show, on an individualized basis, that they would suffer a hardship unless they could borrow more than 75 percent of the par value of their Eligible ARS holdings, Merrill Lynch will permit borrowings using its standard documentation (except as to the coverage and the interest charged) up to the full par amount of their holdings. Such loans may be fully due and payable upon the par purchase in the offers, redemptions or sales in successful auctions therefor.

Special Consequential Damages Claims Procedure. Pursuant to the terms of the Agreements in Principle, Merrill Lynch and other settling broker-dealer firms who sold ARS have agreed to submit to a special consequential damages claim arbitration process established and overseen by the Financial Industry Regulatory Authority ("FINRA"). This special FINRA process is available to you for the exclusive purpose of arbitrating any consequential damages claim as permitted by law that you may desire to pursue in relation to the ARS originally purchased directly from Merrill Lynch prior to February 13, 2008. Any claims for consequential damages you may have relating to ARS held in your Merrill Lynch account that you purchased from a firm other than Merrill Lynch must be pursued with that firm and not Merrill Lynch.

Under the special FINRA process, claims for consequential damages will be heard by a single independent non-industry arbitrator and Merrill Lynch will pay all forum and filing fees in connection with such claim. Investors who choose to pursue such a claim will bear the burden of proving by a preponderance of the evidence the existence and amount of consequential damages suffered as a result of the illiquidity of the ARS purchased from Merrill Lynch. You will not be able to assert claims of punitive damages or any other type of claims other than consequential damages as permitted by law in the arbitration. For more information regarding the procedure, including how to bring your claim, limitations on discovery and to obtain a claim form, please visit the FINRA website at <http://www.finra.org/arbitrationmediation/P116972>.

Other Terms. We also will establish a dedicated telephone assistance line to respond to questions from financial advisors and clients relating to the terms of the ML ARS Program, including accessing this Offer and the Agreements in Principle. As part of the Agreements in Principle, without admitting or denying any liability, we have agreed to pay a regulatory fine to the state regulators of \$125 million.

9. Certain Rights Afforded by the Settlement

For any October 1st Eligible Client reasonably identifiable by Merrill Lynch who originally purchased their Eligible ARS directly from Merrill Lynch prior to February 13, 2008 and sold those ARS in the secondary market at a price below par, Merrill Lynch will compensate such person for the difference between par and the price at which the security was sold. To

be eligible for compensation, the sales in the secondary market must have occurred between February 13, 2008 and August 20, 2008 and relate to those Eligible ARS that were originally purchased directly from Merrill Lynch prior to February 13, 2008. Please note that this right does not apply to all Eligible ARS that are the subject of the ML ARS Program and its Offers to Purchase.

In order to receive this payment, you will have to submit to Merrill Lynch documentation satisfactory to it that evidences that you sold the covered ARS as described in the preceding paragraph. This documentation will consist of a copy of the sale confirmation from a registered broker-dealer or (i) a copy of the purchase document between you and the buyer, (ii) evidence of the transfer from an account in your name of the securities sold and (iii) evidence of receipt of the purchase price thereof. This evidence may include a copy of an account statement from the firm holding your ARS as to such account activity. Any requests for compensation, along with the documentary evidence, should be submitted to your financial advisor, if you maintain an account at Merrill Lynch, or as directed by the ML ARS Support Center (toll-free at 1-888-706-1381). Merrill Lynch representatives, including legal counsel, will be reviewing these materials for authenticity and may need to obtain information from you regarding the sale transaction for verification in order to process your request. You must exercise this right prior to December 31, 2008.

10. Source and Amount of Funds; Certain Information regarding the Purchaser

Merrill Lynch has sufficient liquidity to meet the obligations under the ML ARS Program. Merrill Lynch intends to use cash from its working capital, borrowings obtained in the ordinary course and existing lines of credit to pay for any Eligible ARS tendered in the Offer.

Between announced redemptions and the ML ARS Program, as of October 1, 2008, we believe that 89 percent of our clients will have the opportunity to achieve liquidity in their ARS positions. The Eligible ARS that are owned by Merrill Lynch's clients are predominantly rated AAA and are not credit-impaired. Merrill Lynch does not expect the fine or its purchase of Eligible ARS in 2008 through January 15, 2010 to have a materially adverse impact on its capital ratios, liquidity, or consolidated financial performance.

11. Available Information; Miscellaneous

Merrill Lynch has established a dedicated telephone assistance line to respond to any questions you have concerning the terms of the Offer and other elements of the Agreements in Principle. You can call the Merrill Lynch ARS Support Center (toll-free) at 1-888-706-1381 to speak with a Merrill Lynch representative.