

BANK OF AMERICA CORP /DE/
Form 424B2
May 27, 2016

**Subject to Completion
Preliminary Term Sheet
dated May 26, 2016**

**Filed Pursuant to Rule 424(b)(2)
Registration Statement No.
333-202354
(To Prospectus dated May 1,
2015,
Prospectus Supplement
dated January 20, 2016 and
Product Supplement EQUITY
INDICES ARN-1 dated January
22, 2016)**

| | | |
|--------------------------------|--|---------------|
| Units | Pricing Date* | June , 2016 |
| \$10 principal amount per unit | Settlement Date* | July , 2016 |
| CUSIP No. | Maturity Date* | August , 2017 |
| | *Subject to change based on the actual date the notes are priced for initial sale to the public (the "pricing date") | |

**Accelerated Return Notes[®] Linked to the
JPX-Nikkei Index 400**

Maturity of approximately 14 months

3-to-1 upside exposure to increases in the Index, subject to a capped return of [14% to 18%]

1-to-1 downside exposure to decreases in the Index, with 100% of your investment at risk

All payments occur at maturity and are subject to the credit risk of Bank of America Corporation

No periodic interest payments

In addition to the underwriting discount set forth below, the notes include a hedging-related charge of \$0.075 per unit. See Structuring the Notes

Limited secondary market liquidity, with no exchange listing

The notes are being issued by Bank of America Corporation (BAC). There are important differences between the notes and a conventional debt security, including different investment risks and certain additional costs. See Risk Factors and Additional Risk Factors beginning on page TS-6 of this term sheet and Risk Factors beginning on page PS-6 of product supplement EQUITY INDICES ARN-1.

The initial estimated value of the notes as of the pricing date is expected to be between \$9.42 and \$9.73 per unit, which is less than the public offering price listed below. See Summary on the following page, Risk Factors beginning on page TS-6 of this term sheet and Structuring the Notes on page TS-11 of this term sheet for additional information. The actual value of your notes at any time will reflect many factors and cannot be predicted with accuracy.

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 (as defined below) is truthful or complete. Any representation to the contrary is a criminal offense.

| | <u>Per Unit</u> | <u>Total</u> |
|--------------------------------------|-----------------|--------------|
| Public offering price ⁽¹⁾ | \$10.00 | \$ |
| Underwriting discount ⁽¹⁾ | \$0.20 | \$ |
| Proceeds, before expenses, to BAC | \$9.80 | \$ |

⁽¹⁾ For any purchase of 500,000 units or more in a single transaction by an individual investor or in combined transactions with the investor's household in this offering, the public offering price and the underwriting discount will be \$9.95 per unit and \$0.15 per unit, respectively. See Supplement to the Plan of Distribution; Conflicts of Interest below.

The notes:

**Are Not FDIC
Insured**

**Are Not Bank
Guaranteed**

May Lose Value

Merrill Lynch & Co.

June , 2016

Accelerated Return Notes®

Linked to the JPX-Nikkei Index 400, due August , 2017

Summary

The Accelerated Return Notes® Linked to the JPX-Nikkei Index 400, due August , 2017 (the notes) are our senior unsecured debt securities. The notes are not guaranteed or insured by the Federal Deposit Insurance Corporation or secured by collateral. **The notes will rank equally with all of our other unsecured and unsubordinated debt. Any payments due on the notes, including any repayment of principal, will be subject to the credit risk of BAC.** The notes provide you a leveraged return, subject to a cap, if the Ending Value of the Market Measure, which is the JPX-Nikkei Index 400 (the Index), is greater than its Starting Value. If the Ending Value is less than the Starting Value, you will lose all or a portion of the principal amount of your notes. Payments on the notes, including the amount you receive at maturity, will be calculated based on the \$10 principal amount per unit and will depend on the performance of the Index, subject to our credit risk. See Terms of the Notes below.

The economic terms of the notes (including the Capped Value) are based on our internal funding rate, which is the rate we would pay to borrow funds through the issuance of market-linked notes and the economic terms of certain related hedging arrangements. Our internal funding rate is typically lower than the rate we would pay when we issue conventional fixed or floating rate debt securities. This difference in funding rate, as well as the underwriting discount and the hedging related charge described below, will reduce the economic terms of the notes to you and the initial estimated value of the notes on the pricing date. Due to these factors, the public offering price you pay to purchase the notes will be greater than the initial estimated value of the notes.

On the cover page of this term sheet, we have provided the initial estimated value range for the notes. This initial estimated value range was determined based on our and our affiliates' pricing models, which take into consideration our internal funding rate and the market prices for the hedging arrangements related to the notes. The initial estimated value of the notes calculated on the pricing date will be set forth in the final term sheet made available to investors in the notes. For more information about the initial estimated value and the structuring of the notes, see Structuring the Notes on page TS-11.

Terms of the Notes

Redemption Amount Determination

| | | |
|----------------------------|---|---|
| Issuer: | Bank of America Corporation (BAC) | On the maturity date, you will receive a cash payment per unit determined as follows: |
| Principal Amount: | \$10.00 per unit | |
| Term: | Approximately 14 months | |
| Market Measure: | JPX-Nikkei Index 400 (Bloomberg symbol: JPNK400), a price return index | |
| Starting Value: | The closing level of the Market Measure on the pricing date | |
| Ending Value: | The average of the closing levels of the Market Measure on each scheduled calculation day occurring during the maturity valuation period. The calculation days are subject to postponement in the event of Market Disruption Events, as described on page PS-17 of product supplement EQUITY INDICES ARN-1. | |
| Participation Rate: | 300% | |
| Capped Value: | [\$11.40 to \$11.80] per unit of the notes, which represents a | |

| | |
|-----------------------------------|--|
| | return of [14% to 18%] over the principal amount. The actual Capped Value will be determined on the pricing date. |
| Maturity Valuation Period: | Five scheduled calculation days shortly before the maturity date. |
| Fees and Charges: | The underwriting discount of \$0.20 per unit listed on the cover page and the hedging related charge of \$0.075 per unit described in Structuring the Notes on page TS-11. |
| Calculation Agent: | Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S), a subsidiary of BAC. |

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The terms and risks of the notes are contained in this term sheet and in the following:

Product supplement EQUITY INDICES ARN-1 dated January 22, 2016:

<http://www.sec.gov/Archives/edgar/data/70858/000119312516435309/d268568d424b5.htm>

Series L MTN prospectus supplement dated January 20, 2016 and prospectus dated May 1, 2015:

<http://www.sec.gov/Archives/edgar/data/70858/000119312516433708/d122981d424b3.htm>

These documents (together, the Note Prospectus) have been filed as part of a registration statement with the SEC, which may, without cost, be accessed on the SEC website as indicated above or obtained from MLPF&S by calling 1-800-294-1322. Before you invest, you should read the Note Prospectus, including this term sheet, for information about us and this offering. Any prior or contemporaneous oral statements and any other written materials you may have received are superseded by the Note Prospectus. Capitalized terms used but not defined in this term sheet have the meanings set forth in product supplement EQUITY INDICES ARN-1. Unless otherwise indicated or unless the context requires otherwise, all references in this document to we, us, our, or similar references are to BAC.

Investor Considerations

You may wish to consider an investment in the notes if:

The notes may not be an appropriate investment for you if:

You anticipate that the Index will increase moderately from the Starting Value to the Ending Value.

You believe that the Index will decrease from the Starting Value to the Ending Value or that it will not increase sufficiently over the term of the notes to provide you with your desired return.

You are willing to risk a loss of principal and return if the Index decreases from the Starting Value to the Ending Value.

You seek principal repayment or preservation of capital.

You accept that the return on the notes will be capped.

You seek an uncapped return on your investment.

You are willing to forgo the interest payments that are paid on conventional interest bearing debt securities.

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 Index.

You are willing to forgo dividends or other benefits of owning the stocks included in the Index.

You seek an investment for which there will be a liquid secondary market.

You are willing to accept a limited or no market for sales prior to maturity, and understand that the market prices for the notes, if any, will be affected by various factors, including our actual and perceived creditworthiness, our internal funding rate and fees and charges on the notes.

You are unwilling or are unable to take market risk on the notes or to take our credit risk as issuer of the notes.

You are willing to assume our credit risk, as issuer of the notes, for all payments under the notes, including the Redemption Amount.

We urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

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Hypothetical Payout Profile and Examples of

Payments at Maturity

The below graph is based on **hypothetical** numbers and values.

Accelerated Return Notes

This graph reflects the returns on the notes, based on the Participation Rate of 300% and a Capped Value of \$11.60 per unit (the midpoint of the Capped Value range of [\$11.40 to \$11.80]). The green line reflects the returns on the notes, while the dotted gray line reflects the returns of a direct investment in the stocks included in the Index, excluding dividends. This graph has been prepared for purposes of illustration only.

The following table and examples are for purposes of illustration only. They are based on hypothetical values and show hypothetical returns on the notes. They illustrate the calculation of the Redemption Amount and total rate of return based on a hypothetical Starting Value of 100, the Participation Rate of 300%, a Capped Value of \$11.60 per unit and a range of hypothetical Ending Values. **The actual amount you receive and the resulting total rate of return will depend on the actual Starting Value, Ending Value, Capped Value, and whether you hold the notes to maturity.** The following examples do not take into account any tax consequences from investing in the notes. For recent actual levels of the Market Measure, see The Index section below. The Index is a price return index and as such the Ending Value will not include any income generated by dividends paid on the stocks included in the Index, which you would otherwise be entitled to receive if you invested in those stocks directly. In addition, all payments on the notes are subject to issuer credit risk.

| Ending Value | Percentage Change from the Starting Value to the Ending Value | Redemption Amount per Unit | Total Rate of Return on the Notes |
|-----------------------|--|---------------------------------------|--|
| 0.00 | -100.00% | \$0.00 | -100.00% |
| 50.00 | -50.00% | \$5.00 | -50.00% |
| 80.00 | -20.00% | \$8.00 | -20.00% |
| 90.00 | -10.00% | \$9.00 | -10.00% |
| 94.00 | -6.00% | \$9.40 | -6.00% |
| 97.00 | -3.00% | \$9.70 | -3.00% |
| 100.00 ⁽¹⁾ | 0.00% | \$10.00 | 0.00% |
| 102.00 | 2.00% | \$10.60 | 6.00% |
| 103.00 | 3.00% | \$10.90 | 9.00% |
| 105.00 | 5.00% | \$11.50 | 15.00% |
| 110.00 | 10.00% | \$11.60 ⁽²⁾ | 16.00% |
| 120.00 | 20.00% | \$11.60 | 16.00% |
| 130.00 | 30.00% | \$11.60 | 16.00% |
| 140.00 | 40.00% | \$11.60 | 16.00% |
| 150.00 | 50.00% | \$11.60 | 16.00% |
| 160.00 | 60.00% | \$11.60 | 16.00% |

(1) The **hypothetical** Starting Value of 100 used in these examples has been chosen for illustrative purposes only, and does not represent a likely actual Starting Value for the Market Measure.

(2) The Redemption Amount per unit cannot exceed the **hypothetical** Capped Value.

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Redemption Amount Calculation Examples

Example 1

The Ending Value is 80.00, or 80.00% of the Starting Value:

Starting Value: 100.00

Ending Value: 80.00

= **\$8.00** Redemption Amount per unit

Example 2

The Ending Value is 103.00, or 103.00% of the Starting Value:

Starting Value: 100.00

Ending Value: 103.00

= **\$10.90** Redemption Amount per unit

Example 3

The Ending Value is 130.00, or 130.00% of the Starting Value:

Starting Value: 100.00

Ending Value: 130.00

= **\$19.00, however, because the Redemption Amount for the notes cannot exceed the Capped Value, the Redemption Amount will be \$11.60 per unit**

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Risk Factors

There are important differences between the notes and a conventional debt security. An investment in the notes involves significant risks, including those listed below. You should carefully review the more detailed explanation of risks relating to the notes in the Risk Factors sections beginning on page PS-6 of product supplement EQUITY INDICES ARN-1, page S-5 of the Series L MTN prospectus supplement, and page 9 of the prospectus identified above. We also urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

Depending on the performance of the Index as measured shortly before the maturity date, your investment may result in a loss; there is no guaranteed return of principal.

Your return on the notes may be less than the yield you could earn by owning a conventional fixed or floating rate debt security of comparable maturity.

Payments on the notes are subject to our credit risk, and actual or perceived changes in our creditworthiness are expected to affect the value of the notes. If we become insolvent or are unable to pay our obligations, you may lose your entire investment.

Your investment return is limited to the return represented by the Capped Value and may be less than a comparable investment directly in the stocks included in the Index.

The initial estimated value of the notes is an estimate only, determined as of a particular point in time by reference to our and our affiliates' pricing models. These pricing models consider certain assumptions and variables, including our credit spreads, our internal funding rate on the pricing date, mid-market terms on hedging transactions, expectations on interest rates and volatility, price-sensitivity analysis, and the expected term of the notes. These pricing models rely in part on certain forecasts about future events, which may prove to be incorrect.

The public offering price you pay for the notes will exceed the initial estimated value. If you attempt to sell the notes prior to maturity, their market value may be lower than the price you paid for them and lower than the initial estimated value. This is due to, among other things, changes in the level of the Index, our internal funding rate, and the inclusion in the public offering price of the underwriting discount and the hedging related charge, all as further described in Structuring the Notes on page TS-11. These factors, together with various credit, market and economic factors over the term of the notes, are expected to reduce the price at which you may be able to sell the notes in any secondary market and will affect the value of the notes in complex and unpredictable ways.

The initial estimated value does not represent a minimum or maximum price at which we, MLPF&S or any of our affiliates would be willing to purchase your notes in any secondary market (if any exists) at any time. The value of your notes at any time after issuance will vary based on many factors that cannot be predicted with accuracy, including the performance of the Index, our creditworthiness and changes in market conditions.

A trading market is not expected to develop for the notes. Neither we nor MLPF&S is obligated to make a market for, or to repurchase, the notes. There is no assurance that any party will be willing to purchase your notes at any price in any secondary market.

Our business activities as a full service financial institution, including our commercial and investment banking activities, our hedging and trading activities (including trades in shares of companies included in the Index), and any hedging and trading activities we engage in for our clients' accounts, may affect the market value and return of the notes and may create conflicts of interest with you.

The Index sponsor may adjust the Index in a way that affects its level and has no obligation to consider your interests.

You will have none of the rights of a holder of the securities represented by the Index, 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 securities of companies included in the Index, we do not control any company included in the Index, and we are not responsible for any disclosure made by any other company.

Your return on the notes may be affected by factors affecting the international securities markets, specifically changes in Japan. In addition, you will not obtain the benefit of any increase in the value of the yen against the U.S.

dollar which you would have received if you had owned the securities in the Index during the term of your notes, although the level of the Index may be adversely affected by general exchange rate movements in the market. There may be potential conflicts of interest involving the calculation agent, which is an affiliate of ours. We have the right to appoint and remove the calculation agent.

The U.S. federal income tax consequences of the notes are uncertain, and may be adverse to a holder of the notes.

See Summary Tax Consequences below and U.S. Federal Income Tax Summary beginning on page PS-24 of product supplement EQUITY INDICES ARN-1.

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Additional Risk Factors

There are uncertainties regarding the Index because of its extremely limited performance history

The Index was first published in January 2014. Accordingly, there is extremely limited trading history available for the Index upon which you can evaluate its prior performance, and it may perform in unexpected ways. Because the Index's past historical performance is extremely limited, your investment in the notes may involve a greater risk than investing in securities linked to one or more indices with an established record of performance. A longer history of actual performance may be helpful in providing more reliable information on which to assess the validity of the methodology that the Index uses to select its components, as described below under *The Index* . The historical Index levels should not be taken as an indication of future performance, and no assurance can be given as to the Index closing level on any given date.

There is no assurance that the investment view implicit in the Index will be successful.

The Index constituents will be selected from time to time during the term of the notes in the manner described in *The Index—Standards for Listing and Maintenance* . The criteria used for selecting the Index stocks may not result in stocks that outperform Japanese stocks generally, or the stocks that may be included in other indices that track Japanese securities markets. Although the Index stocks may satisfy the quantitative and qualitative criteria of the Index at the time they are selected, there can be no assurance that they will continue to do so thereafter, which may reduce the level of the Index. There can be no assurance that the future performance of the Index will result in your receiving an amount greater than or equal to the principal amount of your notes. The performance of the Index may be worse than the performance of the equity markets generally, and worse than the performance of specific sectors of the equity markets (including Japanese equities in particular), or other securities in which you may choose to invest.

Other Terms of the Notes

The following definition shall supersede and replace the definition of a *Market Measure Business Day* set forth in product supplement EQUITY INDICES ARN-1.

Market Measure Business Day

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

- (A) the Tokyo Stock Exchange (or any successor) is open for trading; and
- (B) the Index or any successor thereto is calculated and published.

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The Index

We have derived all information regarding the Index contained in this document, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. This information reflects the policies of and is subject to change by Japan Exchange Group, Inc. (JPX), Tokyo Stock Exchange, Inc. (TSE, and together with JPX, the JPX Group) and Nikkei Inc. (the Nikkei, and together with the JPX Group, the Index sponsor). The Index was developed by the Index sponsor and is calculated, maintained and published by the Index sponsor. We have not independently investigated the accuracy or completeness of this information. The Index sponsor has no obligation to continue to publish, and may discontinue publication of, the Index. The consequences of any discontinuance of the Index are discussed in the section of product supplement EQUITY INDICES ARN-1 on page PS-19 entitled Description of ARNs—Discontinuance of an Index . None of us, the calculation agent, or MLPF&S accepts any responsibility for the calculation, maintenance, or publication of the Index or any successor index. The Index is composed of stocks listed on the TSE's First Section (large companies), Second Section (mid-size companies), Mothers (Market Of The High-growth and EmeRging Stocks for startups) and JASDAQ market. Stocks included in the Index are selected based on market capitalization, trading value, return on equity, and other factors, as described in more detail below. The Index was first calculated and published on January 6, 2014. The inception value of the Index was 10,000 on August 30, 2013 (the calculation base date). The index is calculated every one second during the trading hours of the TSE.

Ten main groups of companies are included in the Index, with the approximate percentage of the market capitalization of the Index included in each group as of December 30, 2015 indicated in parentheses: Electric Appliances & Precision Instruments (14.28%); IT & Services (11.49%); Automobiles & Transportation Equipment (10.47%); Banks (7.57%); Raw Materials & Chemicals (7.24%); Pharmaceutical (6.91%); Financials (excluding banks) (6.50%); Transportation & Logistics (6.14%); Machinery (4.76%); Retail Trade (4.75%) and Others (19.89%). As of that date, 393 of the securities included in the Index were listed on the TSE's First Section.

The Index is calculated in both price return and total return versions and is calculated in yen. The notes are linked to the price return version of the Index, which means (as noted above) that the Ending Value will not include any income generated by dividends paid on the stocks included in the Index.

Additional information relating to the composition and calculation of the Index is available on the Index sponsor's website: www.tse.or.jp/english/market/topix/jpx_nikkei.html. However, information included in that website shall not be deemed to be included or incorporated by reference in this document.

Standards for Listing and Maintenance

The Index components are reviewed annually based on the selection criteria applied as of the final business day of June (the base selection date). The calculation of the Index using the new constituents will begin at the end of August.

The selection process and criteria are as follows:

(1) 1,000 stocks are selected based on their trading value over the past three years and the market value on the base selection date. Stocks are excluded from selection if they fall under any of the following criteria:

- listed for less than three years;
- the company's liabilities are in excess of its assets during any of the past three fiscal years;
- the company has an operating loss in each of the past three fiscal years;
- the company has a net loss in each of the past three fiscal years;
- the company's financials have disclosed doubt regarding its ability to continue as a going concern; disclosure of insufficient financial controls;
- the stock has been designated as a security to be delisted or security on alert; or
- certain listing violations have occurred over the past year.

(2) Each stock is scored by (a) three-year average return on equity (weighted 40%), (b) three-year cumulative operating profit (weighted 40%) and (c) market capitalization on the base selection date (weighted 20%), determined as follows:

Three-year average return on equity is calculated as follows:

Three-year cumulative operating profit is the sum of reported operating profit over the past three years.

The market capitalization of a stock is calculated based on the number of listed shares multiplied by its closing share price as of the annual base selection date.

(3) 400 stocks are selected by the final ranking with the scores calculated above in (2) and qualitative factors from the perspectives of corporate governance and disclosure. These factors are applied as of the base selection date and include the appointment of at least two independent outside directors, releasing the most recent earnings report according to international financial reporting standards and the release of English language earnings information via TDnet. The final score for each stock equals the sum of the score calculated

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above in (2) plus the score from the qualitative factors. Stocks are ranked from highest to lowest based on their final scores, with the exception that stocks with negative three-year average return on equity and most recent return on equity are negative or that have negative three-year cumulative operating profit are moved to the bottom of the ranking. In the event of a tie in final scores, the stock with the higher market capitalization is ranked higher.

Calculation of the Index

The Index is calculated using free-float adjusted market value weighting and is calculated to two decimal places. The level of the Index equals the current total free float adjusted market value divided by the base market value. The market value is the sum of the number of shares of each constituent stock multiplied by its stock price. The base market value is adjusted to maintain continuity in the Index when the market value of constituents changes for non-market reasons. The weight of each Index component is capped at 1.5% of the Index, and if any component exceeds that weight, it is adjusted downwards at the time of the annual review. In case of delisting of the components due to a merger, bankruptcy, or other corporate event, new stocks are not added until the next annual review.

The free-float adjustment market value is determined by excluding the estimated number of listed shares that are deemed not to be available for trading in the market, using publicly available documents. Among the shares that are not treated as available are, among others, shares held by specified types of major shareholders, and shares held by board members and other representatives. The free-float weights are reviewed annually for each index stock, with the announcement and effective date for each index constituent occurring on a quarterly basis, depending upon the relevant company's earnings release schedule. In addition to this annual review, the Index sponsor may also adjust a company's free-float weight to reflect extraordinary events.

The index components can be updated from time to time to reflect, for example, the establishment of a new company as a result of a corporate consolidation, or the delisting of a company. A variety of corporate events will result in the change of the number of shares used to calculate the index, including securities offerings, exercises of warrants and share dividends.

The following graph shows the daily historical performance of the Index in the period from January 6, 2014 through May 23, 2016. The Index was first published on January 6, 2014, thus only limited historical information exists with respect to the Index. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On May 23, 2016, the closing level of the Index was 12,090.65.

Historical Performance of the Index

This historical data on the Index is not necessarily indicative of the future performance of the Index or what the value of the notes may be. Any historical upward or downward trend in the level of the Index during any period set forth above is not an indication that the level of the Index is more or less likely to increase or decrease at any time over the term of the notes.

Before investing in the notes, you should consult publicly available sources for the levels of the Index.

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License Agreement

We expect to enter into an agreement with the Index sponsor providing us with a non-exclusive license with the right to use the Index in exchange for a fee. The Index is the intellectual property of the Index sponsor.

The Index is a copyrighted material using a methodology independently developed and created by the Index sponsor, and the Index sponsor owns the copyrights and other intellectual property rights subsisting in the Index itself and the methodology used to calculate the Index. Ownership of trademarks and any other intellectual property rights with respect to the markets to indicate the Index belong to the Index sponsor. The notes are arranged, managed and sold exclusively at the risk of MLPF&S, and the Index sponsor does not guarantee the notes and shall assume no obligation or responsibility with respect to the notes.

The Index sponsor shall not be obligated to continuously publish the Index and shall not be liable for any errors, delays, or suspensions of the publication of the Index. The Index sponsor shall have the right to change the composition of the stocks included in the Index, the calculation methodology of the Index or any other details of the Index and shall have the right to discontinue the publication of the Index at any time.

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Supplement to the Plan of Distribution; Conflicts of Interest

Under our distribution agreement with MLPF&S, MLPF&S will purchase the notes from us as principal at the public offering price indicated on the cover of this term sheet, less the indicated underwriting discount.

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 notes. Accordingly, offerings of the notes will conform to the requirements of Rule 5121 applicable to FINRA members. MLPF&S may not make sales in this offering to any of its discretionary accounts without the prior written approval of the account holder.

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

The notes will not be listed on any securities exchange. In the original offering of the notes, the notes will be sold in minimum investment amounts of 100 units. If you place an order to purchase the notes, you are consenting to MLPF&S acting as a principal in effecting the transaction for your account.

MLPF&S may repurchase and resell the notes, with repurchases and resales being made at prices related to then-prevailing market prices or at negotiated prices, and these will include MLPF&S's trading commissions and mark-ups. MLPF&S may act as principal or agent in these market-making transactions; however, it is not obligated to engage in any such transactions. At MLPF&S's discretion, for a short, undetermined initial period after the issuance of the notes, MLPF&S may offer to buy the notes in the secondary market at a price that may exceed the initial estimated value of the notes. Any price offered by MLPF&S for the notes will be based on then-prevailing market conditions and other considerations, including the performance of the Index and the remaining term of the notes. However, neither we nor any of our affiliates is obligated to purchase your notes at any price, or at any time, and we cannot assure you that we or any of our affiliates will purchase your notes at a price that equals or exceeds the initial estimated value of the notes.

The value of the notes shown on your account statement will be based on MLPF&S's estimate of the value of the notes if MLPF&S or another of our affiliates were to make a market in the notes, which it is not obligated to do. That estimate will be based upon the price that MLPF&S may pay for the notes in light of then-prevailing market conditions and other considerations, as mentioned above, and will include transaction costs. At certain times, this price may be higher than or lower than the initial estimated value of the notes.

An investor's household, as referenced on the cover of this term sheet, will generally include accounts held by any of the following, as determined by MLPF&S in its discretion and acting in good faith based upon information then available to MLPF&S:

- the investor's spouse (including a domestic partner), siblings, parents, grandparents, spouse's parents, children and grandchildren, but excluding accounts held by aunts, uncles, cousins, nieces, nephews or any other family relationship not directly above or below the individual investor;

- a family investment vehicle, including foundations, limited partnerships and personal holding companies, but only if the beneficial owners of the vehicle consist solely of the investor or members of the investor's household as described above; and

- a trust where the grantors and/or beneficiaries of the trust consist solely of the investor or members of the investor's household as described above; provided that, purchases of the notes by a trust generally cannot be aggregated together with any purchases made by a trustee's personal account.

Purchases in retirement accounts will not be considered part of the same household as an individual investor's personal or other non-retirement account, except for individual retirement accounts (IRAs), simplified employee pension plans (SEPs), savings incentive match plan for employees (SIMPLEs), and single-participant or owners only accounts (i.e., retirement accounts held by self-employed individuals, business owners or partners with no employees other than their

spouses).

Please contact your Merrill Lynch financial advisor if you have any questions about the application of these provisions to your specific circumstances or think you are eligible.

Structuring the Notes

The notes are our debt securities, the return on which is linked to the performance of the Index. As is the case for all of our debt securities, including our market-linked notes, the economic terms of the notes reflect our actual or perceived creditworthiness at the time of pricing. In addition, because market-linked notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these notes at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security. This rate, which we refer to in this term sheet as our internal funding rate, is typically lower than the rate we would pay when we issue conventional fixed or floating rate debt securities. This generally relatively lower internal funding rate,

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which is reflected in the economic terms of the notes, along with the fees and charges associated with market-linked notes, typically results in the initial estimated value of the notes on the pricing date being less than their public offering price.

At maturity, we are required to pay the Redemption Amount to holders of the notes, which will be calculated based on the performance of the Index and the \$10 per unit principal amount. In order to meet these payment obligations, at the time we issue the notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) with MLPF&S or one of its affiliates. The terms of these hedging arrangements are determined by seeking bids from market participants, including MLPF&S and its affiliates, and take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Index, the tenor of the notes and the tenor of the hedging arrangements. The economic terms of the notes and their initial estimated value depend in part on the terms of these hedging arrangements.

MLPF&S has advised us that the hedging arrangements will include a hedging related charge of approximately \$0.075 per unit, reflecting an estimated profit to be credited to MLPF&S from these transactions. Since hedging entails risk and may be influenced by unpredictable market forces, additional profits and losses from these hedging arrangements may be realized by MLPF&S or any third party hedge providers.

For further information, see Risk Factors—General Risks Relating to ARNs beginning on page PS-6 and Use of Proceeds on page PS-15 of product supplement EQUITY INDICES ARN-1.

Summary Tax Consequences

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

There is no statutory, judicial, or administrative authority directly addressing the characterization of the notes.

You agree with us (in the absence of an administrative determination, or judicial ruling to the contrary) to characterize and treat the notes for all tax purposes as a single financial contract with respect to the Index.

Under this characterization and tax treatment of the notes, a U.S. Holder (as defined beginning on page 99 of the prospectus) generally will recognize capital gain or loss upon maturity or upon a sale or exchange of the notes prior to maturity. This capital gain or loss generally will be long-term capital gain or loss if you held the notes for more than one year.

No assurance can be given that the IRS or any court will agree with this characterization and tax treatment.

You should consult your own tax advisor concerning the U.S. federal income tax consequences to you of acquiring, owning, and disposing of the notes, as well as any tax consequences arising under the laws of any state, local, foreign, or other tax jurisdiction and the possible effects of changes in U.S. federal or other tax laws. You should review carefully the discussion under the section entitled U.S. Federal Income Tax Summary beginning on page PS-24 of product supplement EQUITY INDICES ARN-1.

Where You Can Find More Information

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 Note Prospectus, including this term sheet, and the other documents 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. Alternatively, we, any agent, or any dealer participating in this offering will arrange to send you these documents if you so request by calling MLPF&S toll-free at 1-800-294-1322.

Market-Linked Investments Classification

MLPF&S classifies certain market-linked investments (the Market-Linked Investments) into categories, each with different investment characteristics. The following description is meant solely for informational purposes and is not intended to represent any particular Enhanced Return Market-Linked Investment or guarantee any performance.

Enhanced Return Market-Linked Investments are short- to medium-term investments that 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 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.

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