

BANK OF AMERICA CORP /DE/
 Form 424B2
 May 13, 2015

**Filed Pursuant to Rule 424(b)(2)
 Registration Statement No. 333-202354
 (To Prospectus dated May 1, 2015, Prospectus
 Supplement dated May 4, 2015 and Product
 Supplement CBN-1 dated May 11, 2015)**

Subject to Completion

Preliminary Term Sheet dated May 11, 2015

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 beginning on page TS-7 of this term sheet and beginning on page PS-6 of product supplement CBN-1.

The initial estimated value of the notes as of the pricing date is expected to be between \$9.45 and \$9.70 per unit, which is less than the public offering price listed below. See Summary on the following page, Risk Factors beginning on page TS-7 of this term sheet and Structuring the Notes on page TS-9 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.

| | Per Unit | Total |
|--|----------|-------|
| Public offering price ⁽¹⁾ ⁽²⁾ ⁽³⁾ | \$10.000 | \$ |
| Underwriting discount ⁽²⁾ ⁽³⁾ | \$0.125 | \$ |
| Proceeds, before expenses, to BAC | \$9.875 | \$ |

- (1) Plus accrued interest from the scheduled settlement date, if settlement occurs after that date.
- (2) For any purchase of 500,000 units or more in a single transaction by an individual investor, the public offering price and the underwriting discount will be \$9.975 per unit and \$0.100 per unit, respectively.
- (3) For any purchase by certain fee-based trusts and discretionary accounts managed by U.S. Trust operating through Bank of America, N.A., the public offering price and underwriting discount will be \$9.875 per unit and \$0.000 per unit, respectively.

The notes:

Are Not FDIC Insured

**Are Not Bank Guaranteed
Merrill Lynch & Co.**

May Lose Value

May , 2015

Autocallable Coupon Bearing Notes

Linked to the Common Stock of Facebook, Inc., due June 15, 2016

Summary

The Autocallable Coupon Bearing Notes Linked to the Common Stock of Facebook, Inc., due June 15, 2016 (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 will pay quarterly interest payments. The notes will be automatically called if the Observation Level of the Underlying Stock, which is the common stock of Facebook, Inc., is equal to or greater than the Call Level (which will be equal to the Starting Value) on the Observation Date. If the notes are called, you will receive a payment equal to the principal amount plus the final interest payment. If not called, at maturity, the payment on the notes will equal the principal amount if the Ending Value of the Underlying Stock is at or above the Threshold Value. If the Ending Value is less than the Threshold 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 or upon an automatic call, will be calculated based on the \$10 principal amount per unit and will depend on the performance of the Underlying Stock, subject to our credit risk. See Terms of the Notes below.

The economic terms of the notes (including the interest rate) 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 notes are subject to an automatic call, and the initial estimated value is based on an assumed tenor of 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-9.

Terms of the Notes

| | |
|--------------------------|--|
| Issuer: | Bank of America Corporation (BAC) |
| Principal Amount: | \$10 per unit |
| Term: | Approximately one year and one week, if not called |

| | |
|--|---|
| Underlying Stock: | Common stock of Facebook, Inc. (the Underlying Company) (NASDAQ symbol: FB) |
| Interest Rate: | [8.50% to 10.50%] per year |
| Interest Payment Dates: | September , 2015, November , 2015, February , 2016 and the maturity date. |
| Starting Value: | The Volume Weighted Average Price on the pricing date. This will be the volume weighted average price (rounded to two decimal places) shown on page AQR on Bloomberg L.P. for trading in shares of the Underlying Stock taking place from approximately 9:30 a.m. to 4:05 p.m. on all U.S. exchanges. |
| Automatic Call: | The notes will be automatically called on any Observation Date if the Observation Level is greater than or equal to the Call Level. |
| Call Level: | 100% of the Starting Value |
| Call Amount (per Unit): | \$10.00 |
| Payment Upon an Automatic Call: | If the notes are automatically called, you will receive the principal amount of the notes plus the final interest payment. |
| Observation Level: | The closing level of the Underlying Stock on the Observation Date multiplied by the Price Multiplier. |
| Observation Dates: | November , 2015 and February , 2016, subject to postponement if a Market Disruption Event occurs, as described on page PS-18 of product supplement CBN-1. |
| Call Settlement Date: | The interest payment date immediately following the applicable Observation Date, subject to postponement if the related Observation Date is postponed, as described on page PS-18 of product supplement CBN-1. |
| Ending Value: | The Closing Market Price of the Underlying Stock on the Valuation Date, multiplied by the Price Multiplier. The Valuation Date is subject to postponement if a Market Disruption Event occurs, as described beginning on page PS-18 of product supplement CBN-1. |

| | |
|--------------------------|--|
| Threshold Value: | 100% of the Starting Value. |
| Price Multiplier: | 1, subject to adjustment for certain corporate events relating to the Underlying Stock described beginning on page PS-21 of product supplement CBN-1. |
| Valuation Date: | June , 2016. |
| Fees and Charges: | The underwriting discount of \$0.125 per unit listed on the cover page and the hedging related charge of \$0.050 per unit described in Structuring the Notes on page TS-9. |

Autocallable Coupon Bearing Notes

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Autocallable Coupon Bearing Notes

Linked to the Common Stock of Facebook, Inc., due June 15, 2016

Determining Payment on the Notes

Automatic Call Provision

The notes will be called automatically on an Observation Date if the Observation Level on that Observation Date is equal to or greater than the Starting Level. If the notes are called, you will receive \$10 per unit plus the final interest payment.

Redemption Amount Determination

If the notes are not automatically called, on the maturity date, you will receive a cash payment per unit determined as follows:

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Autocallable Coupon Bearing Notes

Linked to the Common Stock of Facebook, Inc., due June 1, 2016

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

§ Product supplement CBN-1 dated May 11, 2015:
<http://www.sec.gov/Archives/edgar/data/70858/000119312515182270/d924108d424b5.htm>

§ Series L MTN prospectus supplement dated May 4, 2015 and prospectus dated May 1, 2015:
<http://www.sec.gov/Archives/edgar/data/70858/000119312515167979/d865347d424b3.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 CBN-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:

- § You anticipate that the Observation Level on one or more Observation Dates, or the Ending Value on the Valuation Date, will be greater than or equal to the Starting Value.
- § You seek interest payments on your investment.
- § You accept that the maximum return on the notes is limited to the sum of the quarterly interest payments, and that you will not participate in any increases in the price of the Underlying Stock.
- § You are willing to risk a loss of principal and return if the notes are not automatically called and the Ending Value is below the Threshold Value.

- § You are willing to forgo dividends or other benefits of owning shares of the Underlying Stock.
- § You are willing to accept a limited 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 willing to assume our credit risk, as issuer of the notes, for all payments under the notes, including the Redemption Amount or the payment upon an automatic call.

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

- § You want to hold your notes for the full term.
- § You believe that the notes will not be automatically called and the Ending Value will be less than the Threshold Value.
- § You anticipate that the price of the Underlying Stock will increase and seek to participate in that increase.
- § You seek principal repayment or preservation of capital.
- § In addition to interest payments, you seek an additional return above the principal amount.
- § You seek to receive dividends or other distributions paid on the Underlying Stock.
- § You seek an investment for which there will be a liquid secondary market.
- § You are unwilling or are unable to take market risk on the notes or to take our credit risk as issuer of the notes.

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

Autocallable Coupon Bearing Notes

Linked to the Common Stock of Facebook, Inc., due June 1, 2016

Examples of Hypothetical Payments

The following 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 Call Amount or Redemption Amount, as applicable, based on the hypothetical terms set forth below. **The actual amount you receive and the resulting total rate of return will depend on the actual Starting Value, Call Level, Threshold Value, Ending Value, each Observation Level and the term of your investment.** The following examples do not take into account any tax consequences from investing in the notes. These examples are based on:

- 1) a Starting Value of 100.00;
- 2) a Threshold Value of 100.00;
- 3) a Call Level of 100.00;
- 4) an expected term of the notes of approximately one year and one week if the notes are not called on the first or second Observation Dates;
- 5) an interest rate of 9.50% per year (the midpoint of the interest rate range of [8.50% to 10.50%]).
- 6) Observation Dates occurring approximately six and nine months after the pricing date.

The **hypothetical** Starting Value of 100.00 used in these examples has been chosen for illustrative purposes only, and does not represent a likely actual Starting Value of the Underlying Stock. For recent actual prices of the Underlying Stock, see The Underlying Stock section below. In addition, all payments on the notes are subject to issuer credit risk.

Notes Are Called on an Observation Date

The notes will be called at \$10.00 plus the applicable final interest payment on one of the Observation Dates if the Observation Level is equal to or greater than the Call Level.

Example 1 The Observation Level on the first Observation Date is 110.00. You will receive the quarterly interest payments up to the respective Call Settlement Date. The notes will be called at \$10.00. After the notes are called, they will no longer remain outstanding and there will not be any further payments on the notes. In this case, you will receive interest payments on the notes for only six months.

Example 2 The Observation Level on the first Observation Date is below the Call Level, but the Observation Level on the second Observation Date is 105.00. You will receive the quarterly interest payments up to the respective Call Settlement Date. The notes will be called at \$10.00. After the notes are called, they will no longer remain outstanding

and there will not be any further payments on the notes. In this case, you will receive interest payments on the notes for only nine months.

Notes Are Not Called on Any Observation Date

Example 3 The Observation Levels on the first and second Observation Dates are below the Call Level, and the Ending Level on the Valuation Date is 105.00. You will receive the quarterly interest payments up to the Maturity Date. At maturity, the notes will also pay the principal amount.

Example 4 The notes are not called on any Observation Date and the Ending Value is less than the Threshold Value. Consequently, you will receive all quarterly interest payments; however, you will also participate on a 1-for-1 basis in the decrease in the price of the Underlying Stock below the Threshold Value. The Redemption Amount per unit will equal:

$$\$10 \left[\$10 \times \left(\frac{100.00 - 85.00}{100.00} \right) \right] = \$8.50$$

On the maturity date, you will receive the Redemption Amount per unit of \$8.50.

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Autocallable Coupon Bearing Notes

Linked to the Common Stock of Facebook, Inc., due June 15, 2016

| Summary of the Hypothetical Examples | Notes Are Called on an Observation Date | | Notes Are Not Called on Any Observation Date | |
|---|--|-----------|---|-----------|
| | Example 1 | Example 2 | Example 3 | Example 4 |
| Starting Value | 100.00 | 100.00 | 100.00 | 100.00 |
| Call Level | 100.00 | 100.00 | 100.00 | 100.00 |
| Threshold Value | 100.00 | 100.00 | 100.00 | 100.00 |
| Observation Level on the First Observation Date | 110.00 | 90.00 | 90.00 | 88.00 |
| Observation Level on the Second Observation Date | N/A | 105.00 | 83.00 | 78.00 |
| Final Level | N/A | N/A | 105.00 | 85.00 |
| Return of the Underlying Stock ⁽¹⁾ | 10.00% | 5.00% | 5.00% | -15.00% |
| Interest Payments on the Notes ⁽²⁾ (Up to respective Call Date) | 4.750% | 7.125% | 9.656% | 9.656% |
| Call Amount / Redemption Amount per Unit | \$10.00 | \$10.00 | \$10.00 | \$8.50 |
| Total Return of the Notes ⁽³⁾ | 4.750% | 7.125% | 9.656% | -5.344% |

(1) The total return of the Underlying Stock assumes:

- (a) the percentage change in the price of the Underlying Stock from the Starting Value to the Ending Value;
- (b) a constant dividend yield of 0.00% per year; and
- (c) no transaction fees or expenses.

(2) Interest is calculated on the basis of a 360-day year of twelve 30-day months.

(3) The total return on the notes includes interest paid on the notes for the amount of time that the notes are outstanding.

Autocallable Coupon Bearing Notes

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Autocallable Coupon Bearing Notes

Linked to the Common Stock of Facebook, Inc., due June 15, 2016

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 CBN-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.

- § If the notes are not automatically called, depending on the performance of the Underlying Stock 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.
- § You will not participate in any increase in the price of the Underlying Stock.
- § Your investment return is limited to the return represented by the periodic interest payments over the term of the notes, and may be less than a comparable investment directly in the Underlying Stock.
- § 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 price of the Underlying Stock, 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-9. 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 Underlying Stock, 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 trading in shares of the Underlying Stock) 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 Underlying Company will have no obligations relating to the notes, and neither we nor MLPF&S will perform any due diligence procedures with respect to the Underlying Company in connection with this offering.
- § You will have no rights of a holder of the Underlying Stock, and you will not be entitled to receive shares of the Underlying Stock or dividends or other distributions by the Underlying Company.
- § While we or our affiliates may from time to time own securities of the Underlying Company, we do not control the Underlying Company, and are not responsible for any disclosure made by the Underlying Company.
- § The payments on the notes will not be adjusted for all corporate events that could affect the Underlying Stock. See Description of the Notes Anti-Dilution Adjustments beginning on page PS-21 of product supplement CBN-1.
- § There may be potential conflicts of interest involving the calculation agent. We have the right to appoint and remove the calculation agent.
- § The U.S. federal income tax consequences of the 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-29 of product supplement CBN-1.

Autocallable Coupon Bearing Notes

Linked to the Common Stock of Facebook, Inc., due June 15, 2016

The Underlying Stock

We have derived the following information from publicly available documents. We have not independently verified the accuracy or completeness of the following information. Facebook Inc. operates a social networking website. The company's website allows people to communicate with their family, friends, and co-workers.

Because the Underlying Stock is registered under the Securities Exchange Act of 1934, the Underlying Company is required to file periodically certain financial and other information specified by the SEC. Information provided to or filed with the SEC by the Underlying Company can be located at the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549 or through the SEC's web site at <http://www.sec.gov> by reference to SEC CIK number 1326801.

This term sheet relates only to the notes and does not relate to the Underlying Stock or to any other securities of the Underlying Company. Neither we nor any of our affiliates have participated or will participate in the preparation of the Underlying Company's publicly available documents. Neither we nor any of our affiliates have made any due diligence inquiry with respect to the Underlying Company in connection with the offering of the notes. Neither we nor any of our affiliates make any representation that the publicly available documents or any other publicly available information regarding the Underlying Company are accurate or complete. Furthermore, there can be no assurance that all events occurring prior to the date of this term sheet, including events that would affect the accuracy or completeness of these publicly available documents that would affect the trading price of the Underlying Stock, have been or will be publicly disclosed. Subsequent disclosure of any events or the disclosure of or failure to disclose material future events concerning the Underlying Company could affect the value of the Underlying Stock and therefore could affect your return on the notes. The selection of the Underlying Stock is not a recommendation to buy or sell the Underlying Stock.

The Underlying Stock trades on the NASDAQ Global Select Market under the symbol FB.

Historical Data

The following table shows the quarterly high and low Closing Market Prices of the shares of the Underlying Stock on its primary exchange from the first quarter of 2008 through May 4, 2015. 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. These historical trading prices may have been adjusted to reflect certain corporate actions such as stock splits and reverse stock splits.

| | | High (\$) | Low (\$) |
|------|----------------|-----------|----------|
| | Second Quarter | 38.37 | 25.87 |
| | Third Quarter | 32.17 | 17.73 |
| | Fourth Quarter | 28.24 | 18.99 |
| 2013 | First Quarter | 32.46 | 25.14 |
| | Second Quarter | 28.97 | 22.90 |
| | Third Quarter | 51.24 | 24.37 |

| | | | |
|------|--------------------------------------|-------|-------|
| | Fourth Quarter | 57.96 | 44.82 |
| 2014 | First Quarter | 72.03 | 53.53 |
| | Second Quarter | 67.60 | 56.14 |
| | Third Quarter | 79.04 | 62.76 |
| | Fourth Quarter | 81.45 | 72.63 |
| 2015 | First Quarter | 85.31 | 74.05 |
| | Second Quarter (through May 4, 2015) | 84.63 | 78.77 |

This historical data on the Underlying Stock is not necessarily indicative of the future performance of the Underlying Stock or what the value of the notes may be. Any historical upward or downward trend in the price per share of the Underlying Stock during any period set forth above is not an indication that the price per share of the Underlying Stock 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 prices and trading pattern of the Underlying Stock.

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Autocallable Coupon Bearing Notes

Linked to the Common Stock of Facebook, Inc., due June 15, 2016

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 will not receive an underwriting discount for notes sold to certain fee-based trusts and fee-based discretionary accounts managed by U.S. Trust operating through Bank of America, N.A.

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 Underlying Stock 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.

Structuring the Notes

The notes are our debt securities, the return on which is linked to the performance of the Underlying Stock. 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, 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.

Payments on the notes, including the interest payments on the notes and the amount you receive at maturity or upon an automatic call, will be calculated based on the \$10 per unit principal amount. The Redemption Amount will depend on the performance of the Underlying Stock. 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 Underlying Stock, 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 \$0.050 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 the Notes** beginning on page PS-6 and **Use of Proceeds** on page PS-15 of product supplement CBN-1.

Autocallable Coupon Bearing Notes

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Autocallable Coupon Bearing Notes

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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 an income-bearing single financial contract linked to the Underlying Stock.

Under this characterization and tax treatment of the notes, we intend to take the position that the stated periodic interest payments constitute taxable ordinary income to a U.S. Holder (as defined beginning on page 99 of the prospectus) at the time received or accrued in accordance with the U.S. Holder's regular method of accounting. Upon receipt of a cash payment at maturity or upon a sale or exchange of the notes prior to maturity (other than amounts representing accrued stated periodic interest payments), a U.S. Holder generally will recognize capital gain or loss. This capital gain or loss generally will be long-term capital gain or loss if you hold 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-29 of product supplement CBN-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 Income Market-Linked Investment or guarantee any performance.

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

Autocallable Coupon Bearing Notes

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