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SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549–0102 (tel. 202–942–8090).

Applicants' Representations

1. The Trust, a statutory trust organized under the laws of Delaware, is registered as an open-end investment company under the Act. Each Fund will be registered under the Act as, or be a series of, a management investment company. Each Adviser is registered with the Commission under the Investment Advisers Act of 1940 and serves as investment adviser to the Funds.

2. Each Fund proposes to provide Principal Protection, pursuant to which shareholders who hold their Fund shares for a prescribed period of time (the "Protection Period")² will be able, at the end of the period (the "Maturity Date"), to redeem their shares and receive no less than the amount of their initial investment, subject to certain adjustments (the "Protected Amount"). Applicants state that Principal Protection will be achieved primarily through the use of a mathematical formula that allocates assets based on the "Constant Proportion Portfolio Insurance" model (the "Formula").³ In addition to using the Formula, the Fund may also enter into a financial guarantee agreement, warranty agreement or other principal protection agreement⁴ or may

acquire an insurance policy (each a "Protection Agreement"), in order to ensure that the Fund can meet its obligation to pay each redeeming shareholder the Protected Amount on the Maturity Date.⁵ The entity providing Principal Protection ("Protection Provider") may be a bank, brokerage firm, insurance company or other financial institution. In certain cases, the Protection Provider may seek to hedge all or a portion of its risks by entering into a derivatives contract or reinsurance contract with a Hedging Counterparty. Each Fund will pay a fee to the Protection Provider, typically equal to a percentage of the Fund's average daily net assets.

3. Each Protection Agreement will require the Protection Provider to pay the Fund an amount equal to any shortfall between the aggregate Protected Amount and the net asset value ("NAV") of the Fund on the Maturity Date (the "Shortfall"). Under the terms of each Protection Agreement, the Fund will be required to manage its assets within certain investment parameters, based in large part on the asset allocations determined by the Formula. If the Fund fails to comply with these allocations ("Trigger Event"), the Protection Provider may demand the Fund cure the situation by reallocating Fund assets or, in the event the Fund fails to effect the reallocation within a specified period of time, by causing the Fund to defease its portfolio and allocate all of its assets to the Fund's Protection Component (a "Defeasance Event").

4. A Protection Agreement and the fee for the Protection Agreement will be subject to approval by the Board of Directors or Trustees of each Fund (the "Board"), including a majority of those Directors or Trustees who are not interested persons of a Fund or an Adviser, as defined in section 2(a)(19) of the Act (the "Independent Trustees"). In the event that a Fund wishes to consider entering into a Protection Agreement

negotiated derivatives contract with similar economic characteristics requiring the Protection Provider (as defined below) to make payments to the Fund in the event of a Shortfall (as defined below).

⁵ The Protected Amount may be reduced (a) to the extent the Fund incurs extraordinary expenses, such as litigation expenses, which are not covered by the Protection Agreement, (b) if the Adviser is required to make payments to the Protection Provider and/or the Fund ("Adviser Payment") under the Protection Agreement as a result of its own negligence or certain other disabling conduct and there is a dispute regarding such payment, or (c) as otherwise described in the Protection Agreement, subject in each case to appropriate prospectus disclosure. The Protected Amount will not be reduced by the Fund's ordinary fees and expenses, including its advisory fees.

with a Merrill Lynch Affiliate, or with a Protection Provider that is otherwise not an affiliated person of the Fund or its Adviser, or an affiliated person of such a person (an "Unaffiliated Provider"), but that wants to use a Merrill Lynch Affiliate as its Hedging Counterparty (each, an "Affiliated Protection Arrangement"), the Adviser will be required to conduct a bidding process to select the Protection Provider. Applicants state that the Adviser will initially solicit at least three other bids in addition to the bid relating to an Affiliated Protection Arrangement, then will engage in negotiations with all of the bidders. At the end of the negotiation process, all bidders who wish to participate will submit final bids. All final bids will be due at the same time and no bidder will be permitted to change its final bid once submitted. After final bids are submitted, no bidder, including a Merrill Lynch Affiliate, will have access to any competing bids until after the Protection Agreement is entered into by the Fund. In order for the Adviser to recommend the bid relating to an Affiliated Protection Arrangement, the Fund must have also received at least two bona fide final bids that are not Affiliated Protection Arrangements.⁶ The Adviser will evaluate final bids and recommend a bid for acceptance by the Board, together with an explanation of the basis for this recommendation and a summary of the material terms of any bids that were rejected. Applicants state that in addition to cost, other factors such as creditworthiness will be significant in the Adviser's evaluation of bids, and thus, the Adviser may recommend to the Board a Principal Provider who does not submit the bid with the lowest fee rate.⁷ A majority of the Board, including a majority of the Independent Trustees, must approve the acceptance of a bid involving an Affiliated Protection Arrangement, as well as the general terms of the proposed Protection Arrangement. Upon the conclusion of the Adviser's negotiation of the Affiliated Protection Arrangement, the Board must approve the final Protection Agreement, and determine that the terms of the Affiliated Protection Arrangement, as so

² The life of a Fund offering Principal Protection will generally be divided into three time periods: (a) An initial offering period during which the Fund will sell shares to the public; (b) the Protection Period during which the Fund will not normally offer its shares to the public and the Fund's assets will be invested pursuant to the Formula (as defined below); and (c) a period after the Maturity Date (the "Post-Protection Period"), during which the Fund will offer its shares on a continuous basis and pursue an objective that does not include Principal Protection, or alternatively, will wind up and cease operations.

³ The objective of the Formula is to maximize the allocation of a Fund's assets that may be invested for purposes other than Principal Protection (the "Portfolio Component"), thus gaining exposure to the securities markets, while attempting to minimize the risk of a shortfall (as defined below) by investing a portion of the Fund's assets in fixed income securities (the "Protection Component").

⁴ Other principal protection agreements may take the form of a swap agreement or other privately

⁶ If an Unaffiliated Provider submits multiple bids, each with a different Hedging Counterparty, each submission will constitute a separate bid.

⁷ If the Protection Provider recommended by the Adviser does not propose the lowest fee to provide Principal Protection and the Board approves a Protection Agreement with such Protection Provider, the Board minutes will reflect the reasons why the Protection Provider requiring the higher fee was approved.