Margin Lending Program

A convenient source of liquidity for personal or business financing

The Margin Lending Program (margin) provides an extension of credit based on eligible securities used as collateral from qualified Merrill accounts. Margin offers competitive rates and a source of liquidity that allows for timely market investments, diversification, stock option financing or short selling.

A good choice if you:

- Don't want to sell assets or deplete cash reserves to fund your investment goals
- Want access to funds with no set term, no set limits, no minimum loan amount and no application or annual fee
- Take advantage of pricing based on your overall relationship
- Continue to trade and manage investments you use as collateral, subject to certain restrictions

Margin Lending Program features

- Margin loans are used to cover transactions in a margin account when there aren't sufficient cash and money account balances for the transaction. This can happen for a securities trade, through check writing or Visa debit card purchases, or Bill Pay transactions.
- Borrow with floating interest rates, based upon the Merrill Base Lending Rate (plus a spread), total relationship size and amount borrowed.
- No set repayment schedule if you maintain the required level of equity in your account.
- No interest payments required; interest will be added to your balance at the end of each month, provided sufficient credit is available.

Flexibility and convenience without disrupting your investment strategy

In addition to offering you immediate access to funds for virtually any short-term borrowing need, margin provides additional benefits.

Flexible repayment terms

- There is no set repayment schedule, as long as you maintain the required level of equity in your account.
- Interest payments are not required and will be added to your balance at the end of each month, provided sufficient credit is available.
- You can repay any amount at any time by making a deposit or selling securities. Dividend and bond interest payments will automatically reduce your loan balance.

Keep your investment strategy on track

- By borrowing against your assets rather than selling them, you can keep your investment strategy on track and defer any capital gains taxes that might result from selling securities to meet your short-term cash needs.
- You can continue to make investment decisions according to your strategy, even while you access margin, as long as you maintain the required level of equity in your account.

Please see pages 3 and 4 for important considerations.

Potentially save on interest expenses related to your margin account

- Interest expenses associated with your margin borrowing may be tax-deductible up to net investment income earned in the account. Margin interest expense may also be exempt from the Alternative Minimum Tax (AMT).

Merrill does not provide tax advice, so please consult your tax advisor for tax advice about margin interest deductibility.

Variety of eligible securities

Currently, federal law permits you to borrow up to 50% or more of the market value of most listed stocks and many unit investment trusts, convertible bonds, mutual funds and closed-end funds. With other types of securities, your borrowing power may be higher. Borrowers are required to maintain securities with a market value that exceeds the loan balance by a certain percentage, which varies based on the type and volatility of the securities used as collateral. Concentrated stock positions and volatile securities may have higher requirements.

Investments and account types ineligible for margin include:

- Certificates of deposit (CDs)
- Money market funds
- Non-U.S. mutual funds
- CATS & TIGRS
- Annuities
- TRAKRS
- Certain managed accounts
- UGMA/UTMA accounts
- Retirement accounts
- IPOs
- 3x leveraged ETFs

Securities eligible for margin

U.S. listed common stock	Up to 50%
U.S. Treasury Notes/Bills	95%
U.S. Treasury Bonds/STRIPS	92%
FNMAs	90%
FHLM, GNMA	90%
U.S. government agency bonds	80%
Municipal bonds	80%
Corporate/nonconvertible bonds	70%
Foreign sovereign debt[1]	70%
Convertible bonds	50%
Mutual funds[2]	50%
Exchange-traded funds	50%
Unit investment trusts	50%
VRDOs	50%
Warrants	50%

Risks associated with margin

Margin is not appropriate for all investors. Borrowing on margin and using securities as collateral involve certain risks. When considering a margin loan, you should take into account your individual requirements, portfolio composition and risk tolerance, as well as capital gains taxes, portfolio performance expectations and investment time horizon.

Please be aware that:

- When you purchase securities, you may pay for the securities in full, or if your account has been established as a margin account with the Margin Lending Program, you may borrow part of the purchase price from Merrill, thereby leveraging your investment.
- If you choose to borrow funds for your purchase, Merrill's collateral for the loan will be the securities purchased, other assets in your margin account, and your assets in any other accounts at Merrill other than retirement accounts (such as IRAs).
- If the securities in your margin account decline in value, so does the value of the collateral supporting your loan, and, as a result, we can take action, such as issuing a margin call and/or selling securities in any of your accounts held with us, in order to maintain the required equity in your account.
- If your account has a Visa® card and/or checks, you may also create a margin debit if your withdrawals (by Visa card, checks, preauthorized debits, funds transfer service (FTS) or other transfers) exceed the sum of any available free credit balances plus available money account balances (such as Bank of America bank deposit balances or money market funds). Please refer to your account documents for more information.
- Also note that it may be more advantageous to pay cash than to use margin for smaller securities purchases. On smaller securities purchases, a higher percentage of the transaction costs goes to commissions and interest charges, which are generally higher on smaller balances. The commissions plus interest charges could equal or exceed any appreciation in your securities.

Before opening a margin account, you should carefully review the terms governing margin loans. For Individual Investor Accounts, these terms are contained in the Margin Lending Program Client Agreement. For all other accounts, the terms are in your account agreement and disclosures. It is important that you fully understand the risks involved in using margin. These risks include the following:

- **You can lose more funds than you deposit in the margin account.** A decline in the value of securities that are purchased on margin may require you to provide additional funds to use to avoid the forced sale of those securities or other securities or assets in your account(s).
- **We can force the sale of securities or other assets in your account(s).** If the equity in your account falls below the maintenance margin requirements or Merrill's higher "house" requirements, we can sell the securities or other assets in any of your accounts held by us to cover the margin deficiency. You also will be responsible for any shortfall in the account after such a sale.
- **We can sell your securities or other assets without contacting you.** Some investors mistakenly believe that they must be contacted for a margin call to be valid, and that securities or other assets in their accounts cannot be liquidated to meet the call unless they are contacted first. This is not the case. We will attempt to notify you of margin calls, but we are not required to do so. Even if we have contacted you and provided a specific date by which you can meet a margin call, we can still take necessary steps to protect our financial interests, including immediately selling the securities or other assets without notice to you.
- **You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.** Because the securities or other assets are collateral for the margin loan, we have the right to decide which securities or other assets to sell in order to protect our interests.
- **We can increase our "house" maintenance margin requirements at any time and are not required to provide you advance written notice.** These changes in our policy may take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause us to liquidate or sell securities in your account(s).
- **You are not entitled to an extension of time on a margin call.** While an extension of time to meet margin requirements may be available to you under certain conditions, you do not have a right to the extension.

Strategies for managing margin risks

Carefully choosing the quality of your investments you borrow against and the amount you borrow can help reduce the likelihood of a maintenance call. Risk management strategies to consider include:

- Borrowing against a portfolio of less-volatile securities, such as government bonds or blue-chip stocks.
- Borrowing less than the maximum amount allowable against your securities.
- Diversifying your portfolio by purchasing securities that balance your holdings and potentially offset losses on existing securities.
- Monitoring your portfolio, especially during fluctuating, volatile market conditions, to anticipate a potential decline in value.

Let’s start a conversation

Talk to your Merrill advisor to see if the Margin Lending Program can help you tap into the value of your investments and support your larger financial strategy.

Diversification does not ensure a profit or protect against loss in declining markets.

[1] AAA equivalent.

[2] After held for 30 calendar days.

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