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 you use as collateral from qualified Merrill accounts. You may access margin through your Cash Management Account® (CMA® account), Working Capital Management Account® (WCMA® account) or Individual Investor account.

Immediate access to funds for a range of needs

Margin offers a convenient source of liquidity with competitive rates to meet your personal or business financing needs. Margin can help you with funding for:

Short-term borrowing

- Unexpected expenses
- Home improvements
- Education, tuition costs
- Business finances (for example, start-up costs and cash flow management)
- Debt or tax payments

Investment financing

- Timely market investments
- Diversification
- Stock option financing
- Short sales

Overdraft protection

- Visa® card transactions
- Check transactions
- Bill Pay transactions

Margin Lending Program features

- Floating rate based upon the Merrill Base Lending Rate (plus a spread) and amount borrowed
- No set term
- No set limits
- No minimum loan amount
- No application fee
- No annual fees

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.

Save on interest expense

- Interest expenses 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. 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.

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	70%[1]
Convertible Bonds	50%
Mutual Funds	50%[2]
Exchange-Traded Funds	50%
Unit Investment Trusts	50%
VRDOs	50%
Warrants	50%

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

Putting margin to work for you

Margin offers a variety of uses, from investment financing to overdraft/short-term borrowing and personal financing needs. Following are just two scenarios describing how margin can be used.[3]

John and Ann are high-net-worth investors with an investment objective of growth. They have a joint CMA account enrolled in the Margin Lending Program with online access to cover expenses using Bill Pay. A few times throughout the year, their monthly expenses spike and the account incurs a debit balance of $5,000 to $7,000.

Through the use of the Margin Lending Program, John and Ann can cover short-term debit balances without the immediate need of depositing cash into their CMA account. The margin-eligible account holdings are used to collateralize the loan. There is no repayment schedule, and the balance will be automatically paid down as additional funds become available in the account. Also, they do not need to be concerned about any per-incident fees as they might with another type of overdraft protection.

Tom is 60 years old and has a sizable portfolio of $750,000 in fully invested securities at Merrill. He has been a client for the past 15 years, and the majority of his securities have a low cost basis. After a recent severe storm, Tom's home sustained serious damage. Tom's advisor suggested he borrow funds through the Margin Lending Program. By leveraging his own securities to make the repairs on his home until the insurance funds are paid, Tom avoids capital gains taxes that could have been incurred if he had liquidated a portion of his portfolio. The goal is to provide Tom with a flexible and convenient source of funds that can be repaid as additional resources become available.

Tom had ample credit available through the Margin Lending Program and was therefore able to act quickly to have the repairs made on his home. He used $45,000 of his margin credit to pay the contractors immediately. The funds will be repaid once the insurance claim has been processed and funds are paid out.

Considering and mitigating risk

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 to issue a margin call and/or sell 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 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 mitigating 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.

Getting started

To learn how margin could work for you, talk to your Merrill advisor.

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

[1] AAA equivalent.

[2] After held for 30 calendar days.

[3] The case studies presented are hypothetical and do not reflect specific strategies we may have developed for actual clients. They are for illustrative purposes only and intended to demonstrate the brokerage capabilities of Merrill. They are not intended to serve as investment advice, since the availability and effectiveness of any strategy are dependent upon your individual facts and circumstances. Results will vary, and no suggestion is made about how any specific solution or strategy performed in reality.

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