

OPTIONS AT MERRILL

Consider Merrill Requirements and Practices Prior to Trading Options

Options carry a high level of risk and are not suitable for all investors. Certain requirements must be met to trade options. Please read the options disclosure document titled “[Characteristics and Risks of Standardized Options](#)” that accompanies this material before considering any option transaction. A separate client agreement is needed. Please note that you will also need to be pre-approved prior to implementing this strategy. You should consult a qualified tax advisor as to how trading options may affect your tax situation. It's important to understand that Merrill requirements may differ from those imposed by other broker-dealers.

Option Exercise & Assignment

Exercise and Assignment Considerations

Merrill accepts option exercise and do-not-exercise (DNE) instructions until 5:30 PM EST on the day of expiration. On days the market closes early, contrary instructions must be provided within ninety minutes of market close. Instructions received near the deadline will be processed on a best efforts basis and are not guaranteed. All instructions must be provided via phone by contacting a service representative.

Long options which expire in-the-money without DNE instructions will be auto-exercised. Merrill may add DNE instruction to long options held in accounts without the requisite availability to facilitate exercise. Failure to close option positions with DNE instructions results in a loss of all value.

Prior to providing early exercise instructions, carefully consider alternatives and the risk associated with early exercise.

Option Assignment

Merrill processes assignment notices randomly. Trades executed as a result of exercise or assignment and the resulting removal of expired options can be viewed online the business day following exercise/assignment.

Cost Basis

Option assignments and exercises are processed for tax reporting purposes in a first-in, first-out basis (FIFO). Specific share tax lot matching is available and must be provided via phone by contacting a service representative provided no later than the settlement date associated with the exercise or assignment.

Option Considerations for Retirement Accounts

Individual Retirement Accounts (IRAs) are not permitted to place spread trades or open naked contracts.

Requirements for Option Trading/Exercising Options

Margin Considerations for Option Accounts

It's important to remember that option trading in a margin account presents unique risk. Consider, in accordance with the Margin Lending Program Client Agreement.

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 bought on margin may require you to provide additional funds to us to avoid the forced sale of those securities or other securities in your account(s).

We can force the sale of securities 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 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 as sale.

We can sell your securities without contacting you.

Some investors mistakenly believe that they must be contacted for a margin call to be valid, and that securities 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 without notice to you.

You are not entitled to choose which securities in your account(s) are liquidated or sold to meet a margin call.

Because the securities are collateral for the margin loan, we have the right to decide which security to sell in order to protect our interests.

Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as “MLPF&S” or “Merrill”) makes available certain investment products sponsored, managed, distributed or provided by companies that are affiliates of Bank of America Corporation (“BoFA Corp.”). MLPF&S is a registered broker-dealer, registered investment adviser, Member SIPC, and a wholly owned subsidiary of BoFA Corp.

Banking products are provided by Bank of America, N.A., and affiliated banks, Members FDIC and wholly owned subsidiaries of BoFA Corp.

Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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Requirements for Option Trading/Exercising Options (continued)

We can increase our “house” maintenance margin requirements at any time including on specific securities experiencing significant volatility 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 don't have a right to the extension.

Margin Considerations for Option Accounts

If you have any questions or concerns about margin and the margin lending program, please contact the Merrill Investment Center at 855.332.5920

As a routine practice, Merrill assesses requirements on uncovered options in excess of regulatory minimums. In addition, Merrill limits the number of uncovered options contracts that can be held in an account. In order to be considered for approval to trade or hold additional uncovered option contracts, contact your service representative.

Merrill systematically determines how options and underlying equities are paired within strategies for the purpose of assessing margin requirements. This pairing may differ from an account owner's intended trading strategy.

Delivery Preference Considerations for Options Accounts

As a routine practice, Merrill requires paperless delivery of notices & disclosures as a pre-requisite for obtaining options trading privileges. Please be aware that changing your delivery preference to paper after receiving options trading privileges may result in the loss of options trading privileges. To check or change your delivery preference, please visit the “Go-Paperless” tab within “Help & Settings” on the website or by contacting us at 877.653.4732”

Supporting documentation for any claims, comparison, recommendations, statistics, or other technical data, will be supplied upon request.

The maximum loss, gain and breakeven of any options strategy only remains as defined so long as the strategy contains all original positions. Trading, rolling, assignment, or exercise of any portion of the strategy will result in a new maximum loss, gain and breakeven calculation, which will be materially different from the calculation when the strategy remains intact with all of the contemplated legs or positions. This is applicable to all options strategies inclusive of long options, short options and spreads.

Long options are exercised and short options are assigned. Note that American-style options can be assigned/exercised at any time through the day of expiration without prior notice. Options can be assigned/exercised after market close on expiration day.