

Stock options



Quick tip

This “Quick tip” highlights important information about stock options.

What you get

- The right to purchase company stock at a set price for a specific period.

How they work

- Subject to a waiting period (also called a vesting period), an exercise (purchase) period and an expiration date.
- Stock can be purchased during the exercise period at the price specified when the options were granted (grant price), assuming the stock’s fair market value (as defined by your company) is not below the grant price. This purchase is called “exercising your stock options.”
- If you do not exercise your stock options before the expiration date, you lose the right to purchase stock at the grant price.¹

Please read the grant agreement or other official plan documents provided by your company for details on the specific terms and conditions of your award. For more information contact your human resources department.

Taxes

- When you exercise stock options, any gain on the exercise (the difference between the grant price and the fair market value of the stock at the time of exercise) is considered ordinary income under U.S. tax laws. In non-U.S. locations tax implications may vary.²
- Taxes on this income are generally due at the time of exercise.
- If and when you sell your stock at a later date, the difference between the fair market value of the stock at the time of exercise and the sale date will be treated as a capital gain or loss. In non-U.S. locations tax implications may vary.²

Lifecycle of stock options

Grant date	Vesting period	Vesting date	Exercise period	Expiration date
<ul style="list-style-type: none">• Options are granted at a set price• Vesting (waiting) period begins	<ul style="list-style-type: none">• Waiting period before stock can be purchased• Merrill Lynch brokerage account (LIIA/IIA) opened	<ul style="list-style-type: none">• Options become exercisable	<ul style="list-style-type: none">• Stock can be purchased at the grant price	<ul style="list-style-type: none">• The date the right to exercise stock options expires• Unexercised options are forfeited

¹ If your expiration date falls on a weekend or a holiday of the New York Stock Exchange, you must exercise by the market close on the trading day before your expiration date. Earlier expiration dates may apply under your company plan due to termination of employment, disability or death. Please refer to the terms and conditions of your plan for rules relating to earlier expiration of stock options.

² Neither your company nor Merrill Lynch (or any of its affiliates or financial advisors) provide legal, tax or accounting advice. You should consult your legal and/or tax advisors before making any financial decision.

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Investment products:

Are Not FDIC Insured

Are Not Bank Guaranteed

May Lose Value

What you need to do

You need to open a Merrill Lynch brokerage account before you can conduct any transactions related to your stock options. The account you need to open is a Limited Individual Investor Account (LIIA), which is a self-directed, limited, non-interest bearing brokerage account used primarily to hold and sell shares received through your company's equity awards.³ In addition, depending on your company's agreements, you may need to formally accept the terms and conditions of your grant before you can exercise your grant, which you can do on Benefits OnLine® at www.benefits.ml.com.

Modeling/exercising your stock options

You can model and exercise your stock options on Benefits OnLine. To get started, log on to www.benefits.ml.com, select **Equity Plans** from the **My Accounts** Page, then choose **Model/Exercise**. (If you have not yet opened your Merrill Lynch brokerage account, this tab will read **Model** only.)



Learn more

The Equity Awards Education Center on Benefits OnLine features a variety of resources designed to help you understand your awards. These resources include a library of "Quick Tips" to help you manage and monitor your awards, a series of articles on equity award topics, and a user's guide to Benefits OnLine. Visit now —

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For information about your awards, stock option exercise methods and the fees and commissions associated with your awards and your Merrill Lynch brokerage account, please refer to your equity awards brochure available at www.benefits.ml.com in the **Document Library** under **Equity Plan**.

³ Directors, executive officers, associates and other persons subject to Rule 144 or Section 16 of the Securities Exchange Act of 1934, as amended, must open an Individual Investor Account (IIA), which is also a self-directed, limited, non-interest bearing brokerage account. These persons have inquiry access only to Benefits OnLine and must exercise stock options through the Merrill Lynch financial advisor team assigned to their company's plan.