

Stock Appreciation Rights (SARs)



Quick tip

This quick tip highlights important information about Stock Appreciation Rights (SARs) granted through your company's equity awards program. (Please refer to your official plan documents for the specific terms of your award.)

What you get

- The right to receive shares and/or cash equal to any gain in the value of your company's stock over a set period. The gain is calculated on the increase in value of a set number of shares as determined in your grant agreement.

How they work

- Subject to a waiting period (also called a vesting period), an exercise (payout) period and an expiration date.
- You need to "exercise" your SARs during the exercise period to receive a payout from an award. You are responsible for the taxes and any transaction costs that may apply.
- If you do not exercise your SARs before the expiration date, you may forfeit the right to receive any payouts.¹

Please read the grant agreement 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 your SARs, any gain on the exercise (the difference between the grant price and the fair market value (FMV) of the stock at the time of exercise) is considered ordinary income under U.S. tax law.² In non-U.S. locations, tax implications may vary.³
- 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 FMV of the stock at the time of exercise and the sale date is treated as a capital gain or loss. In non-U.S. locations, tax implications may vary.³

Lifecycle of SARs

Grant date	Vesting period	Vesting date	Exercise period	Expiration date
<ul style="list-style-type: none">• SARs are granted• Vesting (waiting) period begins	<ul style="list-style-type: none">• Waiting period before payout can be received• Merrill Lynch brokerage account (LIIA/IIA) opened	<ul style="list-style-type: none">• SARs become exercisable	<ul style="list-style-type: none">• SARs can be exercised and payout can be received	<ul style="list-style-type: none">• The date the right to exercise SARs expires• Unexercised SARs 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 SARs.

² The definition of the stock's fair market value used to calculate your tax obligation is determined by your plan.

³ Consult your tax advisor about your individual tax implications. Neither Merrill Lynch nor your employer provides tax advice.

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Investment products:

Are Not FDIC Insured

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May Lose Value

What you need to do

You need to open a Merrill Lynch brokerage account before you can exercise your SAR awards. 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 the shares and/or cash received through your company's equity awards.[†] In addition, depending on your company's agreements, you may need to formally accept the terms and conditions of your grant before you can receive your grant, which you can do on Benefits OnLine® at www.benefits.ml.com.

SARs award example*

Jonathan receives a SAR award in February as follows:

SARs granted	100
Company stock price at time of grant	\$10
Vesting period	4 years

After Jonathan's SAR award becomes vested and he chooses to exercise his SARs, he will receive the net amount of any increase in the stock price between the grant date and exercise date.**

Pre-tax value of SAR payment, assuming stock price is \$25

If paid in cash: \$1,500 [(\$25 - \$10) x 100]
If paid in shares: 60 [\$1,500/\$25]

Shares received from an award are deposited into the Merrill Lynch brokerage account used for the awards. You can choose to have the cash proceeds from an award held in the brokerage account, sent to you by check or wired to another financial institution.

* For illustrative purposes only

** Actual shares received may be minus any shares withheld for applicable taxes

Modeling and exercising your SARs

You can model and/or exercise your SARs on Benefits OnLine at www.benefits.ml.com. To get started, log on and follow the path below:

 **My Accounts > Equity Plan > Model/Exercise > Model/Exercise**

To learn more about exercising your SARs, refer to your grant award package.

Learn more

The Equity Awards Education Center on Benefits OnLine features a series of videos to help you understand your awards. You'll also find a library of "Quick Tips" to help you manage and monitor your awards, a series of articles on equity award topics, and more. Visit now — go.ml.com/equityed

For information about your awards and the fees and commissions associated with 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**.

†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 open their account and exercise their awards through the Merrill Lynch financial advisor team assigned to their company's plan.

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