Securities-Based Lending

How Cash Management, Credit and Lending Solutions Can Help You Achieve Your Goals

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Wealth Management®
Bank of America Corporation

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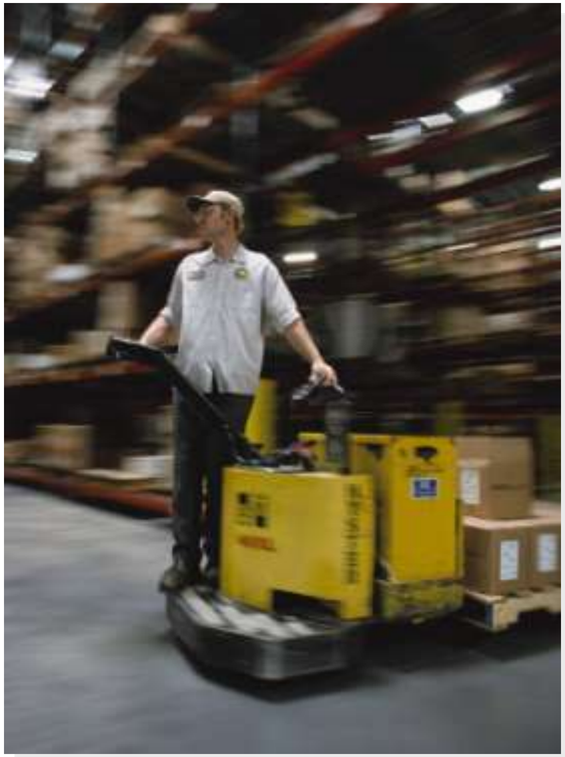
Common Business Needs

How many of these are important to you?

1. Optimize cash flow
2. Maintain working capital
3. Finance continued growth
4. Minimize the need to draw on personal resources
5. Attract and retain talented employees
6. Ensure business continuity
7. Plan for a succession



How Can You Manage Your Cash?

Effective cash management is part of a larger financial strategy.

Establish a cash position as part of your overall strategy

- Your current investment strategy
- Long-term goals
- Time horizon

Determine how to manage the cash you hold

- Manage inflows and outflows
- <u>Gain yield when possible</u>

Plan for additional and unexpected cash needs

- <u>Set up a liquidity plan</u> now so you can access cash when you need it

Take a strategic view of your assets, balancing your cash needs with your long-term growth goals.

Cash Management Solutions — Put Your Cash to Work

There are two types of cash—cash you use every day and cash investments.

Transactional accounts	Short-term vehicles/cash investments
▪ Checking accounts ▪ Cash management accounts ▪ Savings accounts	▪ Money market accounts ▪ Certificates of deposit ▪ Short-duration fixed income
Key Benefits: • Convenient access • More liquid	**Key Benefits:** • Higher yields possible • Less liquid

Expanding Your View of Liquidity

Liquidity includes a range of assets and credit lines you may have available.

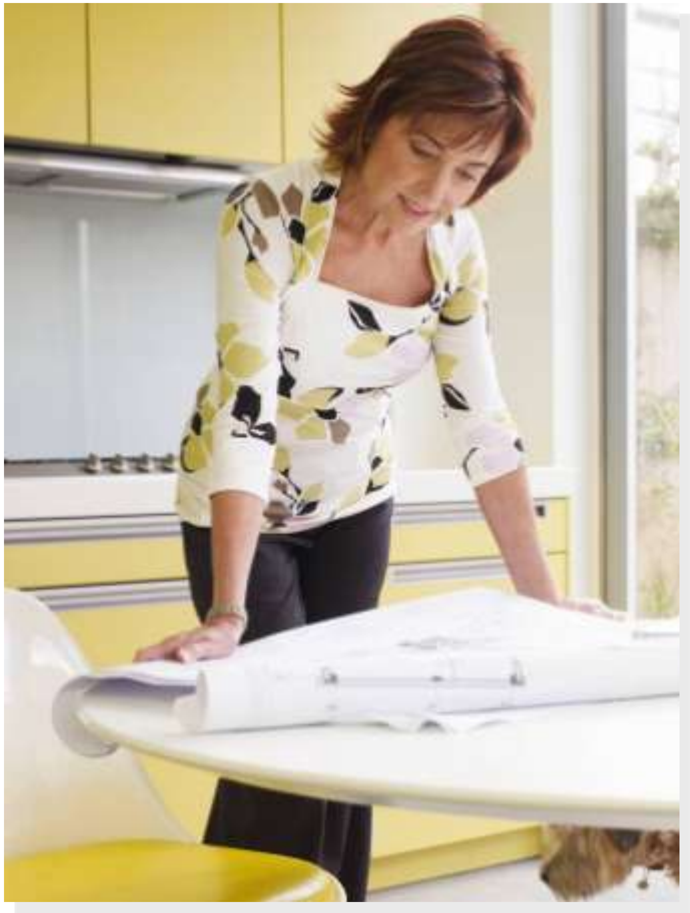
ASSETS	Cash	Cash Deposits	Checking Accounts	Money Market Accounts	CDs	Bonds	Stocks	Real Estate

More Liquid ⟷ Less Liquid

LIABILITIES	Credit Cards	Securities-Based Lending	Customized Credit Solutions	Home Equity Lines of Credit	Mortgages

Securities-Based Lending

- Offers liquidity through access to funds using Margin-eligible securities as collateral to address short-term borrowing needs
- A convenient source of credit with competitive rates without credit evaluations and additional paperwork
- No minimum loan amount
- No prepayment fees or penalties
- Flexible repayment schedule
- Margin interest is tax deductible up to investment income earned (clients should consult their tax advisor)



Securing Liquidity Without Disrupting Your Investment Strategy

Securities-based lending can provide cash for unexpected business or life events while maintaining your long-term investment strategy.

Option 1: Sell Securities	Option 2: Securities-Based Loan
▪ May trigger capital gains taxes	▪ Avoid potential tax penalties
▪ Lock in potential losses	▪ Provide cash at a low rate
▪ Disrupt investment strategy	▪ Keep investment strategy in place

Securities-based lending can provide you with the cash you need, when you need it, without disrupting your investment strategy.

Securities-based lending involves certain risks. Please see "Important Disclosures" for a description of these risks.

Using Securities-Based Lending to Improve Your Cash Flow

Securities-Based lending is ideal for clients who wish to prudently leverage investment opportunities while also having a stand-by line of credit to fund cash flow needs and non-investment borrowing needs.

	Conventional Line of Credit *	Securities-Based Lending *
Excess Cash	$1,000,000	$1,000,000
Rate of Return (CD vs. Bonds)	2.00%	5.00%
Interest Revenue	$20,000	$50,000
Liquidity Need	$700,000	$700,000
Interest Cost Rate Assumptions	5.25% (Prime + 2%)	2.25% (1mo. LIBOR + 2%)
Interest Cost	$36,750	$15,750
Net Cash Flows	($16,750) – **minus** 1.675%	$34,250 – **plus** 3.425%

* Hypothetical scenario. Both prime and LIBOR rates may change without notice.

Eligibility

Margin Eligibility of Securities: Federal Reserve Regulation T permits clients to borrow funds based on Margin-eligible securities being held as collateral. FINRA regulations and firm policy sets the maximum loan percentage for each type of eligible security.

The table below illustrates the eligible asset types and the Maximum Regulation T loan percentage for each:

Margin Eligible Asset Type	Maximum Loan Amount
Common Stock	50%
Convertible Bonds	50%
Mutual Funds**	50%
Exchange Traded Funds (ETF)	50%
Non-Convertible Bonds	70%
Municipal Bonds	80%
FHLMs, GNMAs	85%
FNMAs (Category C)	90%
U.S. Treasury Bonds/Strips	92%
U.S. Treasury Notes/Bills	95%

Most commonly used for Securities-Based Lending

Client Suitability

Securities-Based Lending may require a minimum account investment (i.e. $250,000) and may not be suitable for all clients. Borrowing against securities involves certain risks (margin risk - clients may be required to deposit additional cash and/or securities in their account or face forced liquidation of securities collateral should market conditions magnify any potential loss).

To mitigate margin risk Financial Advisors should discuss strategies and precautions to help reduce the risk:

- Invest in higher quality and less volatile securities (i.e., bonds)
- Diversify by investing across a range of securities (i.e., geographical risk)
- Borrow less than the maximum available
- Monitoring and planning on a regular basis

Consult Your Financial Advisor

- Create a customized plan to access sources of funding
- Optimize return on liquid assets
- Redeploy cash to take advantage of market opportunities
- Support your long-term investment strategies
- Thank you!!

Important Disclosures

LMA® account:

Borrowing against securities may not be appropriate for everyone and should be carefully evaluated before being used. The loan is secured by the assets in your account. If securities decline in value, you may be required to pay down the loan or deposit additional securities as collateral. If you cannot do so, all or a portion of your collateral may be liquidated and the proceeds used to pay down your loan balance. A forced liquidation could also trigger a potential taxable event.

The Loan Management Account® (LMA® account) is provided by Bank of America, N.A., Member FDIC. Equal Opportunity Lender. The LMA account requires a brokerage account at Merrill Lynch, Pierce, Fenner & Smith Incorporated and sufficient eligible collateral to support a minimum credit facility size of $100,000. All securities are subject to credit approval, and Bank of America, N.A. may change its collateral maintenance requirements at any time. Securities-based financing involves special risks and is not for everyone. When considering a securities-based loan, consideration should be given to individual requirements, portfolio composition and risk tolerance, as well as capital gains, portfolio performance expectations and investment time horizon. The securities or other assets in any collateral account may be sold to meet a collateral call without notice to the client, the client is not entitled to an extension of time on the collateral call, and the client is not entitled to choose which securities or other assets will be sold. The client can lose more funds than deposited in such collateral account. A complete description of the loan terms can be found within the LMA agreement. Clients should consult with their own independent tax and legal advisors. Some restrictions may apply to purpose loans, and not all managed accounts are eligible as collateral. All applications for LMA accounts are subject to approval by Bank of America, N.A. For fixed rate and term advances, principal payments made prior to the due date will be subject to a breakage fee.

Borrowing against securities has risks. Individual requirements, portfolio composition and risk tolerance, as well as capital gains taxes, portfolio performance expectations and investment time horizon, should be considered. The firm can sell your securities or other assets without contacting 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. The firm can increase its "house" maintenance margin requirements at any time and is not required to provide you with advance written notice. You are not entitled to an extension time on a margin call.

Asset Allocation does not assure a profit or protect against a loss in declining markets.

Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa.

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Are Not FDIC Insured	**Are Not Bank Guaranteed**	**May Lose Value**

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