

## **GENERAL DISCLOSURE STATEMENT: MATERIAL RISKS OF SECURITY-BASED SWAPS (“SBS”)**

### **I. INTRODUCTION**

We are providing you with this General Disclosure Statement for Transactions (“General Disclosure Statement”), which describes generally: (1) the material characteristics of a wide variety of Transactions (as defined below) that we may conduct with you; (2) the material risks of such Transactions; and (3) typical material incentives and conflicts of interest that we may have with respect to such Transactions. These Transactions may relate to Underliers (as defined below) related to one or more of the following classes of reference assets: equities, ETFs, Convertible Bonds, Corporate Bonds, Custom Equity Baskets, and Rights/Warrants. In addition, we may provide you with additional disclosure statements for Transactions in each of these Underliers to supplement the information provided herein, as well as Transaction-specific disclosures in connection with particular Transactions. This General Disclosure Statement should be read in conjunction with such disclosures. Please note that Transactions may give rise to significant risks and are intended primarily for knowledgeable and sophisticated parties that are willing to accept such risks and able to absorb the losses that may arise. Therefore, it is important that you or the person exercising discretion on your behalf understand these risks before entering into any Transactions, regardless of your level of prior experience in financial transactions or instruments.

In this General Disclosure Statement and any supplemental disclosure statement that expressly refers to this General Disclosure Statement: • “we”, “our”, “ours”, and “us” refer to the provider of this General Disclosure Statement and each affiliate that may conduct Transactions with you, except that for purposes of Section IV only, such terms include all of our affiliates; • “you”, “your” and “yours” refer to each of the persons to which this General Disclosure Statement is delivered or addressed in connection with entering into, executing or agreeing upon the terms of Transactions with us, as indicated in any written or electronic transmittal of the same;

- “Covered Derivative” means (i) a swap, foreign exchange swap, or foreign exchange forward (each as defined in Section 1a of the Commodity Exchange Act and rules thereunder), or (ii) a mixed swap (as defined in Sections 1a of the Commodity Exchange Act and 3(a) of the Securities Exchange Act and rules thereunder);

- “Transaction” means a transaction entered into, executed or agreed between us that in any such case is a Covered Derivative or a security-based swap (as defined in Section 3(a) of the Securities Exchange Act and rules thereunder);

- “Transaction Economics” means the value of a Transaction, its usefulness for your intended purpose, the timing or amount of payments or deliveries and, if applicable, the likelihood that you will be able to exercise any option rights;

- “Underlier” means any equities, ETFs, Convertible Bonds, Corporate Bonds, Custom Equity Baskets, and Rights/Warrants, in or by reference to which any payment or delivery under a Transaction is to be made or determined;

- the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”; and
- the phrase “otherwise agreed” shall be deemed to be followed by the phrase “expressly in writing”. We are providing this General Disclosure Statement and, if

applicable, any related supplemental disclosure statements pursuant to certain rules of the Securities and Exchange Commission (“SEC”) that relate to Covered Derivatives. The fact that this General Disclosure Statement or any supplemental disclosure statement describes, or discusses considerations relevant to, a type of transaction should not be construed as having any implications for the characterization of that type of transaction as a Covered Derivative or a security-based swap or its characterization under securities, bankruptcy or any other laws. You should not construe the content of this General Disclosure Statement as legal, financial, tax, accounting or other advice. More generally, unless expressly agreed in writing, we are not providing you with legal, financial, tax, accounting, or other advice in connection with any Transactions or any Underliers, and you should consult your own attorney, financial advisor, tax advisor or accountant as to legal, financial, tax, accounting and related matters concerning any Transactions, including the impact on your business and the requirements and results of conducting Transactions. Before entering into any Transaction, you (or any agent you employ for such purpose) should conduct a thorough and independent evaluation of the terms of the Transaction in light of your particular circumstances and the nature and extent of your exposure to risk. You should also consider whether the Transaction is appropriate for you in light of your experience, objectives, financial and operational resources and other relevant circumstances. If you are acting as an advisor or agent, you should evaluate these considerations in light of circumstances applicable to your principal and the scope of your authority. NOTHING IN THIS GENERAL DISCLOSURE STATEMENT AMENDS OR SUPERSEDES THE EXPRESS TERMS OF ANY TRANSACTION BETWEEN YOU AND US OR ANY RELATED GOVERNING DOCUMENTATION. Accordingly, descriptions in this General Disclosure Statement of the operation of Transactions and the consequences of various events are in all cases subject to the actual terms of a Transaction executed between you and us and its governing documentation (whether or not such qualification is expressly stated).

## **II. GENERAL CHARACTERISTICS**

**A.** Arm’s length contractual counterparty to Transactions Unless otherwise agreed, we are acting in the capacity of an arm’s length contractual counterparty to you in connection with the Transaction and do not undertake to act as your financial or other advisor (including a “municipal advisor” within the meaning of Section 15B of the Securities Exchange Act), agent, representative, or fiduciary. Accordingly, unless we have agreed to act in one of the foregoing roles you should:

- not regard any Transaction proposals, suggestions or other written or oral communications from us as advice or a recommendation or otherwise as expressing our view as to whether a Transaction is appropriate for you or meets your financial or other objectives;
- determine whether you have the necessary information to understand the terms and risks of a Transaction and the legal, tax and accounting requirements and results of entering into the Transaction; and
- assume we have an economic incentive to be a counterparty to any Transaction with you. We and/or our affiliates may engage in business with you in capacities other than as counterparty to Transactions. Such other capacities might include acting as your broker in executing orders for securities, providing clearing or custody services, acting as a lender, providing banking services to you, acting as underwriter, placement or remarketing agent with respect to securities issued by you, managing investments, collateral valuation agent, data provider or any of the other relevant capacities in which we or an affiliate may act in financial or commercial markets, as described in Section IV below. There are important differences in the nature of our relationship when we act as counterparty to Transactions, as distinguished from the various other capacities in which we or our affiliates may act. As counterparty to Transactions, we enter into the Transactions as principal, and our interests are

directly adverse to yours when we negotiate the terms of a Transaction or related documentation, or make determinations or exercise our rights thereunder. In contrast, in some other capacities, the primary purpose of our or our affiliate's relationship with you may be to facilitate your transacting with other parties as principal, provide advice, or hold financial assets on your behalf. We or an affiliate may also act as your counterparty in contractual arrangements that are not Transactions. In such cases, other applicable laws, regulations, internal policies or procedures, or rules of a self-regulatory organization may govern matters such as the handling and execution of orders, standards of care, disclosure of information, conflicts of interest, fees and compensation or the segregation and control of assets held for safekeeping on your behalf. The duties and standards to which we or an affiliate are subject when acting in such other capacities may differ materially from those that apply when we act as counterparty to Transactions, and may (or may not) afford substantially greater protections to you. When we act in a particular capacity, we shall have only the duties and responsibilities that pertain specifically to that capacity. If you believe you need assistance in evaluating and understanding the terms or risks of a Transaction or the legal, tax and accounting requirements and results of entering into the Transaction, you should consult appropriate advisors.

**B.** You should review carefully each Transaction's particular structure, including terms incorporated by reference. The Transactions result from agreements between two "counterparties" and generally involve an exchange or a series of exchanges of payments or deliveries, which may be calculated by reference to a notional or principal amount or quantity and a price, value, level or rate of return of one or more Underliers. The Transactions may be structured in various forms including, but not limited to, forwards, swaps, or variations of these components, as well as combinations of these components. You should be aware that there is risk associated with each component of a multi-component Transaction, as well as with the Transaction as a whole. The confirmation or other communication evidencing a Transaction, or a governing master agreement, may incorporate by reference various standard definitions, annexes and supplements thereto, master confirmations and other market standard terms, which may in turn be amended or customized pursuant to the terms of a Transaction and its governing documentation. In some cases, the provisions of a prime brokerage agreement or the rules of a confirmation platform or other provider of execution, clearing, confirmation or portfolio compression services may deem certain provisions to be incorporated into Transactions entered into or processed through such arrangements or services. Before entering into any Transaction, you should obtain and review carefully any such materials incorporated by reference and.

**C.** Transactions generally involve a variety of risks and the specific risks presented by a particular Transaction necessarily depend upon the terms of the Transaction and your circumstances. In general, however, all Transactions involve one or more of the following risks — credit risk, market risk, liquidity risk, funding risk, operational risk, legal and documentation risk, regulatory risk and/or tax risk. Each of these risks is discussed below in Section III of this General Disclosure Statement. The structures of the Transactions are frequently customized by the parties to accomplish specific financial, tax, accounting, or asset, liability or risk management objectives, and the resulting risks of each Transaction necessarily depend upon the terms of the Transaction and your present and future circumstances.

**D. Value of the Transactions** is derived from one or more Underliers and other market and economic factors. Depending upon the nature of the Transactions, payments and/or deliveries under the Transactions may be calculated by reference to one or more Underliers and may arise upon the occurrence of certain events or circumstances, the satisfaction of certain conditions, or the exercise of certain rights. The value of Transactions may depend on prices,

values, or levels of the Underliers and other market and economic factors discussed in greater detail in Section III below. The prices, values, or levels of an Underlier are determined in the market for that Underlier. You should be aware that each market for an Underlier has its own particular characteristics and risks, including, to the extent applicable, the market's institutional structure, trading rules, market practices, liquidity, governance, regulation (or lack thereof) and participants. The terms of a Transaction may refer to such features and allocate or otherwise provide for associated risks. Alternatively, there may be known or anticipated eventualities that could affect a market that are not provided for in the terms of a Transaction or its governing documentation. Before you enter into any Transaction, you should review the publicly available information regarding the market characteristics and risks pertaining to the relevant Underliers, review all the disclosure we have provided that is relevant to Transactions in such Underliers, and (as you may deem appropriate) consult advisors with specific expertise regarding the markets for such Underliers and the Transaction.

**1. Past Performance** Neither we nor you can predict the future performance of an Underlier based on historical performance. The price, value, or level of the Underlier over the term of a Transaction may bear little or no relation to the historical price, value, or level of the Underlier. Prior observed patterns, if any, in the behavior of market variables, such as correlations, mean reversion or relationships between implied and realized values, may become unstable or break down. In addition, the source or method of determining the price, value, or level of the Underlier may be subject to change or cease to be available during the term of a Transaction, matters which may be addressed in the governing documentation.

**2. Different Currencies For certain Transactions**, the prices, values, or levels of the Underliers may be denominated in currencies other than the settlement or payment currency and may be converted to the settlement or payment currency for purposes of determining payments or deliveries to be made under the Transactions. Such Transactions will be exposed to currency exchange rate risk with respect to each of the currencies in which an Underlier or obligation is denominated. Your net exposure to this risk will depend on the extent to which the currencies of the Underliers for a relevant Transaction strengthen or weaken against the settlement currency or one another. Fluctuations in the currencies of the Underliers may adversely impact the values of the Transactions and the payments or deliveries to be made or received thereunder.

**3. Changes in the components of baskets or indices** If the Underlier for a Transaction is a basket or index, the negative performance of one or more components of the basket or index may negate any positive performance of other components. For example, while the prices, values, or levels of some components may increase over the term of the Transaction, the prices, values, or levels of other components may not increase during the term of the Transaction as much or may even decline. Therefore, in respect of the value of the Transaction or the amount of any payments or deliveries to be made under the Transaction, changes in the prices, value, or levels of one or more of the components may be moderated, or offset, by lesser changes or inverse changes in the prices, values, or levels of one or more of the other components. This effect may be further amplified by differing weights of each component. More heavily weighted components will have a larger impact on the value of the Transaction or the amount of any payments or deliveries to be made under the Transaction than components with lesser weightings.

**E. Entering into a Transaction is not the same as owning the Underlier** Unless specifically provided for in the terms of a Transaction or governing documentation, a Transaction will not confer ownership rights in any Underlier, including without limitation any stock, fund, partnership interest, note, bond, security, loan or other instrument of indebtedness, foreign exchange rate, currency, index or financial measure underlying a Transaction. Thus, your Transaction will not

confer voting rights, rights to receive interest, dividends or other distributions, rights to approve a restructuring or plan of reorganization, enforcement rights, transfer rights or any other rights or residual interest that having an ownership interest in the Underlier would confer, unless otherwise agreed.

**F. The economic return of a Transaction may not be the same as the return from the Underlier** The mathematical relationship between the payments and deliveries under a Transaction and the price, level or value of the Underliers will be specified under each Transaction or its governing documentation, and in general there is no reason to expect that the return from entering into the Transaction will resemble that of an investment in the Underlier. Even if a Transaction is a total return swap or similar instrument that you have entered into for the purpose of obtaining the equivalent of a long or short position in or exposure to an Underlier, the economic return of the Transaction may not be the same as the return from the Underlier. Such divergences may occur due to a variety of factors, including, but not limited to: • Payments or deliveries under a Transaction may be determined based on the prices, values, or levels of the Underlier only at specified observation or valuation times; • The Transaction may apply interim compounding to rates of return observed for the Underlier over shorter periods than the term of the Transaction; • The Transaction terms may include or reflect an adjustment for fees or commissions, financing charges, hedging costs or breakage costs; • The tax or accounting treatment, and the legal requirements or results, of the Transaction may differ significantly from owning the Underlier; • The Transaction may not provide the same flexibility for unwinding the Transaction as direct ownership of the Underlier would allow in deciding when and how to dispose of the Underlier; • The price source or valuation methodology under the Transaction may yield a different value than would be realized by disposing of the Underlier in financial or physical markets for such Underlier; • The Transaction may include optionality, cancellation, “barrier,” leverage or other similar features that may give disproportionate effect to changes in prices, values, or levels or other factors; and/or • The Transaction may contain terms providing for adjustments, early termination or cancellation due to corporate events, disruption of our ability to hedge in underlying markets, changes in law or other extraordinary events. Accordingly, changes in prices, values, or levels of an Underlier may not result in a comparable payment or delivery under, or change in the value of, the corresponding Transaction. If the price, value, or level of the Underlier for a Transaction has increased on any day, the value of the Transaction on such day may not increase comparably, if at all. It is also possible for the price, value, or level of an Underlier to increase while the value of the Transaction declines and exposes you to substantial economic losses. A Transaction and related Underlier may be priced in separate markets, and the values of the Transaction and Underlier may diverge for significant periods or indefinitely. Also, models we use to value Transactions, including methodologies, assumptions and inputs to those models, may change, which could cause a change to the value we attribute to the Transaction without necessarily affecting the value of the Underlier.

**G. No assurance of Transactions** providing you with a desired return or result Unless the terms of the Transaction expressly guarantee a stated return, there is no assurance that a Transaction will provide you with a positive or anticipated return or achieve your objectives. It is impossible to predict whether and the extent to which the underlying rates, prices, assets, indices, or other Underliers relevant to a particular Transactions will rise or fall. The levels or performance of relevant rates, prices, assets, indices, or other Underliers may be influenced by complex and interrelated political, economic, financial and other factors. You should be willing to accept the risk of exposure to the levels or performance of such rates, prices, assets, indices, or other Underliers and the risk of suffering substantial economic losses from or in connection with the Transactions. Even if the Transactions provide you with a positive or anticipated return, the return on the Transactions may be inferior to returns available in connection with other

Transactions that you could have entered into or other arrangements that you could have made, including owning the Underliers.

**H. No assurance of Transactions achieving your desired hedging objectives** In some cases, you may enter into Transactions to hedge, reduce or otherwise manage price or other risks to which you or your affiliates are exposed through owning an asset, owing a liability or being a party to other transactions or anticipated transactions. There may be imperfect correlation (sometimes referred to as “basis risk”) between changes in the value of a Transaction and the particular exposures you wish to hedge, and the amount of basis risk may increase over time. You may also be exposed to risk as a result of differences in legal documentation between a Transaction and the particular exposure you wish to hedge, including differences in how the Underlier is defined under the hedged item and the definition applicable to the Transaction, or as a result of differences in the dates or times as of which prices, values or levels are to be determined for the hedged item versus the Transaction. In addition, the notional amount of a Transaction may not remain matched to the amount of exposure you wish to hedge, as would be the case, for example, if an anticipated investment, purchase, sale, acquisition, disposition or other transactions does not occur, or a loan or bond is pre-paid or called. Unless otherwise agreed, we have no obligation to terminate or modify any Transaction in response to these or other changes in your circumstances or to accommodate your hedging strategies or needs. You should carefully review the risks of entering into a Transaction before you acquire an asset, liability or other item to be hedged and the risks of any prepayment, liquidation or other disposition of an asset, liability or other hedged item before the Transaction matures. Hedging entails economic costs reflected in the pricing of Transactions, which can be significant. Although a hedge Transaction may be structured such that no upfront purchase price is payable, you should understand that significant potential amounts could become payable for modifying the Transaction or terminating it early, depending upon then existing market conditions, as described in this General Disclosure Statement. So called “zero cost” or “reduced premium” hedges may contain embedded options granted by you. Losses from such embedded options may be substantial and potentially unlimited and may not be matched by realizable gains from the exposures that you intended to hedge. In some cases, the terms of a Transaction may take account of events that are particular to your specific hedging circumstances, such as in a “deal-contingent hedge” under which the rights and obligations depend expressly on the outcome, for example, of a corporate acquisition transaction within specified time periods. In such Transactions, the cost of such application-specific features may be reflected in spreads or pricing terms that differ from market rates for otherwise comparable Transactions that do not include such features.

**I. Termination of Transactions** Under the relevant governing documents, a Transaction and potentially our entire relationship may be subject to early termination upon the occurrence of events that may be characterized as events of default or termination events (some examples of which might include failures to pay, insolvency, force majeure or illegality) in relation to you, us, and/or any guarantor or other credit support provider. Certain Transactions may also be subject to early termination upon the occurrence of extraordinary events specified in the terms of such Transactions or governing documents (some examples of which might include disruption of our ability to hedge, cancellation or modification of an index Underlier, market disruptions, and extraordinary events with respect to an underlying issuer, such as mergers, nationalization, insolvency or delistings), or may provide an optional early termination right for one or both of the parties. The event or events giving rise to a right of termination may be outside your control and may occur at a time when the price, level or value of the Underlier, or the value of the Transaction otherwise, is such that you would owe a substantial termination payment. You may owe this termination payment even if we are the defaulting party. Additionally, if the Transaction terminates early, you may not be able to establish, or may incur costs in establishing, substitute

arrangements for the Transaction. We have no obligation to consider your interests in determining whether or when to terminate the Transactions following one of these or other events that entitle us to terminate Transactions. Termination and the corresponding determination of a termination amount could occur at a time when the relevant markets are volatile, illiquid or not functioning in accordance with normal market conditions. If we determine an early termination amount, we may take into account, subject to the terms of the Transaction and other governing documentation, our and your creditworthiness, our funding costs, hedging or hedge unwind costs (which may include costs related to the failure of a custodian or hedge counterparty), loss of bargain, relevant documentation terms, market data from internal sources and other factors. Such determinations may involve subjective judgment and uncertainty, which may adversely affect the Transaction Economics. Termination amounts may differ significantly from daily marks or values used for collateral delivery purposes. The treatment of Transactions in your or our insolvency may be more favorable to us than alternative arrangements to achieve your economic objective for entering into the Transaction. For instance, in a US Bankruptcy Code proceeding, Transactions may qualify for special treatment intended to, among other things, facilitate prompt termination and access to collateral.

### III. MATERIAL RISKS

**A. Transactions are subject to market risk** Market risk is the risk that the value of a Transaction, or the amount of payments or deliveries to be made under a Transaction, will be adversely affected by fluctuations in the level or volatility of, or correlation or relationship between, one or more market prices, rates or indices or other market factors, by new information or changes in perceptions regarding contingencies affecting an Underlier, or by illiquidity in the market for the Transaction or in a related market. Depending on the terms of a specific Transaction, its value may be affected by multiple factors in addition to the prices, values, or levels of the Underliers. In general, the amount that other market participants may be willing to pay or receive to acquire and assume exposure to the cash flows and rights under a Transaction depends in part on market conditions and prices, values and levels for comparable Transactions prevailing at the time of valuation. For example, because future cash flows must be discounted at an appropriate rate to determine their present value, the value of Transactions will generally depend on interest rates and yield curves in the relevant currency. The choice of an appropriate discount rate may be affected by the collateral or other credit support arrangements in place for a group of Transactions. Interest rates and yield curves may also influence the value of a Transaction through their effect on the cost of funding positions in an Underlier or related instrument in order to hedge a future payment or delivery obligation under the Transaction. Transactions with option-like payouts will generally be affected by the volatility of the price or level of the Underlier, which volatility is also subject to changing market conditions. The value of Transactions under which the payout depends on the cumulative effect of events related to multiple Underliers (such as Transactions under which the stated return is determined as the best or worst from among a set of Underliers) will generally depend on the correlations between the Underliers. The value of a portfolio of Transactions will depend on the interaction of multiple factors, including cash or collateral flows under related credit support arrangements. In addition to prices, values, or levels of the Underliers, factors that may affect the value of a Transaction (and, in some cases, the value of the Underlier itself) include: • actual and/or expected volatilities (i.e., the frequency and magnitude of changes) in the prices, values, or levels of the Underliers; • correlation (i.e., the tendency to move together in the same or opposite directions) of the prices, values, or levels of the Underliers; • market interest rates, currency exchange rates, forward rates and yield and forward price curves; • dividend rates, expected dividend rates and corporate events relating to Underliers, if applicable; • liquidity in

the markets for Transactions and Underliers or in related markets; • the remaining term of the Transaction; • optionality that a party has under the terms of a Transaction and its governing documentation, including optional early termination rights or rights to choose which particular securities, currencies, or other assets it may deliver in satisfaction of an obligation; • the terms of collateral or other credit support arrangements, including whether a party is permitted to re-use collateral and the optionality that a party has to choose the composition of the credit support it is required to deliver; • actions of government, regulatory and taxation authorities; and • our creditworthiness or your creditworthiness, whether actual or perceived, and including actual or anticipated upgrades or downgrades in a party's credit ratings or changes in other credit measures. The market risk of a Transaction may be accentuated by complex payout calculations or other features. Transactions with such features may be subject to significant changes in value as a result of relatively small changes in the price, value, or level of an Underlier or other market factors. Such features include leverage, multipliers, option-like payouts, non-linear dependence on an underlying price, value, or level, or dependence on the path of an underlying price, value, or level. Transactions with such features may include caps, collars, floors, exotic options, Transactions with knock-in or knock-out rights, or range accrual swaps and options.

**B. Transactions involve liquidity risk** Liquidity risk is the risk that a party may be unable to, or cannot easily, unwind or transfer a particular position in a timely manner at or near the previous market price or at all. Liquidity risk may vary greatly depending upon the terms of the Transaction, including, for example, notional amounts, rates, collateralization, highly customized features and other market sensitive terms. In evaluating this risk in the context of Transactions, you should consider that a Transaction may be terminated or modified only pursuant to the terms of the Transaction or by mutual agreement of the parties. Similarly, any novation or other transfer of a Transaction may be made only pursuant to the terms of the Transaction or with the consent of the remaining party and, in either case, on terms agreed between the transferor and transferee. If our consent is required, we may not consent for a variety of reasons, which we may not be required to disclose to you. Even though market-makers and dealers may quote prices or terms for entering into or terminating particular Transactions and provide indicative prices or mid-market valuations for outstanding Transactions, there can be no assurance that another dealer will be available and willing to accept as transferee your rights and obligations under any Transaction between us, or that we would consent to such transfer. Even though market liquidity may exist generally for a particular type of uncleared Transaction at the time you enter into the Transaction, such liquidity may be diminished or unavailable in the future as more Transactions become cleared. Market liquidity for a type of Transaction may also be adversely affected by the development of updated or new industry standard terms, their adoption by market participants (including through amendments to outstanding Transactions via industry protocols) and the migration of trading interest to such new or updated standard terms. There also can be no assurance that another dealer or market participant will be available and willing to offer you transactions that offset your Transactions with us. Even if an offsetting transaction is available, in the case of an uncleared Transaction, engaging in such an offsetting transaction (whether bilaterally or through a swap execution facility) will not automatically close out your Transaction with us (as might occur in the case of cleared transactions carried at the same clearing broker) and may not function as an effective hedge for that Transaction. Accordingly, it may not be possible for you to modify, terminate or offset your obligations or your exposure to the risks associated with a particular Transaction prior to its scheduled termination date.

**C. Certain Transactions may be subject to restrictions on transfer under securities laws** Certain Transactions (including securities-based swaps generally) may be securities, or may



constitute offers or sales of securities, under the U.S. Securities Act of 1933, as amended (the "Securities Act") or other applicable securities laws. Such Transactions will not be registered under the Securities Act, or under applicable state securities laws and, therefore, the transfer of Transactions may be prohibited or restricted by such laws. Such Transactions will be entered into, modified or terminated pursuant to exemptions from registration under the Securities Act by virtue of Section 4(2) of that Act and/or Regulation D or another available exemption. You may be requested to represent in the terms of the Transactions or other governing documentation that you are not entering into such Transactions with a view to resale or distribution in violation of applicable securities laws.

**D. Engaging in Transactions may subject you to funding risk** Funding risk is the risk that, as a result of the unpredictability of payment or delivery obligations or margin (collateral) requirements under Transactions, or mismatches or delays in the timing of cash flows due from or to a party pursuant to Transactions or related hedging, trading, collateral or other transactions or activities, a party may not have adequate cash available to fund current obligations. For example, if you are required to post margin (collateral) and the market moves against your position or the required level of margin is increased by us in order to maintain your position, subject in each case to the terms of the Transaction and other governing documentation. If you do not make a required payment or delivery under a Transaction or provide the additional required funds to meet a margin call within the prescribed time (taking into account any applicable notice requirements and grace periods), the documentation governing your Transaction may provide that the Transaction and possibly your entire relationship with us may be terminated, potentially requiring a termination payment by you. Depending upon your other arrangements with us or with your other creditors, this could also trigger cross-default provisions in these other arrangements, which may provide us or your other creditors with rights to accelerate or terminate these other arrangements, possibly increasing your funding risk to the extent you are required to make additional payments or deliveries.

**E. Credit risk of named counterparty (and any applicable guarantors or credit support providers)** Credit risk is the risk that a party to a Transaction or, if applicable, a party's guarantor or credit support provider, will fail to perform its obligations when due, including its obligations to return collateral which it is no longer entitled to hold, or that the amount of collateral provided by that party or its credit support provider proves insufficient. A party's exposure to credit risk, if so agreed, may be reduced by the delivery to it or to its custodian of collateral to secure the obligations of the other party or its guarantor or credit support provider, and the other party's exposure to credit risk for the return of such collateral may be reduced by delivering such collateral to such custodian to be held under mutually acceptable custodial arrangements, subject to the credit risk of the custodian as discussed below. Unless otherwise expressly agreed in writing or required by applicable law, neither your counterparty nor any guarantor or credit support provider for your counterparty will have any obligation to deliver collateral in connection with the Transactions. We refer to the entity that is specified as your counterparty in the documentation evidencing a Transaction, and in whose name that documentation is executed, as your "named counterparty." Unless we have expressly agreed in writing to another arrangement, no affiliate of your named counterparty or any other entity will issue, endorse or guarantee, make payments or deliveries, or otherwise perform or assume any liability for obligations in respect of a Transaction. For the avoidance of doubt, this applies equally to Transactions where we act or an affiliate of ours acts as agent for a different legal entity that is the named counterparty. Accordingly, the Transactions are subject to your named counterparty's credit risk. In the event, however, that the named counterparty's payment or delivery obligations under or in connection with the Transactions are guaranteed by any

guarantor or credit support provider, the satisfaction of such payment or delivery obligations is subject to the credit risk of such guarantor or credit support provider. The value of the Transactions may be affected by the credit ratings of the named counterparty (or any applicable guarantor or credit support provider), and the credit spreads charged by the market for taking such credit risk. The obligations of your named counterparty and, if applicable, any guarantor or other credit support provider, in respect of the Transactions are not insured or guaranteed by the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation or any other agency of the U.S., or any other domestic or foreign government.

**F. Collateral delivered to a third party custodian is subject to that custodian's credit and operational risk** If you or any guarantor or credit support provider delivers collateral in connection with the Transactions that is held in an account at a third-party custodian, the return of such collateral is subject to the credit and operational risks of that third-party custodian, risks which the terms of the Transactions and other governing documentation may (or may not) have expressly allocated between the parties. If such third-party custodian were to default in its obligations to return that collateral when due, you (or, if applicable, your guarantor or credit support provider) could suffer substantial economic losses. Similar risks, and considerations regarding their allocation, apply if your counterparty or any guarantor or credit support provider for your counterparty agrees to deliver collateral to you in connection with the Transactions that is held at a third-party custodian. Your ability to realize upon that collateral is subject to the credit and operational risks of that third-party custodian, and you could suffer substantial economic losses if that custodian breaches its custodial obligations. You also will be exposed to the credit risk of any issuer or obligor of any instrument comprising such collateral. Regardless of which party may be delivering collateral, if the third party custodian commences an interpleader action, takes other action to resolve uncertainty regarding its duties with respect to the disposition of the collateral, or otherwise fails to act in a timely manner, there could be significant delays in obtaining the return of your collateral or your ability to realize upon our collateral.

**G. Operational risks related to Transactions may result in losses** Operational risk is the risk of loss to a party arising from inadequacies in, or failures of, processes, procedures, systems and/or controls for conducting Transactions, including (i) recording, monitoring and quantifying the risks and contractual obligations associated with Transactions, (ii) recording and valuing Transactions and related transactions, (iii) making payments or deliveries, (iv) exercising rights before they expire, including option exercise rights, in a manner that complies with the terms of the relevant Transactions, (v) meeting regulatory filing, reporting and other requirements, or (vi) detecting human error or systems failures, including disaster recovery procedures. Examples of operational risks include failures to record Transactions or life cycle events (including amendments, transfers, early terminations, or automatic exercises), to obtain quotations or market data needed to make payment, delivery or settlement computations, to give or respond to notices in a timely manner or to review and disaffirm erroneous confirmations before they become binding, and the loss of systems connectivity to, or the failure of, a trading facility or confirmation/affirmation platform. Losses from operational risks can be substantial, including the loss of the entire value of a Transaction, which may be the case, for example, if an unexercised option expires in-the money to you. The extent of your exposure to losses from the operational risks of parties not under your control may be determined, in part, by applicable law and/or contractual provisions that allocate or limit liability.

**H. Transactions may involve legal and documentation risks** Legal and documentation risks include the risks that Transactions or related arrangements may not be legally enforceable, or

that their documentation does not correctly reflect a party's understanding. As a result, disputes could arise as to the enforceability of Transactions or related documentation or the intended meaning of documentation terms, or ambiguous terms could be construed by a court or arbitrator in a manner that differs adversely from a party's expectations. Changing documentation practices, including as a result of the development of new or updated industry standard terms, and their possible non-uniform adoption by market participants may give rise to documentation basis risk (i.e., the risk that Transactions that are intended to be economically similar may behave differently in certain circumstances due to their incorporation of different documentation terms). Accordingly, parties should monitor evolving documentation practices and be alert to the possibility that new documentation terms may be incorporated through bilateral documentation, industry protocols, or changes in the rules of a confirmation service or trading facility. Industry protocols require action on the part of both parties to documentation in order for the protocol to apply to the parties' documentation. Legal risks also include the risks that Transactions, or activities associated with Transactions, conflict with or violate applicable law (including bankruptcy laws) or the provisions of other contracts or instruments, potentially subjecting a party to lawsuits, regulatory proceedings, legal or equitable remedies and/or sanctions. In the event that your named counterparty to the Transactions or, if applicable, its guarantor or other credit support provider, becomes subject to an insolvency proceeding, the laws governing the insolvency proceeding will have an important bearing on your rights, obligations, remedies and claims under the Transactions. Although applicable insolvency laws may contain protections for certain contractual rights with respect to qualifying financial contracts, the consequences of our insolvency for you will depend on various factors, including our and your regulatory status, specific applicable law including any non-US insolvency laws applicable to us, the characteristics of the Transactions, the terms of any master agreements and credit support arrangements governing the Transactions, the manner in which a court or bankruptcy official exercises its statutory or equitable powers (including, where applicable, to assign or repudiate contracts), and the existence in some jurisdictions or regulatory regimes of mandatory waiting periods to allow contracts to be transferred or assumed before termination rights may be exercised. If a third party custodian holding your collateral becomes subject to an insolvency proceeding, your ability to recover your collateral will depend on similar factors, including the applicable insolvency regimes, whether the custodian has maintained sufficient unencumbered assets to satisfy claims of other custodial customers for which it holds securities of the same type as the securities comprised in your collateral, the legal characterization of your relationship with the custodian and the relative priorities and claim amounts of other claimants. Your claim for the return of cash collateral from the third-party custodian may be that of an unsecured creditor. The protections, if any, afforded to uncleared Transactions and to collateral that you have delivered to us to secure your obligations in connection with uncleared Transactions differ from those applicable to transactions cleared on a derivatives clearing organization or other clearinghouse. In particular, you should be aware that if the governing documentation for uncleared Transactions effects an outright transfer of title in the collateral to us or permits us to re-use or rehypothecate the collateral, you may lose your proprietary interest in the collateral and have only an unsecured claim for the return of the collateral value remaining after its application to satisfy your obligations to us. Unless otherwise provided by law, you should assume that delivered cash and other collateral is not insured by any government or governmental agency (including the Federal Deposit Insurance Corporation). You should evaluate these considerations carefully, as well as all other legal, regulatory and documentation issues associated with conducting Transactions, in consultation with your legal advisors.

**I. It may be difficult or impossible to establish the value of a Transaction** The price and characteristics of a Transaction are individually negotiated between the parties. Because Transactions may not be standardized or publicly traded, their value at any time may not be precisely ascertainable or even well defined. Our pricing models may differ from those of other dealers and may arrive at different values. Our pricing models contain proprietary features which we are not required to share with you. The assumptions and theoretical analyses underlying a pricing model may prove to be incorrect, and the observable market inputs used in the model, which we may obtain from third party sources, may not be representative of current market conditions. We make no representations or warranties regarding the accuracy of information from third party sources. Reported prices for similar transactions, even if they are available, may not be directly comparable due to differences in transaction size, credit or collateral terms or other particular features that may not be ascertainable from the information reported. Consequently, it may be difficult for you to establish an independent value for an outstanding Transaction. You should not regard the daily or pre-trade mid-market mark or any other indicative quotation that we provide to be an offer to enter into or terminate the relevant Transaction at that value or price, unless we identify that value or price as firm or binding with respect to a specific quantity or notional amount of the Transaction. Indicative valuations that we provide to you may differ from those used to determine your collateral or margin delivery obligations or from the prices at which we record Transactions on our books and records. We make no representations or warranties that any such prices, values or valuations are suitable for complying with any financial or tax reporting obligation, determining net asset value, computing any tax liability or any other purpose, matters which you should discuss with your own financial, legal, tax, accounting and other professional advisors and, except as otherwise agreed, we disclaim any liability for any such use or reliance thereon, whether losses or damages are direct, indirect, incidental or consequential, even if we are advised of their possibility. The mid-market mark or daily mark that we may provide pursuant to **SEC Rule 15Fh-3(c)** does not include amounts for profit, credit reserve, hedging, funding, liquidity, or any other costs and adjustments. We make no representations or warranties to you that the prices at which we offer or value Transactions are the best prices available in the marketplace. You may wish to seek representative quotations from other participants in the relevant market to compare prices or to determine the intrinsic or current market value of a particular Transaction.

**J. Legislative and regulatory risk and uncertainty for persons engaged in Transactions**

As part of global governmental and private sector efforts to stabilize and reform financial markets, changes in the regulation of persons who engage in Transactions have been considered, proposed, adopted, and/or implemented. For example, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) establishes a new regulatory framework for Transactions that, among other matters, provides for the registration and comprehensive regulation of swap dealers, major swap participants, security-based swap dealers and major security-based swap participants, imposes clearing and trade execution requirements, creates recordkeeping and real-time reporting regimes and enhances the rulemaking authority of the Securities and Exchange Commission (“SEC”) with respect to registered entities and intermediaries subject to each agency’s respective oversight. New requirements relating to capital, margin, registration, trading restrictions and myriad other aspects of engaging in Transactions have been enacted and are being implemented, while others are still being formulated. It is anticipated that promulgation of new rules will be followed by periods in which the meaning and application of rules will be evolving. Further and unforeseeable changes may result. The regulatory changes and resulting requirements of the Dodd-Frank Act, the European Market Infrastructure Regulation, the Basel III framework and similar international reform efforts may limit or restrict, or increase the costs of, engaging in

Transactions and related activities for us, you (e.g., the costs to you of obtaining and maintaining a legal entity identifier and complying with recordkeeping obligations, if applicable) and/or other market participants with which you may wish to transact. Provisions of the Dodd-Frank Act may cause or require certain market participants to transfer some of their derivatives activities to separate entities, which may not be as creditworthy as the current entities. Accordingly, the ability to enter into and perform Transactions or engage in future Transactions may be affected in unpredictable ways, including increasing the costs of or reducing the incentives for engaging in such activities.

**K. Legislative and regulatory risk and uncertainty regarding Transactions, Underliers and related markets** As part of global governmental and private sector efforts to stabilize and reform financial markets, changes in the regulation of Transactions, Underliers and related markets have been considered, proposed, adopted, and/or implemented. Such measures include temporary and permanent restrictions on short selling securities, price fluctuation limits, trading halts, limits on maximum net long or short futures and swap positions that any person may hold or control in particular commodities, commodity price caps, restrictions on 'naked' credit default swaps, taxes on certain financial transactions, capital controls and measures to address the risks of high frequency trading. It is difficult to predict the impact of such regulations or the likelihood of proposed regulations being adopted, but these regulations could significantly increase compliance costs, cause significant and unexpected market disruptions, or adversely affect liquidity, valuations or volatility in the markets of Underliers. Any of these consequences could in turn adversely affect the Transaction Economics or, subject to the terms of the Transaction and other governing documentation, result in the termination of affected Transactions at unfavorable prices or values.

**L. Emerging Market Jurisdictions** In some Transactions, the Underliers may be related to issuers or reference entities that are organized or located in, or are sovereign governments or governmental entities of, emerging market jurisdictions, or the Underliers may be prices, levels, or values determined by reference to trading markets in such jurisdictions or published by a central bank or other governmental entity of such a jurisdiction. Commercial arrangements with respect to emerging market jurisdictions may be subject to greater uncertainty and volatility when compared to well-developed markets and may be exposed to factors including: (i) the risk of significant and sudden changes in political, social, economic and fiscal policies, laws, regulations and interpretations, including with respect to currency exchange, taxation, foreign ownership of assets, prohibitions on the repatriation of assets, nationalization of businesses and other laws or restrictions, any of which may be applied with little advance notice or retrospectively; (ii) difficulties or uncertainty regarding the ability to enforce contractual rights and obligations in local courts; (iii) changes in other market or economic factors that may affect the ability to convert the currency of the relevant emerging market jurisdiction to another currency or remit the proceeds of such conversion; (iv) lesser liquidity in local securities and futures markets, which may trade a small number of instruments and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of any relevant underlying assets difficult or impossible at times, or possible only at unfavorable prices; (v) risks related to custodial arrangements and delays or other factors in the settlement of securities; and (vi) less developed accounting, auditing, financial and other reporting standards, and lower levels of disclosure and regulation of securities, when compared to more developed markets. Such factors may affect the price, level or value of an Underlier, the calculation agent's or other determining party's ability to make required determinations, your or our ability to perform obligations, and our ability to enter into or unwind hedge positions in respect of Transactions and the price and timing at which we or an affiliate may enter into or unwind such positions. The

occurrence of such events may trigger contractual terms of Transactions or governing documentation that address these risks, and the operation of such terms may adversely affect the Transaction Economics. Alternatively, these risks might not have been expressly provided for in Transaction terms or governing documentation, or their consequences may be unclear, which in either case may lead to uncertainty or disputes.

**N. Combination Transactions** In some cases you may enter into two or more Transactions that are intended to operate in an integrated manner to achieve your desired objectives. Such Transactions may be documented, either separately or together within a single confirmation, as a combination of component Transactions, such as a collar documented as a put and a call, a tranching option consisting of component options with sequential expiration dates or Transactions entered into sequentially that are intended to operate in an interdependent manner. The Underliers of the component Transactions may be in different asset classes. You should review the terms of such Transactions and consider the possibility that termination events, disruption fallbacks, adjustments or extraordinary events may not apply identically to all of the component Transactions, which may adversely affect the Transaction Economics.

**M. Index Underliers** Certain Transactions may have indexes as Underliers. An index is generally a number or level, which varies over time, that is derived from prices or other quantifiable information about its constituents, or the index may simply be a set of constituents that together serve as Underliers for a Transaction or combination of Transactions. An index may be based on observed transaction prices, indicative or estimated prices or levels, survey results, economic statistics or other factors. Examples of indexes include equity indexes, indexes based on the settlement prices of exchange-traded contracts for physical commodities, a set of reference entities with respect to which the credit events are defined that determine consequences under a credit derivative transaction, or measures of inflation, weather conditions or real property prices. You should understand the methodology, characteristics and limitations of any index that serves as an Underlier for a Transaction and consider carefully whether it is appropriate in light of your objectives for entering into the Transaction. An index may be compiled by an industry association or other private body or by a government agency (the "index sponsor"). The index sponsor is responsible for maintaining an index. The index sponsor may in certain situations add, delete or substitute the constituents included in the applicable index or make other methodological changes that could change the level of that index. Additionally, the index sponsor may change the publication timing or otherwise alter, discontinue or suspend calculation or dissemination of the applicable index. The index sponsor has no obligation to consider your interests with respect to any such actions. Any of these actions could adversely affect the level of the index and could trigger disruption fallbacks (e.g., an alternative determination of the index level by the calculation agent) or postponement, adjustment or termination provisions of a Transaction with an index Underlier, any of which could adversely affect the Transaction Economics. The operation of such provisions may be subject to discretionary determinations by the calculation agent or other designated party, which may involve subjective judgment and uncertainty.

**N. Dependence of Transactions on our Hedging Positions** The terms of a Transaction may provide that costs incurred in connection with acquiring, maintaining or disposing of any hedge positions that we or an affiliate have entered into related to the Transaction are passed through to you, including taxes, duties and fees, or that the terms of the Transaction may be adjusted to account for the economic effect of events affecting such hedge positions. Further, our obligations under a Transaction may be limited to amounts actually received in respect of such hedge positions and, if applicable, which are able to be remitted out of or transferred between relevant accounts in the jurisdictions relevant to such hedging activity. Events that affect the

transferability or convertibility of a currency in which such hedge positions are denominated could result in the postponement of valuation dates and payment dates, changes in the settlement currency or the value of an Underlier being deemed to be zero. Please refer to the Disclosure Annex for Foreign Exchange Transactions, published by the International Swaps and Derivatives Association, Inc. for a discussion of certain events that may affect foreign exchange markets.

**O. Deductions** Unless otherwise agreed in the governing documentation of the Transaction, payments or deliveries may be subject to deductions for tax, duty, withholding or other payments required by law.

**P. Eligible Contract Participant Status** If you are not an eligible contract participant (within the meaning of Section 1a(18) of the Commodity Exchange Act and the regulations thereunder), it is unlawful for you to enter into a swap unless the swap is entered into on, or subject to the rules of, a designated contract market. Under Section 5(e) of the Securities Act of 1933 it is unlawful for any person to offer to sell, offer to buy or purchase or sell a security-based swap to any person who is not an eligible contract participant without an effective registration statement. Further, under Section 6(l) of the Securities Exchange Act of 1934 it is unlawful for any person to effect transactions in security-based swaps to any person who is not an eligible contract participant unless the transaction is effected on a registered national securities exchange.

If you are an eligible contract participant and enter into a swap that is not entered into on, or subject to the rules of, a designated contract market, or a security-based swaps that was not effected on a registered national securities exchange and without an effective registration statement, you should be aware that certain changes with respect to the swap or security-based swap, such as a material amendment or, in the case of a swaption, your exercise of the option to enter into the underlying swap or security-based swap, may, for purposes of the Commodity Exchange Act and rules thereunder and the Securities Act of 1933 and Securities Exchange Act of 1934 and the rules thereunder, result in the entry into a new swap or security-based swap, respectively. If so, you may only be able to amend, or exercise your rights under the swap or security-based swaps if you are then an eligible contract participant.

**Q. Deal Contingent Swaps** We use the term “Deal Contingent Swap” to refer to a type of Transaction that is a forward-starting rates transaction, commodities transaction or foreign exchange transaction that by its express terms either (i) becomes effective upon the occurrence of an event specified for such purpose under the terms of such Transaction (“Contingency Event”), such as a merger, stock purchase or other form of acquisition (“Acquisition”) or the closing of a financing related to an Acquisition, another transaction, or an industrial, infrastructure, public service or other project as described in such terms (“Closing”), or (ii) terminates early or is cancelled if the relevant Contingency Event does not occur by a specified date, within a specified period, or otherwise in accordance with the terms of such Transaction. In connection with a Contingency Event, a party may or may expect to (i) receive financing on a fixed rate or floating rate basis, (ii) make or receive a payment in another currency, or (iii) enter into a commodities purchase, sale or other commodities transaction. Any such financing, currency payment or commodities transaction may be subject to interest rate, commodity price and/or foreign exchange risk. To hedge or otherwise manage such risk, a party may enter into a Deal Contingent Swap relating to the relevant Underlier. In addition to risk relating to the relevant Underlier, parties to a Deal Contingent Swap are subject to the risk that such transaction fails to become effective or terminates early or is cancelled with no further obligations due from either party (unless otherwise provided by the terms of the Deal Contingent

Swap) if the Contingency Event does not occur within the prescribed terms of the Deal Contingent Swap. A Contingency Event may not occur for various reasons, which may or may not be specified or referenced in the Confirmation of the Deal Contingent Swap. For the avoidance of doubt, a Deal Contingent Swap does not include a forward-starting Transaction that, while it may have an “Effective Date” or commencement date that is timed to coincide with an expected event or the expected closing of a financing, is not contingent upon the occurrence of such event or closing or does not otherwise result in an early termination or cancellation if such event or closing does not occur.

The terms of a Deal Contingent Swap may incorporate standard definitions published by industry bodies, annexes thereto and other market standard terms, which may in turn be amended or customized pursuant to the terms of the Deal Contingent Swap and its governing documentation. Before entering into a Deal Contingent Swap, you should obtain and review carefully any such materials incorporated by reference as their content could materially affect your rights and obligations under the Deal Contingent Swap, its value and its appropriateness for your particular objectives.

### **1. Acquisition Outs Risk**

In the case of a Contingency Event involving an Acquisition, an Acquisition may not occur or be consummated due to the occurrence or non-occurrence of events set forth in the Acquisition documentation (“Outs”) that may or may not be within the control of the parties, including, for example:

- the failure to obtain necessary international and domestic regulatory approvals;
- the existence of legal impediments to the Acquisition;
- the failure of a required shareholder vote;
- an inability to obtain financing on acceptable terms;
- the receipt and acceptance of a competitive bid from a rival acquirer;
- a lack of performance by the parties to the Acquisition documentation;
- the existence of misrepresentations in the Acquisition documentation;
- the exercise of termination rights pursuant to Acquisition documentation;
- the commencement of litigation by third parties;
- a failure to obtain required third party consents; or
- a material adverse change to the target’s business.

As the result of certain Outs, a Deal Contingent Swap may not become effective or may terminate early or be cancelled with no further obligations due from either party to such Deal Contingent Swap. Accordingly, you should closely review and understand the terms of the documentation governing the Acquisition to which a Deal Contingent Swap relates and consider carefully those Outs that could have such result.

### **2. Risk of a Financing not Closing**

In the case of a Contingency Event involving a Closing, the Closing of a financing is typically subject to conditions set forth in the financing documentation (“Closing 40 Conditions”) that may or may not be within the control of the parties. As the result of one or more Closing Conditions failing to be satisfied, a Deal Contingent Swap may not become effective or may terminate early or be cancelled with no further obligations due from either party to such Deal Contingent Swap. Accordingly, you should closely review and understand the terms of the documentation



governing the financing to which a Deal Contingent Swap relates and consider carefully those Closing Conditions that could have such result.

### **3. Non-Cancellation Risk**

According to the terms of certain Deal Contingent Swaps, particular Outs and/or Closing Conditions (“Non-Cancellation Events”) may not prevent a Deal Contingent Swap from becoming effective or may not otherwise result in its early termination or cancellation with no further obligation due from either party. Such Non-Cancellation Events may include those Outs or Closing Conditions within your control or such other Outs or Closing Conditions as the parties may agree will have the same effect. Upon the occurrence of such Non-Cancellation Events, the Deal Contingent Swap may become effective or may not terminate early or cancel, or alternatively the Deal Contingent Swap may physically-settle or cash-settle (which cash settlement may include an early termination or cancellation payment due to or from you based on the value of the underlying rates, commodities or foreign exchange transaction, determined as of the relevant valuation date and disregarding the relevant contingency terms for purpose of such valuation), even though the related Acquisition or Closing has not occurred or been consummated. In such circumstances, the risks arising from Deal Contingent Swaps include those which are similar to writing uncovered options or swaptions where the gains and losses (realized or unrealized) on your position as a writer under such a Transaction would not be offset by corresponding losses and gains (realized or unrealized) on an underlying asset, liability or trading position, thereby potentially exposing you to significant losses depending upon changes in the value of the underlying transaction, or if the Deal Contingent Swap becomes effective and continues, in the applicable Underlier.

### **4. Risk Arising From Post-Termination Contingency Events**

Generally, Deal Contingent Swaps will not become effective or will terminate early or cancel if the related Contingency Event has not occurred (for any reason other than a Non-Cancellation Event) on or prior to a certain date set forth in the applicable Confirmation (“Determination Date”). However, the Deal Contingent Swap may provide that, if the Acquisition, Closing or other Contingency Event (or similar transaction, financing or event) occurs or is consummated (or, if so provided, announced) within a certain period following the Determination Date, a payment may be due to or from you based on the value of the underlying rates, commodities or foreign exchange transaction, determined as of the Determination Date or such other valuation date specified therefor and disregarding the relevant contingency terms for purpose of such valuation. To the extent there has been a change in the value of the underlying transaction, this could expose you to significant losses.

### **5. Pricing**

Due to the forward-starting and contingent nature of Deal Contingent Swaps, the interest rate, commodities price or exchange rate payable by you may be higher (or receivable by you may be lower) than if you entered into a current-starting or non-contingent forward starting rates, commodities or foreign exchange transaction. This pricing may reflect our anticipated costs of hedging or otherwise managing our risks associated with the Deal Contingent Swap during the contingency period and/or our own assessment of and willingness to accept the risks of entering into a Deal Contingent Swap. Also, upon the occurrence of a Contingency Event, the terms of a Deal Contingent Swap may provide for a change in its pricing and/or other terms. Before you

enter into any Deal Contingent Swap with us, you should carefully evaluate its pricing and other terms, including any changes that will result from the occurrence of a Contingency Event.

## **6. Conflicts of Interest**

Please see Section IV regarding potential conflicts of interests in our financial market activities in connection with Deal Contingent Swaps.

**R. Benchmark Risks** Key interbank offered rates (“IBORs”) and other benchmarks used in Transactions or affecting Transaction Economics are or may become the subject of national, international or other regulatory or industry initiatives or actions that may cause a benchmark to perform differently than in the past, or to disappear entirely, or have other consequences that cannot be foreseen at the time you enter into a Transaction. Any such consequences could adversely affect a Transaction or its Transaction Economics. In addition, fallback arrangements may apply to a Transaction in the event of a suspension, discontinuance or unavailability of a benchmark as specified in the documentation for the Transaction. You should consider the potential effect of any fallback arrangements on the Transaction and its Transaction Economics. For additional information, including related risks, see ISDA’s Disclosure Annex for Interest Rate Transactions together with its IBOR Alternative Reference Rates Disclosure supplement. Prior to entering into a Transaction that is priced or settled or that includes a contingency based on one or more reference rates or prices, you should endeavor to fully understand how those reference rates or prices are established, including, among others, the nature, quality and sources of data inputs, the methodology and process for the construction or generation of such reference rates or prices and the contingency arrangements maintained by the sponsor, publisher or administrator, the governance and oversight arrangements maintained by the sponsor, publisher or administrator of such reference rates or prices (including with respect to any submission process or other data input selection process) and its management of conflicts of interest, and the transparency and availability of disclosures by the sponsor, publisher or administrator regarding the foregoing matters. You should independently assess the suitability of the reference rates or prices for your Transaction and your needs, including how highs and lows of such reference rates or prices may adversely affect your interest. Information regarding a reference rate or price may be available through the sponsor, publisher or administrator, including its publications or websites or through other sources.

**S. Foreign Exchange Risks** Please refer to the Disclosure Annex for Foreign Exchange Transactions, published by the International Swaps and Derivatives Association, Inc. for a discussion of certain events that may affect foreign exchange markets.

## **IV. CONFLICTS OF INTEREST AND MATERIAL INCENTIVES**

**A. Our financial market activities may adversely impact Transactions** We or our affiliates may act as, among other things, an investor, research provider, placement agent, underwriter, distributor, remarketing agent, structurer, securitizer, lender, investment manager, investment adviser, commodity trading advisor, municipal advisor, market maker, index sponsor, trader, prime broker or clearing broker. In those and other capacities, we may purchase, sell or hold a broad array of investments, we may trade securities, loans, commodities, currencies, credit instruments, indices, baskets, derivatives, and other financial instruments for our account or for the accounts of our customers and other counterparties, including Transactions, or provide advice or other services that may result in our customers engaging in such activities. We may have other direct or indirect interests in these products and the markets, data providers, index

sponsors, clearinghouses, settlement systems and other market utilities with respect to such products, including as liquidity provider to a trading venue, clearing member, exchange member, participant on an exchange settlement committee, participant or sole index sponsor in determining the constituents of an index or submitting or compiling estimates or prices upon which an index is based, or provider or calculator of transaction data. We may own equity in, provide financing to, serve on the board of directors of, provide investment banking advice on mergers, restructurings and other corporate actions to, or initiate or participate in the enforcement of remedies against, issuers and other third parties whose activities may influence or otherwise affect the price, value, or level of Underliers and/or the Transaction Economics. Our financial market activities may, individually or in the aggregate, have the effects noted above and below, and you should expect that our interests, and the interests of our customers or other counterparties, may at times be adverse to your interests under or in connection with Transactions we conduct with you. Unless otherwise disclosed in writing, we are not necessarily acting in your best interests and we are not assessing the suitability of the Transaction for you. Without limiting the foregoing (except as the same may be limited by applicable law), we may engage in the following activities:

**1. Publish research reports or otherwise express views regarding Underliers.** We may publish research from time to time on Underliers or Transactions. More generally, we may express views on financial markets and other matters that may influence the price, value, or level of the Underliers and related Transactions. Our personnel, including sales and trading, investment research and investment management personnel, may make investment recommendations, provide market color or trading ideas, or publish or express independent views in respect of a wide range of issuers, securities, other instruments and market variables, including interest rates, inflation, foreign exchange, commodities and other variables that may be relevant to an Underlier. These strategies may include, for example, buying or selling a financial instrument or buying or selling credit protection against a default or other event involving an issuer or financial instrument. Any of these recommendations and views may be positive or negative with respect to an Underlier or other securities or instruments similar to or linked to an Underlier or may result in trading, investment, or hedging strategies that have a positive or negative impact on the market for such securities or instruments, particularly in illiquid markets. In addition, you should expect that our trading, research or investing personnel will have or develop independent views regarding an Underlier, Transaction or relevant industry or other market trends, which views may be inconsistent with your views or objectives in connection with particular Transactions. Any research, opinions or recommendations expressed by us or our affiliates may not be consistent with each other and may be modified from time to time without notice. You should make your own independent investigation of the merits of entering into each Transaction and the Underliers.

**2. Trade for our own account or the account of customers** We may on a regular basis trade (taking long or short positions, or both concurrently) in instruments identical or economically related to your Transactions or the Underliers. We may engage in these activities for our own proprietary accounts, for accounts under management or to facilitate transactions (including block transactions) on behalf of customers. Subject to any express agreement in the documentation governing a Transaction, we may, in our discretion, decide to hedge our exposure under Transactions by taking positions in the Underliers or related instruments. We may adjust our hedge dynamically by purchasing or selling the Underliers or related instruments, and may close out or unwind our hedge positions. Our market activities in connection with such hedging may occur, or become more frequent or of greater magnitude, in connection with or in anticipation of the initiation or termination or exercise of your Transactions,

on or before a valuation or observation date, or, in the case of option Transactions, when the price, level or value of the Underlier is near the exercise level or level at which a “barrier” or other condition may be satisfied. The foregoing trading activities may adversely affect the price, value, or level of Underliers and Transactions, the likelihood that an option Transaction will be in the-money or become exercisable or that a barrier event will occur, or your trading, investment or hedging strategies or results. The results of your Transactions may differ significantly from the results achieved by us for our proprietary or managed accounts. We are under no duty to inform you about the nature or extent of our trading activities or to refrain from or restrict such activities as a result of being your counterparty to Transactions or any information we may have received regarding your trading interest with respect to Transactions, except in each case to the extent we have expressly agreed in writing or as may be required under applicable law.

**3. Engage in similar Transactions with other counterparties** We may engage in Transactions with other counterparties that have trading, investment, or hedging objectives that are similar to yours. This may create potential conflicts where there is limited availability or limited liquidity for those Transactions. We may also engage in Transactions with other counterparties that have trading, investment, or hedging objectives adverse to yours. We are under no duty to inform you of the nature or identity of these other counterparties or their respective Transactions. Transactions by multiple counterparties may have the effect of diluting or otherwise negatively affecting the values, prices or levels of Underliers or Transactions, or your trading, investment or hedging strategies or results. The results of your Transactions may differ significantly from the results achieved by other counterparties.

**4. Possess non-public information relevant to Transactions** Acting in the various capacities noted above or elsewhere may give us broad access to the current status of certain markets, investments and products. For example, we may have investment banking or other commercial relationships with and access to information from the issuer(s) of securities, financial instruments, or other interests underlying your Transactions. As a result, we may be in possession of information, which, if known to you, might cause you to seek to dispose of, retain or increase interests in one or more Transactions. Unless otherwise agreed, we will be under no duty to make any such information available to you, except to the extent that disclosure may be required under applicable law.

**5. Lack information across business lines and affiliates** As a result of logistical, technical and physical separation between and among business lines, administrative functions and legal entities, including informational barriers constructed between different divisions, the natural persons acting on our behalf to engage in Transactions with you may not generally have access to all information known collectively by all of our business lines, and they may not be able to consult with personnel in other business lines. Therefore, they will generally not have the benefit of all information held by and among all of our business lines and administrative functions. Accordingly, you should not expect of, nor impute to, such persons knowledge of such other information.

**6. Act as calculation agent, valuation agent, collateral agent, or determining party** We may act as the calculation agent, valuation agent, collateral agent, or other determining party with respect to Transactions for determining payments or deliveries during the term of Transactions, upon termination or otherwise, any disruption events, dilution adjustments or termination events, and any other terms of a Transaction as agreed with you. In such capacity, our role and our duties will be limited to those set out in the Transaction or the governing documentation, it being understood that our economic interests with respect to Transactions in

which we act as a calculation agent or other determining party are potentially adverse to yours with regard to the Transactions. Determinations made in one or more of these roles may adversely affect the Transaction Economics.

**7. Have an economic interest in the execution venue or clearinghouse** We may have an ownership or other economic interest (such as the right to receive payment for order flow, reporting or other fees) in a swap execution facility, designated contract market, national securities exchange, or other trading venue on which Transactions may be executed. We may have ownership or other economic interests in a clearinghouse to which a Transaction executed between us could be submitted or given up for clearing. We may have access to one or more trading venues or clearinghouses and not others. Our directors or employees may serve as directors of one or more trading venues or clearinghouses. In such cases, we may derive financial or other benefits if your Transaction is executed and/or cleared at such venue or clearinghouse. Conversely, it may be financially advantageous for us if a Transaction is executed bilaterally and not cleared (applicable law permitting). For example, we may incur lower funding costs, derive a funding benefit or face more favorable market conditions in which to hedge our exposure resulting from a Transaction.

**8. Act as an agency broker or clearing broker** If we act as your agent for the execution of Transactions, subject to applicable law, we may have discretion to decide where to direct your orders, to solicit persons to trade opposite those orders, or to enter into Transactions opposite those orders for our own account or the account of our affiliates or customers. We may derive financial and other benefits (such as the right to receive payment for order flow, reporting or other fees) from such decisions.

**B. Transaction fees and implicit spreads may increase your loss or decrease your return** We generally enter into Transactions to earn a profit or to manage the risks of exposures we have accumulated through the conduct of our business. Our profits may derive from explicit fees and commissions, or may be implicit in the difference between payments and deliveries made to or by us under Transactions and our costs (or gains) in hedging and carrying the resulting exposures. It is possible that we may earn a substantial return from our hedging positions related to a Transaction while the value of the Transaction to you declines or fails to increase by a commensurate amount. Before you enter into a Transaction, you should review and understand all commissions, fees and other charges for which you will be liable, including all amounts payable or due to us. These charges will affect your net profit (if any) or increase your loss. We may be paid a structuring fee distinct from payments made in connection with a Transaction.

**C. We may use third parties for marketing or solicitation** We may pay third parties to market or solicit counterparties and/or Transactions on our behalf. Accordingly, any party that referred you to us may have an economic stake in your Transactions.

**D. Our own transaction fees and costs may be reflected in the price or economic terms of Transactions** We have a variety of costs and expenses associated with entering into and carrying Transactions. These may include, without limitation, fees, commissions and other charges that we may become obligated to pay to third parties from time to time in connection with Transactions, including brokerage fees, referral fees, and execution, clearing and/or reporting fees associated with our compliance with applicable law. Unless otherwise agreed, you will not be obligated to reimburse us for these fees, commissions or other charges, but as with any of our other costs and expenses, you should assume they are reflected in the price or

other economics of your Transactions. In this regard, we generally do not disclose our costs and expenses except as may be required by applicable law.

**E. Our lobbying activities may adversely impact Transactions** We may directly, indirectly, individually or through participation in industry trade groups or other associations, engage in lobbying or other advocacy efforts, both domestically and internationally, before national and state legislatures, governmental agencies, regulatory bodies or other authorities or officials (including the CFTC, SEC, bank supervisors and securities and financial services regulators) on matters relating to Transactions (whether of a legal, regulatory, financial, tax, or accounting nature or otherwise) in which our interests and positions may conflict with or be adverse to your interests and positions on such matters.

**F. Our relative compensation may vary from one Transaction to the next**

If we recommend alternative Transactions or alternative Transaction strategies to accomplish a particular financial objective that you may have (each, an “Alternative”), our relative compensation may vary from one such Alternative to the next. Before entering into or adopting any such recommended Alternative, you may wish to consider our relative compensation as it relates to our incentives and potential conflicts of interest. In particular, our relative compensation may be material to our incentives underlying our recommendations, and how we rank our relative compensation from one Alternative to the next may assist you in making your assessment of each Alternative that we may recommend to accomplish a particular financial objective.

1. Relative compensation As used herein, “relative compensation” means, as between two or more Alternatives, that we may rank our expected compensation as higher, lower or generally equivalent from one such Alternative to the next as of the date of such ranking. For this purpose, “generally equivalent” means that we estimate the difference, if any, in our expected compensation from two or more Alternatives to not be material. These rankings may be based on good faith estimates and assumptions without intending that our relative compensation reflect the actual compensation that we may book or realize over the life of any of the Alternatives assuming any were to be entered into or adopted, and without any obligation to disclose our expected or actual compensation (including estimates) except as required by law or regulations, including CFTC Regulation 23.431(a)(3)(ii). Unlike mid-market marks furnished to our counterparties under CFTC Regulation 23.431, our relative compensation rankings may also take into account, and reflect disparities in, amounts for profit, credit reserves, hedging, funding, liquidity or other costs or adjustments between Alternatives and/or those of any offsetting trading positions, hedges or underlying hedged items. Whether and to what extent our relative compensation is materially affected by one or more of these amounts (or estimates thereof) may depend on a variety of factors, including the type and material characteristics of each Alternative, our pricing assumptions for each Alternative (which may vary from counterparty to counterparty at our discretion), and the risk management strategies we anticipate employing to hedge or otherwise manage our risks associated with each Alternative. Estimates, assumptions and other factors that we may take into account are subject to change at any time, including as the result of changing market conditions, and therefore no assurances are given that our rankings will be the same from one recommendation to the next. Confidential, proprietary features of our estimation methodology and related assumptions may over-state or understate our relative compensation, depending on the relevant circumstances. Also, just as expected compensation may vary from one dealer to the next, our rankings may not be representative of those of any other dealer or market participant. Our rankings (and the prices we offer) also may vary from counterparty to counterparty, depending on such factors as

(without limitation) counterparty credit risk, margin or collateral arrangements and trading history.

2. Relative compensation disclosure Transactions typically involve credit risk, and we generally expect to be compensated for exposing ourselves to and managing such risk, whether or not the Transactions are cleared, margined or collateralized. To the extent a Transaction or Transaction strategy involves greater credit risk, we may price such Transaction or Transaction strategy accordingly, such that we may expect to receive more compensation from one versus another to justify the greater credit risk. Besides credit risk, other factors may be more, less or equally important, such as our costs and risks associated with carrying, hedging and funding a particular Transaction, including capital costs, margin costs, clearing costs, funding costs, operating costs and the costs and risks (including credit risk and basis risk) of acquiring, carrying, margining, funding, managing and disposing of one or more related hedging or trading positions. Of course, the price at which we are willing to offer or accept a Transaction also generally reflects our expectation to earn income or a profit at inception, during the life of, or upon final settlement of the Transaction, or in connection with exercising, amending, transferring or unwinding the Transaction or as the result of another life cycle event, and the exact amount thereof may not be known until after the Transaction is fully performed. Unless otherwise agreed, any price we offer is inclusive of any markup above the price at which we may be able to transact, or have transacted, in related hedging or trading positions. After taking into account these and other pricing factors, we hereby disclose the following in connection with any Transaction or Transaction strategy that we may recommend from time to time to accomplish a particular financial objective:

- Effect of Increased Risk/Protection. Our relative compensation is generally expected to be higher for those Transactions or Transaction strategies that involve larger notional amounts, longer maturities, or factors or features exposing us to higher risk or that increase your protection against economic or other risks.
- Effect of Non-Standard Terms or Adjustments. The inclusion or adjustment of other characteristics of Transactions or Transaction strategies may also increase our relative compensation. For example, as between two alternative Transactions that are identical in all respects except for the inclusion of a financing component (such as the adjustment of a rate or price to reflect the inclusion or deferral of a payment you would otherwise make to or owe us on another transaction or instrument), our relative compensation for the Transaction with the financing component included will generally be higher than for the Transaction without a financing component.
- Effect of Combining Different Swaps and/or Options. When swaps and options are combined into one Transaction, such as an option to enter into a swap, or adding an option to a swap that allows a party to terminate the swap early, either without paying a fee or by paying a reduced fee, the option would generally make the Transaction more expensive for the party that would be acquiring the option. If we would be granting such an option to our counterparty, it can generally be assumed that our relative compensation from such combined swap and option Transaction would be greater than from the swap without such option. Absent our ranking our relative compensation for specific alternative Transactions or Transaction strategies, you should generally assume for purposes of evaluating our incentives and conflicts of interest that any alternative Transaction or Transaction strategy that involves a combination of swaps and/or options or other components will result in higher relative compensation to us than a swap or strategy that does not involve such combination. Of course, there may be benefits associated

with such combination to justify the higher relative compensation, but aside from the increased cost to you, there could be other disadvantages, such as exposing you to increased financial or other risks, which could be significant. There also may be exceptions to the foregoing observations and assumptions. For example, if an alternative Transaction or Transaction strategy involves you selling or granting to us an option or other rights, this may reduce our compensation, representing a potential cost savings to you, but there may be disadvantages associated with our acquiring such option or rights from you, including exposing you to financial or other risks, which could be significant.

- **Effect of Pre-Payment Features for Options, Forwards and Swaps.** Our relative compensation for an option, forward or swap for which you prepay your payment obligations to us would typically be lower than for an equivalent option, forward or swap that you do not prepay because of the absence of credit risk for us in connection with the prepaid option, forward or swap. Given the variety of possible alternative Transactions or Transaction strategies that market participants may use to hedge or otherwise manage commercial risk (or use for trading or investment purposes), this disclosure of our relative compensation is limited to the specific Transaction characteristics described herein and does not address every possible circumstance. This disclosure is not meant to describe all of the factors that might affect our relative compensation in connection with a recommendation of alternative Transaction or Transaction strategies, or that we may nevertheless take into account in establishing an actual price for a Transaction regardless of the order in which we may rank our relative compensation from one Transaction or Transaction strategy to the next. These factors may vary from one Transaction asset class to the next or by type of Transaction or Transaction strategy, and may include, without limitation, any or all of the following:

- The size of the Transaction in relation to the volume of market activity at the time of execution, exercise or life cycle event.
- The tenor or maturity of the Transaction.
- The complexity of the Transaction or the structure that is created.
- The bespoke nature of the Transaction's material characteristics and any associated basis risk.
- Whether the Transaction has a linear payout structure or a non-linear payout structure (the latter of which typically includes options or swaps with option-like features or performance) and the costs and risk associated with dynamic hedging strategies generally associated with carrying nonlinear Transaction positions.
- If a Transaction involves two currencies, the implied volatility of the currency pair.
- The liquidity of, or the supply and demand for, the Transaction, an Underlier or related instruments or in markets generally, which may be influenced by political considerations, economic indicators, inflation, interest rate differentials, market perception, and other factors.
- Counterparty-related factors, which may include, without limitation, counterparty type, risk profile, jurisdiction, creditworthiness and credit support.
- Trading and delivery channels, location, taxes and costs.



- The location where physical delivery of an Underlier is to take place.
- Transportation, transmission, storage and other costs associated with an Underlier.
- Settlement risk, including whether settlement will be effected on a “payment-versus-delivery” (PVD) basis.
- Regulatory considerations, given that certain Transactions or structures may be subject to different requirements and costs in the relevant jurisdiction or between jurisdictions in the relevant market(s), e.g. trade execution, clearing, trade processing and margining requirements and costs.
- Market “skew”, implied market bias or other factors that may influence trading or hedging.
- Central bank exchange controls that may restrict currency delivery (such as non-deliverable currencies).

Please note that pricing assumptions, market conditions and other factors may change after we have ranked our relative compensation for alternative Transactions or Transaction strategies, and therefore the price of any such Transaction may not reflect the same factors used and assumptions made in furnishing you with such ranking. Likewise, since rankings are based on our estimates and assumptions, they are not guarantees that any such ranking, or the factors that affect relative compensation generally described herein, will ultimately match the final economic outcome of a particular Transaction or Transaction strategy. As noted above, confidential, proprietary features of our estimation methodology and related assumptions may over-state or under-state our relative compensation, depending on the relevant circumstances.

If we furnish you with a ranking of our relative compensation for specific Transactions or Transaction strategies, such ranking should be only one of many factors that you and your independent financial and other professional advisers take into account in evaluating such Transactions or Transaction strategies. You and your advisers should carefully consider the benefits, costs, risks and other advantages and disadvantages of Alternatives, especially when a Transaction or Transaction strategy combines different swaps and/or options, or components of different swaps and/or options, or is otherwise structured, more complex or otherwise less liquid. For example, there could be accounting or tax issues or consequences associated with different Alternatives that your accountants or tax advisers may identify and advise you to take into consideration in deciding upon an Alternative or choosing between Alternatives.

**G. Pre-Hedging Activity** Pre-hedging is the practice of managing the risk associated with one or more anticipated counterparty transactions. The information used by us for the purposes of pre-hedging may include, but is not limited to, your indicative interest in a potential transaction, requests for a quote or order details. We may use such information and engage in prehedging activity by dealing as principal with a view to facilitating a potential transaction and may execute portfolio risk management transactions, other counterparty transactions or other risk management activities ahead of your transaction. Any pre-hedging transactions may be executed before—including, but not limited to, immediately prior to the pricing or consummation of any directly or indirectly related Transactions between us, at a price that is different from, and more or less favorable than, the price at which we transact with you. While pre-hedging activity is not designed or intended to disadvantage you, such prehedging activity may negatively

impact market price or liquidity and adversely affect your transaction with us or with others with whom you trade. This disclosure is not meant as a statement that we will engage or not engage in any pre-hedging activity or describe exactly how pre-hedging may impact any specific Transaction or market. The impact of pre-hedging may vary from one Transaction to the next or by type of Transaction or Transaction strategy.

## V. NOTIFICATIONS

**A. Daily Mark** For uncleared swaps and uncleared security-based swaps, we will provide you with a “daily mark” *determined by the last traded price, as of the close of business, on the New York business day, or in CFP’s discretion, as of the close of business in the locality specified by CFP.* As it relates to swaps written on custom baskets, the “daily mark” represents the weighted average of the baskets’ underliers calculated by using the underliers’ *co The mark utilizes third-party consensus pricing. In situations where third party consensus pricing isn’t available, as with certain asset classes, we may use a pricing model such as Black-Scholes, to determine the mark. The mark is time-sensitive and only relevant at the time in which it is published to you.* Daily marks will not reflect the actual market price at which an offer would be made to purchase, sell, enter into, exercise, novate, unwind, terminate or settle a Transaction. Rather, they will represent mathematical approximations of market values as of a given date derived from proprietary models and methodologies based on certain assumptions regarding past, present and future market conditions or other factors, or from other sources of pricing information (e.g., third party quotes, prices on trading venues, or clearinghouse marks for comparable or interpolated Transactions). We reserve the right to alter, replace or vary our models, methodologies, and assumptions from time to time. As provided in SEC Rule 15Fh-3(c), we will disclose the methodology and assumptions used to prepare our daily marks for Transactions we enter into with you and any material changes during the term of the Transaction, provided however, that we will not disclose any confidential, proprietary information about any model. Please note that any daily mark we provide to you for a Transaction shall not include amounts for our profits, credit reserves, hedging, funding, liquidity, or any other costs or adjustments, and may not necessarily: • be a price at which either we or you would agree to replace or terminate the Transaction; • include adjustments you may need to make on your books and records or financial statements to account for your profits, credit reserves, hedging, funding, liquidity or other costs in connection with the Transaction; • unless otherwise expressly agreed, be the basis for margin calls and maintenance of collateral; and • be the value of the Transaction that is marked on our books and records. With regard to the ‘MTM Amount’ as referenced within the Trade Activity Reports, the following statements are applicable: • the ‘MTM Amount’ value is an approximate marked-to-market value of your swap transaction(s) based on the prevailing market conditions as of the close of business as mentioned on this statement • a negative ‘MTM Amount’ value, referenced within the Trade Activity Reports, indicates a liability to Cowen Financial Products • a positive ‘MTM Amount’ value, referenced within the Trade Activity Reports, indicates a liability from Cowen Financial Products • The valuation of the ‘MTM Amount’, referenced within the Trade Activity Reports, of your swap transaction(s) is based on generic market valuation methods, not necessarily taking into account all specific valuation components • The valuation of the ‘MTM Amount’, referenced within the Trade Activity Reports, therefore may not replicate the tradable price of your swap transaction(s) • when closing your swap transaction(s) you are not guaranteed to attain ‘MTM Amount’ value as provided by Cowen Financial Products.

**B. Right to Segregation of Certain Collateral** For uncleared Transactions, subject to the terms of any agreement between us and to applicable laws, you will have the right to require

segregation of the funds or other property that you provide to us to margin, guarantee, or secure your obligations, other than with respect to variation margin and provided that the property is of a type that may be held by a third party custodian. Upon your request following effectiveness of the relevant rules and statutory provisions, we will segregate such funds or other property for your benefit and in accordance with the rules of the SEC, including maintaining the funds or other property in a segregated account separate from our assets and other interests, which account shall be carried by an independent third party custodian and designated as a segregated account. The terms of our Transactions with you may provide for you to reimburse us for the costs of such custodial arrangements, or alternatively we may reflect such costs in the economic terms of Transactions we offer you.

**C. Special Entities** If you are an employee benefit plan defined in Section 3 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002) (“ERISA”) that is not subject to Title I of ERISA or otherwise defined as a “Special Entity” pursuant to CFTC Rule 23.401(c)(1), (2), (4) or (5), you may elect to be treated as a Special Entity under CFTC Rule 23.401(c)(6) for the purposes of the rules of the CFTC, and opt into Special Entity status under Rule 15Fh-2(d)(4) and associated SEC guidance for the purposes of the rules of the SEC, by notifying us in writing.

