

**IMPORTANT RISK DISCLOSURES  
WITH RESPECT TO FULLY PAID  
OR EXCESS MARGIN SECURITIES  
LENDING TRANSACTIONS<sup>1</sup>**

Please read these important disclosures carefully before agreeing to lend to Apex Clearing (“Broker-Dealer”) any of your fully paid securities or excess margin securities (the “Loaned Securities”) from your account carried at Broker-Dealer. These disclosures are intended to be read in conjunction with the written securities lending agreement (as amended, modified, or supplemented from time to time, the “Agreement”) between you and Broker-Dealer that governs any loans of Loaned Securities to Broker-Dealer. These disclosures describe important characteristics of, and risks associated with engaging in, securities lending transactions.

1. **THE PROVISIONS OF THE SECURITIES INVESTOR PROTECTION ACT OF 1970 (“SIPA”) MAY NOT PROTECT YOU WITH RESPECT TO LOANED SECURITIES ONCE SUCH SECURITIES ARE REMOVED FROM YOUR ACCOUNT AND, THEREFORE, THE COLLATERAL DELIVERED TO YOU MAY CONSTITUTE THE ONLY SOURCE OF SATISFACTION OF BROKER-DEALER’S OBLIGATIONS IN THE EVENT BROKER-DEALER FAILS TO RETURN THE LOANED SECURITIES.**
  
2. Loss of Voting Rights With Respect to Loaned Securities: While a securities loan is outstanding, and until Loaned Securities are credited back to your account upon termination of a loan, you will lose your right to vote the Loaned Securities. However, you retain a contractual right to the return of the Loaned Securities and, accordingly, continue to have market exposure with respect to the Loaned Securities.
  
3. Loaned Securities/Short Sales: Use of the Loaned Securities to facilitate short selling could put downward pressure on the price of the Loaned Securities. You are under no obligation to enter into a securities loan with Broker-Dealer and may elect not to allow your Loaned Securities to be used in connection with short sales or any other permitted purpose by:
  - a. Not agreeing to lend any specific securities under the Agreement that you do not want to be used in connection with short sales;
  - b. Recalling any Loaned Securities that you do not want to be used in connection with short sales; or
  - c. Terminating the Agreement in accordance with its terms, subject only to the recall of any outstanding Loaned Securities and the fulfillment of any remaining obligations.
  
4. Your Right to Recall and Sell the Loaned Securities: You have the right to:
  - a. recall, terminate or liquidate a loan at any time for any reason by recalling the Loaned Securities in accordance with the terms of the Agreement; and
  - b. sell some or all of the Loaned Securities at any time, including without limitation, prior to recalling the Loaned Securities and/or prior to the return of the Loaned Securities to your account.

Note, however, that if you entered into a securities loan designated as a “Term Loan” (i.e., with a scheduled termination date) and exercised your right to recall or sell the Loaned Securities before the scheduled termination date, the terms and conditions of such Term Loan, as set forth in the Agreement or other written communication to you, may impose

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<sup>1</sup> These disclosures are designed to satisfy the requirements of FINRA Rule 4330(b)(2)(B).

on you additional costs or obligations.

5. Broker-Dealer Compensation with respect to Loaned Securities: Broker-Dealer [and its associated persons] will receive compensation in connection with the use of your Loaned Securities, including in connection with lending your Loaned Securities to other parties for use in connection with settling short sales, or for facilitating settlement of short sales by Broker-Dealer, its affiliates and/or its customers.

The key factor in determining the amount of compensation Broker-Dealer [and its associated persons] will receive from using your Loaned Securities is the availability of the securities for lending in the marketplace relative to the demand to borrow such securities. Broker-Dealer has an opportunity to earn more compensation when the securities become limited in supply relative to demand (i.e., become “hard to borrow” securities).

6. Your Compensation with respect to Loaned Securities: You and Broker-Dealer will agree upon the compensation you will be paid in connection with your securities lending transactions.

Factors that may influence such compensation include:

- a. Supply and Demand. The key factor in determining the amount of compensation to be paid to you in connection with your securities lending transactions is the availability of the securities for lending in the marketplace relative to the demand to borrow such securities. You generally have an opportunity to earn more compensation when the Loaned Securities become limited in supply relative to demand (i.e., become “hard to borrow” securities).
  - b. Interest Rate Flexibility. The compensation you earn (e.g., interest rate) may change over the course of your securities loan. Such compensation may be based either (i) in part on an interest rate index (such as the Fed Funds open rate or LIBOR) which may vary over time, in which case your compensation may change without prior notice, or (ii) on a fixed rate, unless you agree to an alternative compensation structure with Broker-Dealer. Broker-Dealer may change such rate at its discretion upon notice to you.
  - c. Perceived Stability. Broker-Dealer may place a higher value on securities loans that it believes will be less likely to be recalled prior to the completion of the investment strategy being utilized by it or its underlying clients.
  - d. Size of Securities Loan. You may be paid more compensation if the securities loans are with respect to a desired quantity of Loaned Securities.
  - e. Supply Concentration. You may be paid more compensation if Broker-Dealer is seeking to reduce its potential exposure to recall risk by diversifying the sources of its securities lending supply.
7. Collateral for Loaned Securities: Pursuant to the Agreement, in exchange for the Loaned Securities, Broker-Dealer will provide you (or, in the alternative, pledge to you in an account maintained by a third party custodian) with either cash collateral or a form of non-cash collateral permissible under Rule 15c3-3(b)(3)(iii)(B) of the Securities Exchange Act of 1934 and related SEC guidance. You will receive documentation identifying and describing the type of collateral provided (and substituted, as applicable) in exchange for the Loaned Securities.

Pursuant to the Agreement and applicable regulations, Broker-Dealer will mark the Loaned Securities to market at the close of trading on each business day and, if necessary, will transfer (i.e., add or deduct) collateral no later than the close of business on the next business day so that the market value of the collateral is equal to the market value of the Loaned Securities. If Broker-Dealer collateralizes the Loaned Securities with

cash collateral and Broker-Dealer permits you to reinvest such collateral, you bear the risk of loss as to reinvestment of such cash collateral and will be obligated to return the cash collateral in full when the Loaned Securities are returned, regardless of whether you (a) re-invested the cash collateral or (b) any such reinvestment declined in value. This includes the risk that the interest rates earned on any reinvestment of cash collateral changes without notice to you. If Broker-Dealer defaults and the market value of the Loaned Securities increases in value on the day Broker-Dealer defaults, the cash collateral provided by Broker-Dealer may be insufficient to fully collateralize the Loaned Securities. If Broker-Dealer collateralizes the Loaned Securities with securities collateral, the securities collateral will be subject to market risk, and therefore may not be sufficient to replace the full value of Loaned Securities should Broker-Dealer default.

8. Permitted Purpose to Borrow Loaned Securities: Broker-Dealer may borrow the Loaned Securities for any purpose permitted under Regulation T, including to satisfy delivery requirements resulting from short sales, to cover a short sale or fail to deliver, to satisfy customer possession and control requirements, or to further on-lend the Loaned Securities to other broker-dealers.
9. “Hard to Borrow” Determination: Loaned Securities may be, or may become, “hard to borrow” because of short selling or scarcity of available lending supply or corporate events that may impact liquidity in a security.
10. Potential Tax Implications with respect to Loaned Securities: During the term of any securities loan, you are entitled to receive the amount of all dividends and distributions made on or in respect of your Loaned Securities. However, you will receive manufactured payments (e.g., receive cash substitute payments) in lieu of receiving dividends or distributions directly from the issuer. Certain unique distributions may not be capable of being exactly replicated as a manufactured payment by Broker-Dealer.
  - a. If you are a U.S. taxpayer, cash payments in lieu of dividends will not be afforded the same treatment as qualified dividends for tax purposes and are likely to be taxed at a higher tax rate instead of the preferential qualified dividend rate.
  - b. Broker-Dealer may be required to withhold tax on payments in lieu of dividends and loan fees to you, unless an exception applies.
  - c. You should consult a tax advisor regarding the tax implications of entering into a securities loan with Broker-Dealer, including but not limited to: treatment of cash-in-lieu payments under U.S. state tax laws and the Internal Revenue Code, as well as any foreign tax regulations, as applicable; under what circumstances a securities loan could be treated as a taxable disposition of the Loaned Securities; and treatment of interest received on cash collateral.
11. Broker-Dealer Rights Upon Your Default: Broker-Dealer shall have the right to liquidate the securities loan if an event of default, as defined in the Agreement, occurs with respect to you. An event of default includes, but is not limited to, if you:
  - a. apply for or consent to, or become the subject of an application for, the appointment of or the taking of possession by a receiver, custodian, trustee, or liquidator of itself or of all or a substantial part of your property;
  - b. admit in writing your inability, or become generally unable, to pay your debts as such debts become due;
  - c. make a general assignment for the benefit of your creditors; or
  - d. file, or have filed against you, a petition under Title 11 of the United States Code, or have filed against you an application for a protective decree under Section 5 of SIPA, unless the right to liquidate such transaction is stayed, avoided, or otherwise limited by an order authorized under the provisions of SIPA or any statute administered by the SEC.

12. Corporate Actions: If the issuer of any Loaned Security engages in a recapitalization, merger, consolidation or other corporate action, such that a new or different security is exchanged for the Loaned Security, such new or different security shall, effective upon such exchange, be deemed to become a Loaned Security in substitution for the former Loaned Security.