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Margin Disclosure Statement

Your brokerage firm is furnishing this document to you to provide some basic facts about purchasing securities on margin, and to alert you to the risks involved with trading securities in a margin account. Before trading stocks in a margin account, you should carefully review the margin agreement provided by your firm. Consult your firm regarding any questions or concerns you may have with your margin accounts.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your brokerage firm. If you choose to borrow funds from your firm, you will open a margin account with the firm. The securities purchased are the firm's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, the firm can take action, such as issue a margin call and/or sell securities in any of your accounts held with the member, in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

- You can lose more funds than you deposit in the margin account. A decline in the value of securities that are purchased on margin may require you to provide additional funds to the firm that has made the loan to avoid the forced sale of those securities or other securities in your account(s).
- The firm can force the sale of securities in your account(s). If the equity in your account falls below the maintenance margin requirements under the law, or the firm's higher "house" requirements, the firm can sell the securities in any of your accounts held at the firm to cover the margin deficiency. You also will be responsible for any short fall in the account after such a sale.
- The firm can sell your securities without contacting you. Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities in their accounts to meet the call unless the firm has contacted them first. This is not the case. Most firms will attempt to notify their customers of margin calls, but they are not required to do so. However, even if a firm has contacted a customer and provided a specific date by which the customer can meet a margin call, the firm can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to the customer.

- You are not entitled to choose which securities in your account(s) are liquidated or sold to meet a margin call. Because the securities are collateral for the margin loan, the firm has the right to decide which security to sell in order to protect its interests.
- The firm can increase its "house" maintenance margin requirements at any time and is not required to provide you advance written notice. These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause the member to liquidate or sell securities in your account(s).
- You are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension.

Margin Lending Program Truth-in-Lending Disclosure Statement

This disclosure explains trading on margin credit and describes our general terms and conditions for margin lending.

Interest will be charged for any credit extended to you for the purpose of buying, trading or carrying any securities, or you may simply want to borrow cash on the collateral of your securities for a non-investment purpose.

Rates

Unless otherwise agreed with you, our applicable Margin Interest Rates, as published on our website, will be used for determining your margin interest rate. We will set the Margin Interest Rate, which will be adjusted from time to time, taking into account market interest rates in our industry, and such determination will not necessarily be tied to any published industry interest rate or index, although those rates and indexes may be considered when we make our determination. Your statement of account will indicate the specific interest rate applied, the average daily debit balance of your account, and the actual interest charge made for the charge period, and the calendar-month period to which the interest rate applies. For each charge period in which there is a change in the Margin Interest Rate (or other agreed upon rate), if any, your statement of account will itemize separately that information with respect to each rate of interest that was applied to your account during the charge period. The foregoing rates may vary in individual situations, as warranted, at TradeStation's discretion.

Adjustment of Rate Without Prior Notice

Your interest rate is subject to change without prior notice in accordance with changes in the Margin Interest Rate (or other agreed upon rate) and your average daily debit balance. If there is a change in the Margin Interest Rate (or other agreed upon rate), the rate of interest applied to your account will be automatically increased or decreased accordingly for periods after such change is made. The Margin Interest Rate is evaluated, and therefore may change, periodically.

Charge Period

The period for which interest charges are made is, generally speaking, each calendar month. If the first and last day of the calendar month are both business days (not weekend or holiday), the charge period shall be from the first to the last day of the month, including both the first and last day. If the last day of the calendar month is not a business day (is a weekend day or holiday), then the charge period for that calendar month will end on the last business day of that calendar month, and the very next day (whether or not a business day) will be the first day of the charge period for the next calendar month.

Computation of Charges

At the close of each charge period, an interest charge is computed for each day of the charge period by (1) adding together your debit balances for each calendar day of the charge period, (2) dividing that total by the total number of calendar days in the charge period (e.g., 30, 31 or 28), which produces your average daily debit balance for the charge period, (3) multiplying that result by the Margin Interest Rate, and (4) then dividing that result by 365. This daily interest charge for the charge period is then totaled to calculate the interest you owe for the charge period. If there has been a change in the Margin Interest Rate (or other agreed upon rate), separate computations will be made with respect to each rate of charge for the appropriate number of days at each rate during the charge period. The interest charge for the charge period is due and payable at the close of the charge period. The exact amount due may be obtained from TradeStation if you contact us using the appropriate contact methods described on our website or Client Center. If you do not pay the interest charge at the close of the charge period, it will be added to the opening debit balance for the next charge period. Our margin lending agreements with our clients using margin are governed by the laws of the State of Florida, where TradeStation maintains its principal place of business.

Short Sales

The market values of securities you sell "short" are adjusted daily for interest calculation purposes by a process called "marking to the market." "Short sales against the box" are treated in exactly the same way as short sales.

The market value of all securities sold short in your account, including securities sold "short against the box," are treated as a debit for the purpose of calculating interest charges. The closing market value of the securities that were sold short is determined each business day and is either added to the net debit balance or subtracted from the net credit balance in order to calculate interest charges.

If the total market value of the securities sold short increases, then the debit adjustment to the net balance will increase by the same amount for the calculation of interest charges. Conversely, if the total market value of the securities sold short decreases, then the debit adjustment to the net balance will also decrease by a like amount for the calculation of interest charges. The market value of "long" securities held in your account against which a short sale is made is not included in the computation of interest charges.

Please Note: Upward or downward adjustments of balances are for interest calculations only.

Options

Options can be traded in a margin account and can be used to hedge a leveraged position. Options cannot be purchased or sold on credit or borrowed against for purchases. No credit can be extended on options held. Writers of options, other than certain covered call writers and certain writers of cash-secured puts, must comply with the applicable initial equity and maintenance requirements that are set by TradeStation, subject to minimum requirements imposed by the Federal Reserve Board and by securities and option exchanges, and other self-regulatory organizations. These requirements vary depending on the underlying interest and the number of option contracts sold. TradeStation, the Federal Reserve Board, the securities and options exchanges, and other self-regulatory organizations may increase these requirements at any time.

In addition, certain position limits and additional initial equity and maintenance requirements may be imposed from time to time by TradeStation without prior notice. If these limits and additional requirements are not met, TradeStation will close out sufficient option contracts to bring the account into compliance with them.

Furthermore, options trading must be approved in advance by TradeStation. Options transactions involve certain risks and are not appropriate for every investor.

Liens and Additional Collateral

Any securities or other property in any of your accounts with us, as well as in accounts you may hold with our affiliates, are collateral for any debit balances in any of your accounts. A lien is created by these debits to secure the amount owed to us. We retain the right to require additional collateral any time we deem it necessary for our protection. These maintenance calls can be met by the prompt delivery of either additional acceptable securities or cash.

In accordance with the terms of our Customer Account Agreement with you, should the equity in your account(s) fall below our minimum maintenance requirements for margin, securities in your account(s) may be sold to reduce or satisfy your debit balance. You may contact us using the appropriate contact methods described on our website or Client Center to learn more about these requirements. Minimum maintenance requirements as well as initial requirements are subject to change without notice.

Investment Products Are Not FDIC Insured, Are Not Bank Guaranteed, and May Lose Value.

Risks Regarding The Use Of Stop Orders During Volatile Market Conditions

While stop orders may be a useful tool for investors who are unable to regularly monitor the price of their positions, stop orders are not without potential risks. Customers should be aware of the following risks inherent in the use of stop orders:

1. **Stop prices are not guaranteed execution prices.** A "stop order" becomes a "market order" when the "stop price" is reached and firms are required to execute a market order fully and promptly at the current market price. Therefore, the price at which a stop order ultimately is executed may be very different from the investor's "stop price." Accordingly, while a customer may receive a prompt execution of a stop order that becomes a market order, during volatile market conditions the execution may be at a significantly different price from the stop price if the market is moving rapidly.

2. **Stop orders may be triggered by a short-lived, dramatic price change.** Customers should be aware that during periods of volatile market conditions the price of a stock can move significantly in a short period of time and trigger an execution of a stop order (and the stock may later resume trading at its prior price level). Investors should understand that if their stop order is triggered under these circumstances, they may sell at an undesirable price even though the price of the stock may stabilize during the same trading day.

3. **Placing a "limit price" on a stop order may help manage some of these risks.** A stop order with a "limit price" (a "stop limit" order) becomes a "limit order" when the stock reaches the "stop price." A "limit order" is an order to buy or sell a security for an amount no worse than a specific price (i.e., the "limit price"). The use of a stop limit order instead of a stop market order will provide the customer with additional certainty with respect to the price the customer receives for the stock. The customer should, however, be aware that because brokers cannot sell for a price that is lower (or buy for a price that is higher) than the limit price selected there is the possibility that the order will not be executed at all. Customers should strongly consider the use of stop limit orders in cases where they prioritize achieving a desired target price more than getting an immediate execution (irrespective of price).

Equity Stop Order And Stop Limit Disclosure

FINRA Rule 5350 (Stop Orders), which applies to orders in NMS stocks and OTC Equity Securities, defines a "stop order" as an order to buy (or sell) that becomes a market order to buy (or sell) when a transaction occurs at or above (below) the stop price. A "stop limit order" is an order to buy (or sell) that becomes a limit order to buy (or sell) at the limit price when a transaction occurs at or above (below) the stop price. As a result, the default trigger setting for stop and stop limit orders placed on equity securities on the TradeStation trading platform is Single Trade Tick (STT), whereby one trade tick must print within your stop price to trigger your stop. Therefore, by placing a stop or stop limit order on the TradeStation trading platform with the default trigger setting unchanged, you are placing a "stop order" or "stop limit order" per the FINRA definition.

The TradeStation trading platform does provide the ability to choose alternative order trigger methods. By changing the trigger type from Single Trade Tick (STT) to an alternative trigger method, you are no longer placing a "stop order" or "stop limit order" per the FINRA definition, but rather will be placing a stop + modifier order or a stop limit + modifier order where the modifier is the alternative trigger type. The trigger type used for your order is recorded and displayed in the platform for your convenience (for example, in the Advanced Options column of the Trade Manager – Orders screen). The following provides a description of each available trigger type:

Trigger Type	Description
Single Trade Tick (STT)	One trade tick must print within your stop price to trigger your stop.
Single Trade Tick within NBBO (STTN)	One trade tick within the National Best Bid or Offer must print within your stop price to trigger your stop.
Single Bid/Ask Tick (SBA)	Buy/Cover Orders: One Ask tick must print within your stop price to trigger your stop.
Single Ask/Bid Tick (SAB)	Buy/Cover Orders: One Bid tick must print within your stop price to trigger your stop.
Double Trade Tick (DTT)	Two consecutive trade ticks must print within your stop price to trigger your stop.
Double Trade Tick within NBBO (DTTN)	Two consecutive trade ticks within the National Best Bid or Offer must print within your stop price to trigger your stop.
Double Bid/Ask Tick (DBA)	Buy/Cover Orders: Two consecutive Ask ticks must print within your stop price to trigger your stop.
Double Ask/Bid Tick (DAB)	Buy/Cover Orders: Two consecutive Bid ticks must print within your stop price to trigger your stop.

Trigger Type	Description
Twice Trade Tick (TTT)	Two trade ticks must print within your stop price to trigger your stop.
Twice Trade Tick (TTTN)	Two trade ticks within the National Best Bid or Offer must print within your stop price to trigger your stop.
Twice Bid/Ask Tick (TBA)	Buy/Cover Orders: Two Ask ticks must print within your stop price to trigger your stop.
Twice Ask/Bid Tick (TAB)	Buy/Cover Orders: Two Bid ticks must print within your stop price to trigger your stop.

Day Trading Risk Disclosure

You should consider the following points before engaging in a day trading strategy. For purposes of this notice, a "day trading strategy" means an overall trading strategy characterized by the regular transmission by a customer of intra-day orders to effect both purchase and sale transactions in the same security or securities.

Day trading can be extremely risky. Day trading generally is not appropriate for someone of limited resources and limited investment or trading experience and low risk tolerance. You should be prepared to lose all of the funds that you use for day trading. In particular, you should not fund day trading activities with retirement savings, student loans, second mortgages, emergency funds, funds set aside for purposes such as education or home ownership, or funds required to meet your living expenses. Further, certain evidence indicates that an investment of less than $50,000 will significantly impair the ability of a day trader to make a profit. Of course, an investment of $50,000 or more will in no way guarantee success.

Be cautious of claims of large profits from day trading. You should be wary of advertisements or other statements that emphasize the potential for large profits in day trading. Day trading can also lead to large and immediate financial losses.

Day trading requires knowledge of securities markets. Day trading requires in-depth knowledge of the securities markets and trading techniques and strategies. In attempting to profit through day trading, you must compete with professional, licensed traders employed by securities firms. You should have appropriate experience before engaging in day trading.

Day trading requires knowledge of a firm's operations. You should be familiar with a securities firm's business practices, including the operation of the firm's order execution systems and procedures. Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price. This can occur, for example, when the market for a stock suddenly drops, or if trading is halted due to recent news events or unusual trading activity. The more volatile a stock is, the greater the likelihood that problems may be encountered in executing a transaction. In addition to normal market risks, you may experience losses due to system failures.

Day trading will generate substantial commissions, even if the per trade cost is low. Day trading involves aggressive trading, and generally you will pay commissions on each trade. The total daily commissions that you pay on your trades will add to your losses or significantly reduce your earnings. For instance, assuming that a trade costs $5 and an average of 30 transactions are conducted each trading day, an investor would need to generate an annual profit of approximately $38,000 just to cover commission expenses.

Day trading on margin or short selling may result in losses beyond your initial investment. When you day trade with funds borrowed from a firm or someone else, you can lose more than the funds you originally placed at risk. A decline in the value of the securities that are purchased may require you to provide additional funds to the firm to avoid the forced sale of those securities or other securities in your account. Short selling as part of your day trading strategy also may lead to extraordinary losses, because you may have to purchase a stock at a very high price in order to cover a short position.

Potential Registration Requirements. Persons providing investment advice for others or managing securities accounts for others may need to register as either an investment adviser under the Investment Advisers Act of 1940 or as a broker or dealer under the Securities Exchange Act of 1934. Such activities may also trigger state registration requirements.

Extended Hours Trading Disclosure

You should carefully consider the following risks if you plan to trade your equities account outside of normal market hours (normal market hours are 9:30 a.m. to 4:00 p.m., ET). These risks tend to be higher before the market opens and after the market closes than during normal market hours:

Risk of Lower Liquidity

Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities and, as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, your order may only be partially executed, if at all.

Risk of Higher Volatility

Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, your order may only be partially executed, or not executed at all, or you may receive an inferior price in extended hours trading than you would during regular market hours.

Risk of Changing Prices

The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening the next morning. As a result, you may receive a price in extended hours trading that is inferior to the one you would receive during regular market hours.

Risk of Unlinked Markets

Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive a price in one extended hours trading system that is inferior to the one you would in another extended hours trading system.

Risk of News Announcements

Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity or higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

Risk of Wider Spreads

The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

Risk of Lack of Calculation or Dissemination of Underlying Index Value

Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value ("IIV"). For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in extended trading hours. Since the underlying index value and IIV are not calculated or widely disseminated during extended hours trading sessions, an investor who is unable to calculate implied values for certain derivative securities products in those sessions may be at a disadvantage to market professionals. Additionally, securities underlying the indexes or portfolios will not be regularly trading as they are during regular trading hours or may not be trading at all. This may cause prices during extended trading hours to not reflect the prices of those securities when they open for trading.

Penny Stock Disclosure

The term "penny stock" generally refers to low-priced (below $5), speculative securities of very small companies. While penny stocks generally are quoted over-the-counter, such as on the OTC Bulletin Board or in the Pink Sheets, they may also trade on securities exchanges, including foreign securities exchanges. In addition, penny stocks include the securities of certain private companies with no active trading market.

Risks

Investing in low-priced securities is speculative and involves considerable risk. Low-priced securities often exhibit high price volatility and erratic market movements. Often, when investors buy or sell these securities, they significantly affect the quoted price. In some cases, the liquidation of a position in a low- priced security may not be possible within a reasonable period of time and is subject to additional fees.

It may be difficult to properly value an investment in a low-priced security. Reliable information regarding issuers of low-priced securities, their prospects, or the risks associated with investing in such securities may not be available. Certain issuers of low-priced securities have no obligation to provide information to investors. Some issuers register securities with the Securities and Exchange Commission (SEC) and may provide regular reports to investors. Others however may not be required to maintain such registration or provide such reports. Securities may continue to be traded if issuers are delinquent in their reporting obligation to the SEC or other federal or state regulatory agencies.

Penny stocks have not been approved or disapproved by the Securities and Exchange Commission (SEC). The SEC has not passed upon the fairness, the merits, the accuracy or adequacy of the information contained in any prospectus or any other information provided by an issuer or a broker or a dealer of penny stocks.

Trading low-priced securities is subject to significant risks, increasing regulatory requirements and oversight, and additional fees.

Generally, a penny stock is a security that:

- Is priced under five dollars;
- Is not traded on a national stock exchange or on NASDAQ;
- May be listed in the "pink sheets" or on the Over The Counter (OTC) Bulletin Board;
- Is issued by a company that has less than $5 million in net tangible assets and has been

in business less than three years, by a company that has under $2 million in net tangible assets and has been in business for at least three years, or by a company that has revenues of $6 million for 3 years

Settlement Fees for Non-DTC Eligible Securities

For various reasons, certain low-priced securities are not DTC-eligible or have had their eligibility revoked. As a result, the settlement of these physical positions can carry significant pass-through charges including execution fees, DTC fees, deposit fees, New York window fees, and transfer agent fees. These fees, which can vary and may be substantial, increase the cost of clearing and execution.

Customers who trade non-DTC eligible securities are responsible for these charges, which can be as high as 10 times the value of the trade. Orders that require executions with multiple contra-parties will result in settlement fees for each separate transaction. TradeStation ("The Firm") does not mark up any of these fees before they are passed through to customers. The Firm may not receive notice of such fees until several weeks following the trade, so pass-through charges may not be immediately charged to a customer account following a trade in non-DTC eligible securities. TradeStation reserves the right to withhold funds in a customer account pending potential assessment of fees associated with trading in low-priced securities. It is your responsibility to investigate the eligibility status of a low- priced security before trading it. It is strongly recommended that you contact the specific company whose equity you intend to trade to confirm eligibility.

Can I trade non-DTC eligible securities at TradeStation?

Yes. However, please be aware that trading such securities can result in large fees in excess of ten times the value of the trade. If your order requires multiple contra parties to execute, your account will be assessed a separate set of fees for each of these transactions.

Does TradeStation inform customers of non-DTC eligible securities prior to trading?

TradeStation receives a list of non-DTC eligible securities; however, the list does not encompass the entire market of non-DTC eligible securities. **It is up to you as a TradeStation customer to determine the eligibility of these securities prior to trading OTC Bulletin Board, Pink Sheet, and other low-priced securities.**

Forced Buy-Ins

Your sale of a low-priced security may be reversed with a forced buy-in executed at the current market price, leading to potential large losses.

The National Securities Clearing Corporation (NSCC), a subsidiary of DTC, enforces an “Illiquid Requirement” onto the clearing firm when one customer sells more than 25% of the average daily trading volume of a security over the last rolling 20 business days. The Illiquid Requirement is a deposit (“charge”) that the Clearing firm is required to post under certain circumstances. The amount of this requirement depends on the percentage of the ADV (Average Daily Value) represented by the open sales. The requirement has very little relation to the value of the trade and is generally at least ten times the trade value and may be as high as one hundred times the trade value, or even more. This requirement is incurred even if the customer owns the shares and even when the Firm has these shares long in its DTC account. If a customer creates a NSCC Illiquid Charge greater than $50,000, the offending trade or trades may be bought in on T+1, without notice to the customer. If a customer creates a second NSCC Illiquid Charge greater than $50,000 in a ninety-day period, in addition to the buy-in, the customer account may be subject to closure for ninety days.

Characteristics And Risks Of Standardized Options

Options trading is not suitable for all investors. Please click the links below to download the disclosures.

Characteristics and Risks of Standardized Options

https://www.theocc.com/components/docs/riskstoc.pdf

February 1994 (1997 through 2012 supplement) (PDF, 188 pages)

November 2012 Supplement (PDF)

https://www.theocc.com/components/docs/about/publications/november_2012_supplement.pdf

October 2018 Supplement (PDF)

https://www.theocc.com/components/docs/about/publications/october_2018_supplement.pdf

For additional information, please visit The Options Clearing Corporation at https://www.theocc.com.

Special Statement For Uncovered Options Writers

There are special risks associated with uncovered option writing, which exposes the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for options transactions.

- The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position and may incur large losses if the value of the underlying instrument increases above the exercise price.
- As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.
- Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock of options positions in the investor's account with little or no prior notice in accordance with the investor's margin agreement.
- For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.
- If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration of assignment.
- The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

NOTE: It is expected that you will read Characteristics and Risks of Standardized Options available from TradeStation Securities. In particular, your attention should be directed to the chapter entitled Risks of Buying and Writing Options. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.

Important Risk Disclosures With Respect To Fully Paid Or Excess Margin Securities Lending Transactions

Please read these important disclosures carefully before agreeing to lend to TradeStation Securities, Inc. ("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 Master Securities Lending Agreement (as amended, modified, or supplemented from time to time, the "Agreement") that governs any loans of Loaned Securities to Broker-Dealer, and the Master Collateral Services Agreement between Broker-Dealer and J.P. Morgan Chase Bank, National Association ("Bank"), pursuant to which cash collateral will be deposited with the Bank on your behalf. 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 CASH COLLATERAL DELIVERED TO THE BANK 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 securitiesloan 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 opting out of the program (i.e., 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 Terminate and Sell the Loaned Securities.** You have the right to:

    a. terminate or liquidate a loan at any time for any reason by opting out of the program 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.

5. **Broker-Dealer Compensation with respect to Loaned Securities.** Broker-Dealer 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 or its customers. The key factor in determining the amount of compensation Broker-Dealer 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. Information about the loaned securities will be available on monthly statements or by contacting the TradeStation Client Services department by telephone, email or online chat. 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, and to protect you in the event Broker-Dealer defaults, in exchange for the Loaned Securities Broker-Dealer will, by the end of day on the date the Loan is made, deposit cash collateral with a market value at least equal to 100% of the market value of the securities, but not to exceed 102% of the market value of the Loaned Securities. The cash collateral will be deposited with the Bank in an account titled "TradeStation Securities, Inc. For The Benefit Of Clients' Collateral" (the "Collateral Account") in a manner permissible under Rule 15c3-3(b)(3)(iii)(B) of the Securities Exchange Act of 1934 and related 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 100%, but does not exceed 102%, of the market value of the Loaned Securities. 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.

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. While Broker-Dealer will make every

attempt to recall the Loaned Securities prior to the record date for a dividend or distribution payment, if it is not successful in doing so 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.

13. **Access to Collateral.** The availability of Collateral and your ability to exercise your rights with respect to the Collateral could be adversely affected by Bank's insolvency or Bank's failure to comply with the Master Collateral Services Agreement.

Anti-Money Laundering Requirements Disclosure

The USA PATRIOT Act

The USA PATRIOT Act is designed to detect, deter, and punish terrorists in the United States and abroad. The Act imposes anti-money laundering requirements on brokerage firms and financial institutions.

What is money laundering?

To help you understand these efforts, we want to provide you with some information about money laundering and our steps to implement the USA PATRIOT Act. Money laundering is the process of disguising illegally obtained money so that the funds appear to come from legitimate sources or activities. ***Money laundering occurs in connection with a wide variety of crimes, including illegal arms sales, drug trafficking, theft, fraud, racketeering, and terrorism.***

How big is the problem and why is it important?

The use of the U.S. financial system by criminals to facilitate terrorism or other crimes could well taint our financial markets. According to the U.S. State Department, one recent estimate puts the amount of worldwide money laundering activity at $1 trillion a year.

What are we required to do to eliminate money laundering?

Under the USA PATRIOT Act, and other regulations applicable to us, TradeStation has designated one or more chief anti-money laundering compliance officers for its financial business units and established policies and procedures to detect and report suspicious transactions and ensure compliance with the laws. We have also established appropriate policies and procedures to detect and report suspicious transactions and otherwise comply with applicable laws, set up and conduct employee training, and have independent audits conducted to test the effectiveness of our policies and procedures. As part of our required programs, policies and procedures, we may ask you to provide various identification documents or other information. Until you provide the information or documents we need, we may not be able to open an account, effect any transactions for you, or provide other products or services to you.

We thank you for your patience and hope that you will support us in our efforts to deny terrorist groups access to America's financial system, as well as our efforts to detect and try to eliminate the use of our systems and services for money laundering relating to other crimes, and for other illegal uses such as fraud and market manipulation.

Business Continuity Plan Disclosure

At TradeStation, we recognize that our clients rely on our systems and services. In accordance with applicable regulations, TradeStation has developed a ***Business Continuity Plan*** to help TradeStation companies operate in response to an emergency or significant business disruption. In order to maintain the security and effectiveness of this plan, we do not provide specific details in this disclosure. However, we can tell you that the plan does include:

- *A description of daily back-up of specified data and records and maintenance of back-up media at a secure offsite location.*
- *Alternate forms of communication between us and our customers, employees, vendors and regulators.*
- *A review of financial and operational risks.*
- *Alternate physical locations for employees, and logistical and safety strategies.*
- *Identification of mission critical systems.*
- *Identification of critical operations and, where applicable, how those operations could be reestablished in the event of a disruption.*
- *Identification of how we can assure our customers' prompt access to their funds and assets in the event that we determine we are no longer able to continue business.*

Response to Incidents of Varying Scope:

A business interruption includes any event, external or internal, that creates extreme operational site disruption as a result of which TradeStation must alter normal, daily processing procedures. TradeStation's ***Business Continuity Plan*** has been designed to respond both to specific-building and city-wide disruptions. In these situations, the plan's goal is to enable TradeStation to continue to do business, at a limited capacity, and reasonably meet client and customer obligations within the business day.

Disruptions that cause evacuation of a particular building, but no damage takes place, and systems stay functional:

- In the event that we need to evacuate a particular building, the highest-ranking company official available will make the decision to activate the continuity plan. All employees will be notified to exit the building per firm-approved evacuation procedures.
- All inbound numbers will be re-routed to a backup data center where they will be

prompted with messages until the predetermined emergency staff logs into the phone queues via IP Agents at our alternate site.

In the event of these types of site disruption, customers should experience a minimal amount of downtime in their ability to contact TradeStation.

***Disruptions that cause immediate evacuation of a particular building, damage takes place, and systems are not functional*:**

- All inbound numbers will be re-routed to a backup data center where they will be prompted with messages until the predetermined emergency staff logs into the phone queues via IP Agents at our alternate site. If the local alternate site is affected by the disruption, all critical personnel will be directed to other disaster recovery sites to resume operations.
- Procedures detailing these responsibilities are included in the **Business Continuity Plan**. Common (probable) examples when disaster recovery site procedures will be activated for this type of site interruption include (but are not limited to): (1) acts of nature—hurricanes, floods, fires, etc.; (2) global solar issues—impacting national and/or international communication and power grids; and (3) acts of terrorism.

TradeStation's* Business Continuity Plan *is designed for our customers to have full, appropriate access to our systems and their funds and assets in a timely manner. However, in the case of an extremely significant disruption, the actual recovery time depends upon the severity of the disruption and how many TradeStation locations and personnel are affected, the condition of the financial and banking systems, and a myriad of other factors outside of our control. Even well-designed plans may not function as intended in certain situations.