FULLY PAID LENDING PROGRAM: RISK DISCLOSURE STATEMENT

Last Updated: April 22, 2021

Please read these important disclosures carefully before agreeing to lend to E*TRADE Securities LLC (“ETS”) any of your fully-paid or excess-margin securities (the “Loaned Securities”). These disclosures are intended to be read in conjunction with the written Master Securities Lending Agreement, as amended, modified, or supplemented from time to time (the “Agreement”), between you, ETS and your appointed collateral agent, Reich & Tang Deposit Solutions LLC (“Collateral Agent”), which governs any loans of Loaned Securities to ETS. These disclosures describe important characteristics of, and risks associated with engaging in, securities lending transactions with ETS pursuant to the Agreement.

- **The provisions of the Securities Investor Protection Act of 1970 (“SIPA”) may not protect you with respect to Loaned Securities and, therefore, the collateral provided in respect of Loaned Securities may constitute the only source of satisfaction of ETS’s obligations in the event ETS fails to return the Loaned Securities.**

- **By entering into the Agreement, you give ETS permission to borrow securities carried by ETS for your account without contacting you and without obtaining your prior approval of any given loan or the terms of such loan.**

- **Loss of Voting Rights with Respect to Loaned Securities.** You may lose the right to vote, to provide any consent, or to take any similar action with respect to Loaned Securities in the event that the record date or deadline for such vote, consent, or other action falls during the term of any loan. 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.

- **Distributions, Substitute Payments, Adverse Tax Consequences.** You will be entitled to receive all distributions (as that term is defined in the Agreement) made on or in respect of the Loaned Securities, such as cash or securities dividends, interest payments, securities received as a result of splits, spin-offs or similar distributions, and rights to purchase additional securities. In the event that the holder of a security borrowed from you is entitled to elect the type of distribution to be received from two or more alternatives, you shall be entitled to make such election by timely notification to ETS. However, you will receive manufactured payments (e.g., a 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 ETS. 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. Special tax considerations may apply to loans of master limited partnerships, publicly traded partnerships or other securities with pass-through tax characteristics. ETS may be required to withhold tax on substitute payments and loan fees, unless an exception applies. You should consult a tax advisor regarding the tax implications of entering into the Agreement and lending securities to ETS, the receipt of substitute payments under U.S. state tax laws, the Internal Revenue Code, as well as any foreign tax regulations, as applicable, circumstances where a securities loan could be treated as a taxable disposition of the Loaned Securities, and treatment of loan fees and interest received on cash collateral.

- **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 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 on you additional costs or obligations.
Permitted Purpose. The securities that ETS may borrow from you may be used by ETS for any permitted purpose under Regulation T, including to complete delivery obligations, cover short sales, satisfy customer possession and control requirements, or on-lend to other broker-dealers. Subject securities may be considered “hard to borrow.” ETS may earn or receive compensation in connection with the loan or other use of the subject securities. You may elect not to permit securities that are the subject of a loan to be used in connection with a short sale of the subject securities.

ETS Compensation with Respect to Loaned Securities. ETS 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 ETS, its affiliates, and/or its customers. ETS is not required to borrow your securities and may borrow from other parties, in its sole discretion, securities equivalent to securities available to be borrowed from you without paying you a fee.

Your Compensation with Respect to Loaned Securities. The amount of compensation or loan fee to be paid to you will be disclosed on a schedule or confirmation provided to you when ETS borrows your Loaned Securities and you will receive a notice of any change in such rate. The applicable rate is also available upon request by calling 1-800-ETRADE-1 (1-800-387-2331) anytime or by logging on to your account and sending us a secure message. 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. Perceived Stability. ETS 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 used by it or its underlying clients.

c. Size of Securities Loan. You may be paid more compensation if the securities loans are with respect to a desired quantity of Loaned Securities.

d. Supply Concentration. You may be paid more compensation if ETS is seeking to reduce its potential exposure to recall risk by diversifying the sources of its securities lending supply.

Collateral for Loaned Securities. Pursuant to the Agreement, in exchange for the Loaned Securities, ETS will credit your account carried by ETS with cash collateral; such cash collateral will in turn be automatically swept into a deposit account at one or more banks by your Collateral Agent, which provides certain administrative, recordkeeping, and other services with respect to the operation of the collateral sweep program on your behalf and at your direction pursuant to the Agreement. To the extent that the amount of deposits you have in any such bank exceeds $250,000, you understand that the cash collateral may exceed FDIC insurance coverage limits. Banks utilized in the sweep program to hold collateral provided to you for Loaned Securities may also participate in ETS’ regular brokerage cash sweep program and accordingly may also maintain deposits for you in connection with cash balances swept from your ETS brokerage account, which may impact the FDIC coverage limits. You should carefully consider all deposit balances you may have at a particular bank in evaluating your FDIC coverage. Pursuant to the Agreement and applicable regulations, ETS will mark the Loaned Securities to market at the close of trading on each business day and, if necessary, will credit or debit (i.e., add or deduct) collateral to or from your account 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 as of the prior business day. If ETS defaults and the market value of the Loaned Securities increases in value on the day ETS defaults, the cash collateral provided by ETS may be insufficient to fully collateralize the Loaned Securities. Collateral that is swept into the banks as described above constitutes a deposit at such banks and is not an obligation of ETS.

ETS will have the right to liquidate any Loaned Securities in the event of your (a) applying for or consenting to, or becoming the subject of an application for, the appointment of or the taking of possession by a receiver, custodian, trustee, or liquidator of all or a substantial part of your property; (b) admitting in writing your inability, or becoming generally unable, to pay your debts as such debts become due; (c) making a general assignment for the benefit of your creditors; or (d) filing, or having filed against you, a petition under Title 11 of the United States Code, or having 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 U.S. Securities and Exchange Commission.