Information Statement & Disclosure for Material Risks

Material Risks

CFTC Rule § 23.431(a)(1) and SEC Rule 15Fh-3(b)(1) require Wells Fargo Bank, N.A. ("WFBNA", "we", "us" or "our") to disclose to you the material risks of a swap or security-based swap (each a "Covered Product") before the Covered Product is executed. These include market, credit, liquidity, foreign currency, legal, operational, and any other applicable risks. For purposes hereof, references to "you" mean our Covered Product counterparty, and each person or entity comprising our counterparty if a Covered Product is to be executed jointly.

Your Exposure to Risk

Before entering into any Covered Product, you should conduct a thorough and independent evaluation of the nature and extent of your exposure to, and willingness to incur, risk. This applies equally to your assets and liabilities, since you could be exposed to risk of loss if you identify a commercial risk associated with your balance sheet or business and decide not to hedge or mitigate that risk with a Covered Product or other offsetting or risk-reducing position.

The risk of Covered Products should not be viewed in isolation since the aggregate financial risk to an entity of entering into a Covered Product to hedge or mitigate commercial risk is usually much less than the financial risk of acquiring a Covered Product to intentionally take on exposure to an interest rate, currency exchange rate, commodity price, bond, stock or other underlying asset class for the purposes of earning a profit on that financial contract. The inherent greater risk of entering into Covered Products for investment or trading purposes is recognized in Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which, for example, generally requires that certain Covered Products be cleared on a clearinghouse unless the Covered Product is being used to hedge or mitigate commercial risk of certain non- financial entity counterparties.

We urge you to consider whether a particular Covered Product is appropriate for you in light of your experience, objectives, financial and operational resources and other relevant circumstances. Covered Products are not suitable for everyone, involve the risk of loss, which could be substantial, and may only be undertaken by counterparties that are eligible contract participants within the meaning of section 1(a)18 of the CEA and Section 3(a)(65) of the Securities Exchange Act of 1934 ("SEA"), subject to a certain exception for FX transactions entered into in connection with a line of business. Unless expressly agreed in writing, neither we nor any of our affiliates is providing you with financial, accounting, tax, legal or other advice in connection with any Covered Product.

General Disclosure Statement & Disclosure Annexes

Whether you are using a Covered Product to hedge or mitigate risk, or to acquire a position for investment or trading purposes, information about the material risks of a Covered Product can be found in the General Disclosure Statement for Transactions and accompanying Disclosure Annexes (together, the "ISDA Disclosures") published by the International Swaps and Derivatives Association, Inc. ("ISDA") for Interest Rate Derivatives, Foreign Exchange, Commodities Derivatives, Credit Derivatives, Equity Derivatives and Asset-Backed Security Derivatives (each, an "asset class"). We believe the ISDA Disclosures contain important information about these material risks and the potential risk of loss that counterparties face when they enter into Covered Products. Therefore, we urge you to review such information prior to entering into any Covered Product. If a Covered Product has characteristics of more than one asset class, then you should read the General Disclosure Statement together with each relevant Disclosure Annex. Conversely, if a Disclosure Annex covers an asset class or characteristics that are not relevant to your Covered Product, you may decide to disregard that Disclosure Annex. We also urge you to read and understand the information and disclosures contained herein, which are intended to supplement, and not be a substitute for, the ISDA Disclosures.

The General Unpredictability of Market-driven Gains & Losses

The ISDA Disclosures provide you with important information about many different types of risks. They also explain generally how the risk of loss on a Covered Product arises and identify factors that influence changes in a Covered Product's value. What they don't tell you is how much money you will make or lose over the term of the Covered Product, or how much money it will cost you to unwind or terminate a Covered Product before it matures.

The same generally holds true when you buy stocks or bonds—nobody can predict how much money an investor will gain or lose on an investment, because those gains or losses are typically market-driven and therefore depend on what other investors are willing to pay for the instrument based on market conditions at the time of sale. Despite the unpredictable nature of investments, investors acquire them on the belief that their price will appreciate (in the case of a "long" position) or depreciate (in the case of a "short" position). Of course, the results of their investments or investment strategies may prove to be just the opposite, and instead of producing gains, they may incur losses, potentially up to the full amount of the principal they have invested. If they are investing on a margined basis, their losses could exceed the amount of their margin.

Because potential gains and losses on Covered Products are generally a function of unpredictable rates, prices or other market- related factors, or the occurrence of unpredictable events or conditions such as the performance of an underlier (or nonperformance in the case of a credit default swap ("CDS")), it would be difficult, if not impossible, to quantify with any degree of certainty the magnitude of the gains or losses that a Covered Product will likely experience.

The ISDA General Disclosure Statement for Transactions explains it this way:

"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, which may require you to make a payment to us. 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".

How Your Strategy Affects Risk (and Vice Versa)

Besides the unpredictable nature of these gains or losses, risk of loss is also a function of your investment, trading or hedging strategy. The magnitude of your exposure to risk of loss from market fluctuations will depend upon whether you are acquiring a Covered Product for investment or trading purposes and the strategy you employ, including the timing of your acquisition and disposition of a Covered Product, whether you are going long or short, and whether you are employing other instruments in your strategy, just to name a few. If you are entering into a Covered Product to hedge or mitigate the risk of an asset or liability, your risk of loss may depend on the effectiveness of the hedge or risk mitigation strategy.

For example, from a hedging perspective, if the Covered Product you enter into matches the hedged item in all relevant respects (including size, duration, payment frequency, etc.), then you may not experience any out-of-pocket losses or gains related to fluctuations in market prices, assuming (i) every change in the hedged item's value is offset by an equal and opposite change in the Covered Product's value and vice versa, and (ii) you hold the Covered Product and the hedged item to maturity. Of course, you would still incur any costs associated with acquiring or maintaining the hedge, such as the fixed rate payments you would make in exchange for the floating rate payments you would receive under an interest rate Covered Product you enter into to hedge a floating rate loan.

If the Covered Product you enter into is a highly effective hedge and you hold the Covered Product and the hedged item to maturity, then another important risk consideration is counterparty default risk -- the risk of nonperformance by your Covered Product counterparty. For example, if we are your Covered Product counterparty and become insolvent or otherwise default on our Covered Product obligations, you may incur a loss in replacing us with another Covered Product dealer or other provider. Market rates or prices under a replacement Covered Product may be less favorable to you than our original Covered Product based on market conditions and other factors influencing the pricing decisions of other Covered Product dealers or providers at the time of replacement, which may take into account your own creditworthiness. This "replacement cost" represents your exposure to our "credit" during the term of the

Covered Product. Of course, there can be no assurances that you will be able to acquire a Covered Product in the OTC Covered Product markets, and you may be left to acquire exchange-traded products to cover your position, including Covered Products, futures and options offered by exchanges.

Besides counterparty credit exposure, entering into a Covered Product may create unanticipated accounting exposure or tax liability for you. To the extent you adopt fair value accounting for your Covered Product or Covered Products, you may have to reflect unrealized gains and losses, as reflected in the so-called "mark-to-market" value of a Covered Product, over the life of the Covered Product on your balance sheet and/or income statement. These Covered Product valuation considerations may also be important to you for tax purposes, to the extent that tax laws apply or are adopted in relevant jurisdictions, including any that may require unrealized gains or losses on Covered Products to be taken into account in determining your income tax liability.

If you plan to dispose of the underlying hedged asset or liability before the Covered Product matures, or circumstances change and you wish to dispose of the hedged item or the Covered Product sooner than expected, or the Covered Product is otherwise terminated early (by mutual agreement or as the result of a default or other event), then you may be exposed to potential market- related risk and potential losses, which could be substantial.

Whether you will actually experience a gain or loss, and the magnitude of that gain or loss, will generally depend upon (i) rates or prices being offered or otherwise prevailing at the time the Covered Product is unwound, terminated or otherwise disposed of, (ii) how far rates or prices have risen or fallen since the Covered Product was entered into, (iii) the number of days remaining until the Covered Product matures, (iv) prevailing discount rates to the extent future amounts or cash flow differences are to be discounted to present value in computing the amount due for unwinding, terminating or otherwise disposing of the Covered Product, and (v) market volatility, to the extent your Covered Product contract involves the purchase or sale of an option. The foregoing is not exhaustive, and other factors may be taken into account in computing the market value of a Covered Product or its replacement cost, including supply and demand for the particular Covered Product, creditworthiness, market liquidity and other factors.

How a Covered Product's Structure & Cash Flows Affect Risk

To better understand the market risk of Covered Products, how risk of loss arises on a particular Covered Product, and the potential magnitude of losses, you will need to consider the Covered Product's structure and the nature of your obligations and ours, including the expected cash flows or deliveries to be made over the life of the Covered Product. The following are illustrative.

If you are purchasing or selling credit default protection under a CDS, the magnitude of your risk of loss may include the entire principal amount of the reference obligation, which as buyer of protection, you could lose if the credit protection seller defaults, or as seller of protection you may be required to make a significant payment if a credit event under the CDS occurs. In the case of a Covered Product on a single-name CDS, your exposure to risk of loss would take into account the underlying issuer or entity; in the case of a Covered Product on an index of credits, your exposure would take into account the constituent credits comprising the index.

If you are buying an interest rate cap or other interest rate option, then your exposure to risk of loss may be viewed in terms of any out-of-pocket losses you may incur and/or the loss of the option's value. On the one hand, as the buyer of the option, you would not normally expect to pay a fee for terminating the option unless a portion of the purchase price remains unpaid, in which case you may owe all or part of such fee. On the other hand, if the seller of the option defaults, you may lose the value of the option, since buying an equivalent option in the market normally involves paying a premium. Conversely, if you are selling an option, you may be exposing yourself to the risk of loss of having to make a payment (or delivery) upon exercise of the option, or on one or more payment dates if the option has prescribed rate setting or pricing dates that require payment. As seller, you may also be exposing yourself to risk of loss associated with the market value or replacement cost of the option to the extent the option is unwound, terminated or otherwise disposed of prior to expiration or maturity and a payment becomes due to the buyer by mutual agreement or pursuant to the terms of the Covered Product trading relationship documents.

If you are entering into a plain vanilla interest rate swap in which you will be paying a fixed rate and receiving a floating rate, the regular payments to be made over the life of the swap should be self-evident inasmuch as they involve simple math, assuming you intend to hold the swap to maturity and it is not otherwise terminated early for a default or otherwise. In a plain vanilla structure, you may be obligated to pay the positive difference, if any, of the fixed rate over the floating rate times the notional amount of the swap times the relevant day count fraction for each relevant payment period (e.g., monthly, quarterly, or semiannually) and you may be entitled to receive the positive difference, if any, of the floating rate over the fixed rate times the notional amount of the swap times the relevant day count fraction for each such payment period. What may be less evident, however, from the face of the contract, is how your gain or loss would be measured if the swap is unwound or terminated prior to maturity.

To gain a better understanding of how gains and losses on interest rate swaps are influenced by the level of rates and other factors, consider a hypothetical 5-year swap in which a counterparty ("CP") is paying a swap dealer ("SD") on a monthly basis a fixed rate of 5%

in exchange for receiving from the SD on a monthly basis a floating rate (e.g. one–month Term SOFR (the Secured Overnight Financing Rate) or daily simple SOFR for that month). In this example, the CP is entering into the swap to hedge the potential floating interest rate risk of a 5-year term loan that bears interest at a spread over one-month Term SOFR or daily simple SOFR, reset monthly. Assume for purposes of this example that money from foreign investors is flowing out of the United States and the CP is concerned that interest rates might rise over the next five years, so it has entered into the swap to lock in an all-in cost of funds equal to the swap fixed rate plus the spread on the loan.

Now assume that one year has passed, the CP's circumstances have changed and it wishes to pre-pay its floating rate loan. Since the hedged item (the loan) is going away, and the swap now represents an unhedged position to the CP that exposes it to risk of loss (assume for this purpose that the threat of rising interest rates has abated), the CP could choose to either mutually agree with the SD to unwind the swap ("unwind strategy") or hedge the unhedged position with an offsetting swap ("offset strategy").

If the CP chooses the offset strategy and acquires the offsetting hedge from the SD, any price the SD may be willing to quote would be based on prevailing market conditions. Assume that swap rates have generally fallen and the SD's fixed rate for a 4-year swap is 4% where it would be paying fixed. Since an offset strategy involves the CP acquiring an opposite position to neutralize the risk of the unhedged swap, the CP would be paying one-month Term SOFR or daily simple SOFR for the relevant month in exchange for receiving a fixed rate of 4% from the SD in this hypothetical. Because its floating rate payments and receipts under the respective swaps would cancel each other out, the CP will have locked in a loss of 1% per annum for the 4-year remaining term of the two offsetting swaps.

Before we explore this example further, let us pause and take note of your risk position in a plain vanilla fixed-to-floating interest rate swap. From a market risk perspective, if you are the fixed rate payor of the swap, you will generally be exposed to the risk of falling fixed rates should the trade end prematurely and you are required to make a payment.
Conversely, if you are the fixed rate receiver of the swap, you will generally be exposed to the risk of rising fixed interest rates should the trade end prematurely and you are required to make a payment.

Although this directional exposure to market risk is not evident from the face of the contract, neither is it evident from the face of certain other fixed rate instruments that you may buy and sell, including investments in U.S. Treasury securities.
Buying these instruments generally exposes the purchaser to risk of loss as a fixed rate receiver should Treasury rates rise, resulting in a discount to face value for these Treasuries that have developed a sub-par rate of return relative to new issues of these securities yielding a higher rate.

Of course, the opposite is true if Treasury rates on new issuances fall—Treasuries you may have purchased with a higher coupon than new issues can generally be sold at a premium to face value. Likewise, if you are the fixed rate payor of a plain vanilla interest rate swap, you will generally stand to gain if fixed rates rise, the trade ends prematurely and you are entitled to receive a payment (assuming your counterparty does not default). If you are the fixed rate receiver of the swap, you will generally stand to gain if fixed rates fall, the trade ends prematurely and you are entitled to receive a payment (assuming your counterparty does not default).
Counterparties who are knowledgeable about the risks of investing in Treasury notes or bonds should find these to be familiar concepts.

Now that we have explained some fundamentals of how interest rate swaps and other fixed rate instruments perform relative to market rates and prices, we shall return to our hypothetical.

One advantage to the CP of entering into the offsetting Covered Product with the SD (as opposed to another market participant), aside from credit risk reducing benefits of netting, is that the CP will still have the ability to take its loss upfront, or at any time during the remaining term, as a discounted lump sum rather than paying the full 1% per annum loss over the remaining term of the two Covered Products (absent any tear up clause that requires an unwind). To the SD, this represents an annuity. If the CP wishes to prepay the annuity, it could request the SD to cancel both Covered Products in exchange for paying as a lump sum the discounted present value of the annuity. The marketplace frequently references the Overnight Index Swap (OIS) curve to discount forward Covered Product cash flows, but other measures may be used, depending upon liquid collateral postings, costs of funds, and other factors.

In most cases, however, the method counterparties typically choose most often is the unwind strategy, preferring to take their losses upfront. In fact, many counterparties have an incentive to do so, for example, if the Covered Product dealer has a lien on the collateral that was pledged to secure the loan and the Covered Product. This usually requires that the Covered Product be unwound and cash settled, with one party paying to the other party the Covered Product's net present value ("NPV"). Computation of the NPV may be similar to but not always the same as the annuity created under the offset strategy, depending upon the SD's methodology or that of other market participants. The primary difference in using the unwind strategy is the parties do not go through the extra steps of actually entering into a second Covered Product and then canceling both of them to arrive at an NPV. In an unwind, the SD usually quotes an NPV to reverse out the position, and if the CP agrees, the Covered Product is terminated straight away and cash settled.

Although an offset strategy is fairly rare in the interest rate swap market, it is quite common in the foreign exchange markets, where a forward purchase of a currency may be offset by a forward sale of the same currency or vice versa (with any net difference being delivered on the forward settlement date absent an agreement to pay its NPV upfront). It is also a primary mode of settlement in the futures markets where a buyer of corn futures, for example, may not want to take physical delivery of corn at maturity and therefore employs a strategy of selling an offsetting corn future contract before the other contract matures. These offsetting futures typically create gains or losses for the hedger or speculator in these markets.

Whether it is interest rate swaps, forward foreign exchange contracts, corn futures, or other OTC or exchange-traded derivative products, the general principle is the same. When you are acquiring a position in a bilateral derivatives contract in which payments or deliveries will be made by both parties in the future, the value of your position at any time during the life of the trade generally depends on what your counterparty or other market participants are willing to pay or receive to take you out of or reverse your position, either:

(1) In the original trade (on the basis of a lump sum you pay or receive to exit your position), or
(2) In an offsetting new trade at then current market rates or prices, where your loss (or gain) is measured as the difference between the NPV of the cash flows of your original trade versus the NPV of the cash flows under the new offsetting trade.

This is a key reason why a Covered Product's value is sensitive to rates, prices or other economic factors that influence the price of these instruments or the underlying assets from which a Covered Product may derive its pay- out, such as an equity swap, commodity swap or CDS.

The foregoing explains how the structure of a Covered Product and its cash flows are important in assessing a party's exposure to risk of loss. No representation is made that the foregoing applies to all Covered Products or covers all material risks of Covered Products, nor are the figures depicted representative of current market rates or prices or losses you could expect. Figures are solely for purposes of illustrating how losses arise, and actual losses could far exceed these figures.

Assessing the Magnitude of Potential Exposure

Although we have established some fundamentals for analyzing exposure under Covered Products and other derivatives, you will still be responsible for making your own assessment of the potential magnitude of your exposure on a Covered Product or other derivative, just as you would be were you investing in stocks and bonds. As noted above, it is impossible to predict with any certainty the magnitude of actual losses (or gains) on a Covered Product, but you still may want to analyze how a Covered Product may perform under "what if" scenarios or otherwise consider a range of possible outcomes where you estimate the potential magnitude of possible losses (or gains) in different rate or price environments, including in a worst case scenario. In making this assessment, consideration should be given both to the impact on your ongoing cash flow (including with respect to the underlying hedge item), as well as the impact to your position if the Covered Product (or hedged item) were to terminate (or the hedged item disposed of) at a time when you would be obligated to make an early termination payment under the Covered Product.

Since an interest rate swap is such a common form of derivative in the financial markets, and because our loan customers in particular find these to be an effective way to hedge their floating rate loans and achieve their fixed rate financing objectives, we will continue with our examination of these instruments, but note that these principles apply generally to all Covered Products.

Under a plain vanilla fixed-to-floating swap, your maximum exposure as a fixed rate payor on each regular payment date may be determined by assuming, as of a date of determination, that the floating rate is zero. The maximum exposure on each payment date would be equal to the fixed rate applied to the notional amount in respect of such payment period multiplied by the fixed rate day count fraction. The greater the decline in the swap's floating rate, the greater your net payment under the swap, although you may realize the benefit of a declining floating rate on your loan (assuming the swap is hedging your loan). The net effect is fixed rate financing equal to the swap fixed rate plus the floating rate loan spread, adjusted by any mismatches between the swap and your loan. The foregoing assumes that the relevant floating benchmark rate used in the swap or loan's floating rate does not become negative in response to central bank monetary policies or other economic factors (see "Negative Interest Rates" at www.wellsfargo.com/swapdisclosures).

Likewise, if such swap were terminated at a time when the swap floating rate is at or near zero, the termination payment you would owe could be substantial, and would approximate the NPV of the fixed rate applied to the notional amount and the day count fraction payable over the remaining term of the swap in respect of each payment period. In actuality, it may be less than this, assuming you were able to acquire an offsetting swap as described above in which the fixed rate you receive is higher than zero. A scenario analysis could be used to show a range of possible outcomes involving fixed rates above zero. The foregoing assumes that relevant swap fixed rates and/or floating rates do not become negative in response to central bank monetary policies or other economic factors (see "Negative Interest Rates" at www.wellsfargo.com/swapdisclosures).

Now let's reverse your position in the swap and assume that you are the fixed rate receiver. As noted above, the risk of loss to a fixed rate receiver generally arises when fixed rates of the relevant maturity rise and it is required to make a payment. However, this only covers your risk of loss if the Covered Product is unwound or terminated early. In this position, you are both a fixed rate receiver potentially exposed to a risk of loss should fixed rates rise, but you are also a floating rate payor potentially exposed to risk of loss should floating rates rise above the swap's fixed rate. Although your exposure to risk of loss is directionally opposite to that of a fixed rate payor, the order of magnitude of your risk of loss may be different, depending in part on where on the yield curve the swap's fixed rate resides.

To illustrate, let's assume fixed rates and floating rates have bottomed out, at under 2% in this hypothetical. At this level, there may not be as much potential exposure to market risk for a fixed rate payor who wants to unwind the swap, assuming relevant interest rates remain positive.

At this point on the yield curve, the fixed rate payor may be facing a relatively modest amount of potential exposure to market risk assuming interest rates remain positive, and may be poised to have a substantial NPV gain should there be a spike in fixed interest rates. If the swap is hedging a floating rate loan, however, this potential gain may be illusory since the rise in fixed interest rates is likely to be accompanied by an increase in the floating rate of the loan, for which it needs to maintain the swap to remain hedged. In other words, it may not be a simple choice of unwinding the swap early to capture the gain.

Also, our analysis of risk of loss from the fixed rate payor's perspective looks at default risk—the risk of the fixed rate receiver defaulting. As fixed interest rates rise, the fixed rate payor potentially faces incremental credit exposure from its counterparty, since the fixed rate receiver may be required to make a payment should the swap be terminated early for its default. This is because the fixed rate payor could expect to pay a higher fixed rate to a third party under a replacement swap than the fixed rate it has been paying to the defaulting fixed rate receiver.

From the perspective of a fixed rate receiver (i.e., the floating rate payor), however, the fact that interest rates could spike without any absolute ceiling means that its exposure to potential loss from market risk may be potentially greater than the fixed rate payor's at this end of the yield curve. How much greater is not evident on the face of the contract, and the simple rule of thumb described above for the downside risk of the fixed rate payor does not give a fixed rate receiver much comfort. Therefore, the fixed rate receiver may benefit from a scenario analysis that shows a range of possible outcomes involving fixed rates above the swap's fixed rate. It should be noted, however, that while the fixed rate receiver's exposure to market risk under the hypothetical swap does not have an absolute ceiling, the fixed rate receiver's exposure to the credit risk of the fixed rate payor at the low end of the yield curve (assuming hypothetical rates below 2%) should be fairly modest relative to its market risk, based on the premise that it can suffer a credit loss on the mark-to-market value of the swap only if fixed rates of the relevant maturity decline, although such credit risk could increase further to the extent that swap fixed rates and/or floating rates become negative as noted above

Interest Rate Risk

From time to time, in addition to disclosing to you, through one or more password protected websites or other private means, information relating to your Covered Products with us (including daily marks for uncleared swaps not subject to daily variation margining and uncleared security-based swaps), we may also disclose to you, through such means, certain information we consider our own confidential and proprietary information. For customers interested in conducting interest rate swaps or other interest rate-based Covered Products with us, we may use our password- protected Derivatives Access service for this purpose, including making available from time to time certain interest rate-related information or disclosures on Derivatives Access that include a range of possible outcomes where we estimate the potential magnitude of possible losses ("Interest Rate Scenarios"). Our customers may find this information useful in assessing the magnitude of interest rate risk on certain interest rate- based swaps.

If you are a user of Derivatives Access and will be transacting interest-rate based swaps with us, we encourage you to obtain this Interest Rate Scenario information from the Additional Disclosures page of Derivatives Access to the extent we have made it available there. If you are not a Derivatives Access User and would like to request a private copy of any Interest Rate Scenarios posted on Derivatives Access, if any, at the time of your request, please contact your WFBNA derivatives marketer. We reserve the right to not make Interest Rate Scenarios available, or to make them available only to certain customers, whether or not a customer is a user of Derivatives Access, and to cease making this information available altogether. For purposes of the foregoing, "customer" shall be deemed to exclude any counterparty that is a swap dealer, security-based swap dealer or offers swaps in a manner that is exempt from registration.

Currency Risk

Movements in exchange rates may have favorable or unfavorable effects on gains or losses realized on foreign exchange transactions. The weakening of a country's currency relative to another currency will negatively affect the value of a transaction or asset denominated in the weakening currency. Currency values are linked to economic, social and political factors and can fluctuate greatly. Some countries

have foreign exchange controls, including the suspension of the ability to exchange or transfer currency, or the devaluation of the currency. Hedging can increase or decrease exposure to any one currency, but may not completely eliminate exposure to changing currency values. We urge you to read and understand our Currency Risk Disclosure Statement below.

Currency Risk Disclosure Statement

Commodity Swaps & Basis Risk

Commodity swaps can be structured as basis swaps, caps, floors or collars, but are typically vanilla fixed- for-floating swaps. To effectively hedge their business, consumers of a commodity (e.g., food processors using agricultural commodities in their products, power plants that consume fuel to create electricity, or manufacturers that use metals in their fabrication process) typically pay the fixed rate and receive the floating rate, and producers of a commodity (e.g., farmers, natural gas or oil exploration and production companies or mining companies) typically pay the floating rate and receive the fixed rate. In both cases, the floating rate is tied to an index or futures price of a commodity that is being consumed or produced.
Often the futures price or index applies to a particular location or delivery point for the commodity. In addition to the risks outlined above, commodities frequently contain basis risk that results from the difference of the value of the commodity at the location of the hedged asset and the reference price of the swap. This basis risk may increase or decrease during the term of the swap.

Equity Swaps Risk

Equity swaps or security-based swaps ("Equity Transactions") are priced by reference to equity securities, and trading in those securities typically takes place on securities exchanges or similar venues. While prices may be observable throughout the life of the transaction, they may change rapidly, and as a result, your return on an Equity Transaction may be particularly sensitive to the choice of valuation times and valuation methods. Equity Transactions may also be subject to provisions regarding disruption events and their occurrence, where for example trading is halted or canceled on a particular security. Equity securities may also be affected by events related to the issuer of such equity securities which may affect the value of the transaction, including: stock splits or consolidations, stock dividends, spin-offs and mergers. Additionally, most Equity Transactions are effectively synthetic financing transactions in which the long party pays the short party a financing leg, so the Equity Transaction results in exposure to interest rate risk. Further, Equity Transactions that are denominated in a different currency from the underlying index or security result in exposure to currency risk. The value of an equity security may also be materially affected by information regarding issuers of securities. We or our affiliates may be in possession of information in relation to an issuer or any of its affiliates that is or may be material in the context of an Equity Transaction, and public information with respect to issuers of relevant underliers may be inaccurate or incomplete. You should make your own investigation into any issuer and we make no representation or warranty regarding the accuracy or completeness of the information publicly disclosed by an issuer.

Credit Swaps Risk

Credit swaps or security-based swaps ("Credit Transactions") are priced by reference to prices, levels, rates or contingencies related to the credit risk of one or more specified corporate or sovereign entities (each, a "Reference Entity"), on the basis of theoretical pricing and valuation models, which may not accurately value such Credit Transaction positions when established or when subsequently traded or unwound under actual market conditions. One of the most common types of Credit Transaction is a CDS. Under a CDS, one party agrees, in exchange for an upfront payment and/or series of periodic payments, to compensate the other party if a specified credit-related event (a "Credit Event") occurs with respect to a Reference Entity. This subjects the seller of default protection to leveraged exposure to the credit of the Reference Entity without legal recourse against the Reference Entity and without directly benefitting from collateral securing the Reference Entity's debt obligation. You should review carefully the applicable Credit Events and their definitions under each prospective Credit Transaction. Credit Transactions with terms that differ from established trading conventions may have substantially less market liquidity and price transparency. A Reference Entity may decide to default on or restructure only certain classes of its obligations and such a selective default or restructuring may not result in a Credit Event for the classes of obligations that are relevant for a particular Credit Transaction. A counterparty's credit exposure may change abruptly following announcements or events (including Credit Events) relating to a Reference Entity. Also, market liquidity for a particular type of Credit Transaction could be affected by future regulation, or for a single- Reference Entity Credit Transaction, by the Reference Entity's inclusion or exclusion from a standardized index. Further, following certain corporate events relating to a Reference Entity (e.g., a merger, consolidation, amalgamation, transfer of assets, spin-off, or similar event), one or more entities may be designated as successor Reference Entities, and as a result the Credit Transaction may reference a different or combined new Reference Entity following such corporate event with substantially different credit risks. Additionally, interpretive questions regarding industry standard CDS documentation could prevent you from realizing the full value you expect to realize under a CDS. You should also understand the role of the Credit Derivatives Determinations Committees ("Determinations Committees") and how their determinations may affect your rights and obligations under a Credit Transaction. If so provided under the terms of a Credit Transaction, a Determinations Committee will have the power to make binding decisions on critical issues such as whether a Credit Event has occurred, which obligations of the Reference Entity are deliverable, and settlement methods. We or our affiliates may engage in business with a Reference Entity, its affiliates and its

competitors that present a conflict between our and our affiliates' obligations and your interests as a party to a Credit Transaction. Unless we expressly agree otherwise, the terms of a Credit Transaction do not create any obligation on our part to disclose to you any such relationship or any information we may possess in relation to a Reference Entity or its affiliates.

Your Role in Understanding Risk

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