State Street Prime Services Equity Swaps Description of Risks and Conflicts of Interest

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Important Notice. Basis of Dealing. In addition to your specific contractual arrangements with State Street, and except as otherwise required by law or regulation in any particular jurisdiction, the following sets forth the basis upon which State Street will provide its services. Your continued use of the Prime Services Equity Swaps program constitutes your consent to receive those services on such basis, notwithstanding any communication by you to State Street to the contrary.

State Street Prime Services Equity Swaps Description of Risks and Conflicts of Interest

INTRODUCTION

State Street Bank and Trust Company ("State Street"), acting through its branch offices, acts as a principal dealer in cash-settled equity swaps, providing synthetic securities financing services to institutional investor clients (collectively, the "equity swap services").

There are other services described herein that may be provided to you by us or one of our affiliates, including without limitation, agency securities lending, prime services principal securities lending and borrowing, principal foreign exchange services, agency foreign exchange services, currency management, securities and futures brokerage or dealing, derivatives, custody, trustee, financing and advisory services.

The terms and conditions on which we offer our equity swaps services are established by our contractual or other arrangements with you. Nothing in your agreements or other arrangements with us or any of our affiliates with respect to any of these other services, including, without limitation, any custody or trustee services that may be provided to you, will be deemed to modify the terms or conditions of, or the relationship in which the parties act under, any agreement or other arrangement between you and us in relation to the equity swaps services.

State Street does not offer equity swaps services in the capacity of a fiduciary, trustee, custodian or agent. Without limiting the generality of the foregoing, the status of State Street or one of its affiliates as a fiduciary, trustee, custodian or agent to you or one of your affiliates under any other contractual arrangement or service relationship will not imply or create a similar relationship or related obligations with respect to the equity swaps services described herein. None of the fees charged by State Street and its affiliates in connection with the provision of such other services are or should be considered to be fees related to our equity swaps services.

This document contains important information about the basis on which State Street will engage with clients in relation to equity swaps services. This document is intended to supplement, and not in any way supersede, the contractual arrangements entered into from time to time with any particular client. Our client service representatives are available to answer or arrange an answer to any questions you may have. State Street may update or amend this document from time to time and will make such updated or amended document available to you.

WHAT IS THE ROLE OF STATE STREET IN OFFERING EQUITY SWAP SERVICES?

State Street's equity swap services are a synthetic alternative to a typical prime brokerage relationship. State Street is a dealer in the equity swap market, and in such capacity undertakes to provide quotations, execute transactions and engage in other ancillary activity. State Street acts solely in the capacity of a principal counterparty (i.e., as an arm's length contractual counterparty) in entering into equity swaps with you. In such capacity, State Street does not undertake in any way to act as your financial, tax or other advisor or as a broker, agent, representative, trustee or fiduciary or in any similar capacity on your behalf in entering into these transactions, and therefore does not undertake any of the duties that an entity acting in any such capacity ordinarily would perform. This is the case irrespective of the type of order (e.g., market or limit orders, or any type of order that may involve our exercising some level of discretion during execution), the method of execution or the trading venue by or through which we enter into any such equity swap with you.

State Street will seek to profit from its equity swap services by, among other things, charging you financing rates for transactions at levels more favourable to State Street than its own costs to hedge the same transaction. The relationship between the equity swap financing rate and State Street's hedging costs will form part of the profit or loss that State Street earns in connection with its equity swap services. Except to the extent otherwise required by applicable law, State Street is not obligated to account to you for any such profit.

As part of its risk management, State Street will hedge its equity swaps portfolio in a manner designed to ensure that it has the same level of economic exposure to the equity securities in its portfolio as the level of synthetic exposure created by the equity swaps portfolio itself. In many instances, State Street will hedge an individual equity swap position by either purchasing long, selling long, or borrowing and selling short the underlying equity or by entering into an offsetting swap transaction. These hedging transactions may be conducted through affiliated and unaffiliated broker-dealers and any related securities loans may be conducted through State Street's agency securities lending and principal securities lending services. State Street and its affiliates may transact or otherwise engage in business with you in capacities other than as a principal counterparty to an equity swap transaction, including but not limited to agency securities lending and prime services principal securities lending. State Street does not enter into equity swaps with you in the capacity of a custodian, trustee, fiduciary or agent, and its principal equity swap services are not provided or being performed under any agreement or other arrangement with you pursuant to which State Street or any of its affiliates act as custodian, trustee, fiduciary or agent or with the intent that its obligations as custodian, trustee, fiduciary or agent extend to any of equity swap services.

There are important differences in the nature of our relationship when State Street acts in the capacity of a principal dealer and counterparty to an equity swap as opposed to the capacity in which State Street or any of its affiliates may act when providing any of these other services. As a principal dealer, State Street acts as a counterparty to an equity swap transaction with you. This means that the interests of State Street are directly adverse to yours when State Street negotiates or sets the terms of any equity swap transaction or related documentation or otherwise make determinations as to the exercise of its rights thereunder. State Street does not, except as required by law, consider the interests of its respective counterparties (including you and, where applicable, your investment manager) when entering into any equity swap transaction or related documentation. This is the case even where you are also a client of the division of State Street that provides custody or trustee services or where State Street might otherwise have a fiduciary or agency relationship with you with respect to some other service.

It is likely that in most circumstances State Street will have an information advantage compared to you, due to its broad access to the equity swap market and other markets, knowledge of the equity swaps of other participants in the market, and knowledge gained in connection with the operation of its other business lines. Notwithstanding anything to the contrary herein, State Street has no duty or obligation to disclose to you any information that it considers relevant to its trading decisions or that, based on its information advantage or other considerations, leads it to believe that an equity swap may not be in your financial interest.

SUBMITTING EQUITY SWAP ORDERS TO STATE STREET

Our clients may submit orders for equity swap requests to our trading desks through a variety of channels, including by phone and proprietary and third-party electronic trading platforms or systems. Unless otherwise expressly agreed in writing to the contrary, State Street is not obligated to accept or otherwise act upon any request by you to enter into an equity swap. In addition, where a client contacts its chosen executing broker (which could be a State Street affiliate or a third party) to obtain a price on a specified share (whether by actually executing a trade with, or seeking price discovery from, the executing broker) for the purposes of entering into an equity swap with State Street (the 'give-up model'), State Street has no involvement in such interactions with the executing broker and to the extent any binding obligations are created, these are solely between the client and the executing broker. State Street has no liability to either the client or the executing broker to the extent it rejects a trade under the give-up model. If a client transmits an equity swap request to State Street through an electronic trading platform, State Street will adhere to the rules and procedures applicable to the execution method selected by the client on that electronic trading platform.

If State Street accepts an equity swap request from a client that involves State Street "working" that order, State Street is indicating a willingness only to attempt to enter into an equity swap with such client. As described further below, State Street does not owe you any best execution or other similar duty in connection with any order. State Street generally attempts to execute an order, in whole or in part, when it can expect to make an appropriate return to compensate it for such activity, taking into consideration prevailing market conditions and other relevant business factors and objectives that it deems relevant in its sole discretion, including without limitation its risk management strategies. Unless otherwise specifically agreed, State Street will exercise its reasonable discretion in deciding which orders it is willing to accept and execute and when and how it is willing to accept or execute any particular order, including whether to execute all or part of any order, and whether to do so electronically or manually. Accordingly, the receipt by State Street of an order or any indication by it that it is willing to work or otherwise is working an order received from a client does not create any commitment by State Street to execute all or any portion of that order or to execute that order at any particular time, in any particular way or at any particular equity reference price. State Street will decide in its reasonable discretion when and whether to enter into any particular equity swap with you and at what equity reference price. State Street is under no obligation to disclose to you why State Street is unwilling or unable to execute your order, in whole or in part.

State Street typically will have open orders from multiple clients for equity swaps referencing the same underlying equity or equities for execution at the same time or at the same level. We reserve the right to determine the priority by which such open orders are handled and executed, which may differ from the sequence in which we received the underlying orders. Examples of factors in addition to the time that an order was received that we may consider in determining the priority of orders received include, without limitation, the manner in which the orders are received, conditions placed on the order by the client, prevailing market conditions and our internal risk management practices. State Street is not required to disclose to you when you submit an equity swap request that State Street is handling or intends to handle open orders of other clients or its own proprietary activity ahead of or at the same time or on an aggregated basis with your particular equity swap request. In addition, State Street does not have any obligation to give priority to one type of open order over any other type that it has received from a client. We refer you to the other sections of this disclosure statement for a description of how we set the financing rates and equity prices for equity swaps we enter into with you.

If you select a form of electronic messaging (e.g., electronic chats, electronic mail or instant messages) as the mode of communicating your equity swap requests to State Street, you should understand and accept that these orders, if accepted, will only be actioned, if at all, once the sales or trading individuals at State Street responsible for their handling have actually opened and read the electronic communication. This could result in your order either not being filled (e.g., if a limit order) or filled at a much later time than when first received into our electronic messaging systems. During the period between the electronic transmission of your order and the point in time at which the electronic communication is opened, read and acknowledged, you will be exposed to the risk that your order may not be accepted and filled (including where the market has moved in your favor) or may be filled at a worse level because market conditions have changed in the interim. In addition, because of the manual operational processes that State Street must undertake to execute equity swap orders transmitted by electronic messaging systems, your orders will be filled with a delay as compared to those equity swap requests communicated through other modes of communication, and this delay may result in your order being filled at a less favorable level compared to market conditions at the time you actually transmitted your order to State Street.

Unless otherwise agreed in writing in relation to a particular equity swap, there will not be a legally binding transaction, modification or termination with respect to a transaction, and no such trade shall be considered "executed" for purposes of applicable law or regulation, unless and until State Street has recorded the transaction in its books and records, regardless of whether State Street has communicated that it has accepted or filled any portion or all of your order or request.

State Street will seek to be truthful in its statements about any facts, but its statements should not be construed as recommendations or advice. You or your independent fiduciary is responsible for independently evaluating the appropriateness of any equity swap based on your own circumstances. This evaluation should include, among other things, the terms and conditions of the proposed equity swap and your specific financial condition, objectives and circumstances. Notwithstanding the foregoing, State Street may refuse to enter into an equity swap with you for any reason, including, without limitation, in circumstances where it determines that the tenor, underlying equity security or other factors cause it to believe that such transaction would be inappropriate for you or it believes that you are entering into the transaction with the intent of disrupting the market.

STATE STREET'S MANAGEMENT OF INFORMATION

State Street understands that you consider your individual orders and execution information as confidential. State Street will share information regarding your orders and executed transactions internally for risk management, operational, regulatory and other purposes and, to the extent necessary to achieve effective transaction execution and risk management in connection with its overall equity swap services, externally with third parties. This information may be shared between personnel of the Equity Swaps Desk, State Street's principal securities lending desk and broker-dealers used by the Equity Swaps Desk in executing hedging transactions. We also refer you to the sub-section "*Outsourcing*" for a description of our outsourcing arrangements in respect of certain operational and finance functions relating to our equity swap services.

State Street also will use, on an individual and aggregate basis, information relating to its own trading positions, price discovery activity by clients and other dealers, unexecuted orders (e.g., limit orders), executed equity swaps entered into with clients (including you) and other dealers and other available information relating to market, economic and political conditions in the jurisdictions in which it operates to shape its overall views of the equity market, to assess the potential impact on market, liquidity and credit risks to State Street and, importantly, to determine the economic terms (e.g., financing rate or equity price) on which it is prepared to enter into an equity swap with you. State Street will use such information internally, including for purposes of its risk management activities, and also share, either for a fee or other economic benefit, on a real-time basis in the form of market commentary, anonymized and aggregated information with clients or other independent third parties that may consider such information useful when entering into equity swaps and managing their overall equity risks. In addition, State Street will also provide such information to third-party vendors, such as transaction cost analysis providers, in connection with the management and evaluation of its business performance. The information shared by State Street may be categorized by product, underlying equity or equities, geography or industry segment. It is possible that State Street may take hedging positions that are not consistent with the overall market views or other commentary expressed to you by an individual sales or market risk trader at State Street. In addition, the overall market views of our sales and trading personnel may change, sometimes rapidly, throughout the day based on trading patterns of our clients and other dealers and market, economic, political and other conditions and events. State Street is not obligated to make available or otherwise alert you to any of the information underlying, or otherwise relevant to your understanding of, its overall market views or to inform you of any change in the overall market views of our sales and trading personnel. For the avoidance of doubt, you should understand that the mathematical relationship between the payments under any particular equity swap and the price, level or value of the underlying equity or equities will be specified under each transaction or its governing documentation, and in general there is no reason to expect that the economic return of a transaction will be equivalent to, or correlated to that of, an investment in the underlier equity or equities.

You should also be aware that State Street has regulatory and prudential obligations to supervise and otherwise oversee the operation of its businesses, including its equity swap business and therefore discloses information to regulators and internally (including, without limitation, to individuals within its risk, compliance and legal departments) and to affiliated entities, in each case to the extent it deems necessary or appropriate in order to maintain its control environment. We also refer you to the section herein entitled "*Outsourcing*" for a description of our outsourcing arrangements in respect of certain operational and finance functions relating to our equity swap services. State Street also is required from time to time to respond to requests for information from regulators worldwide. State Street also takes the protection of its own information seriously and expects you to take steps to ensure that information provided to you by State Street is also similarly treated as confidential at all times.

ON WHAT BASIS DOES STATE STREET QUOTE PRICES FOR EQUITY SWAPS IT ENTERS INTO WITH CLIENTS?

The equity swap market is an over-the-counter market. Accordingly, although there may be publicly available information regarding the cash equities market, there is no single market price for any particular equity swap at any given time. Unless otherwise expressly agreed, any firm or indicative financing rate or indicative equity price quoted to you is an "all in" price, inclusive of the financing costs or equity prices at which State Street has transacted, or believes it may be able to transact, with other counterparties in the equity market.

The difference between the financing rate or equity price quoted by State Street to a particular client and the rates or prices at which State Street has transacted, or believes it may be able to transact, with other counterparties in the equity market or equity swap market is often referred to as a "spread." State Street is not under any obligation to disclose the specific amount of, or the components that are considered in determining, any spread on any particular transaction. The "all in" rate or price quoted by State Street to an individual client in connection with a particular transaction request will be based on a number of factors, including, among other things, the size and complexity of the requested transaction, the underlying equity security, the associated liquidity of the underlying equity security in prevailing market conditions, features regarding the issuers of the underlying security (e.g., nationality, industry, etc.), internal costs, such as hedging costs or funding costs, currency considerations, such as the currency in which an underlying security or related hedge positions are denominated, the prices quoted by third-party dealers, the views of the individual sales or market risk trader as to the level of current and expected market volatility and liquidity in the underlying security, its open positions or pending orders opposite others, its expectation of profit on the particular equity swap, balance sheet and regulatory capital impact, internal credit and other limitations for the relevant client (including the level of position risk already outstanding with the relevant client), knowledge of the equity swap positions of other participants in the market, price discovery activity by clients and third-party dealers, the current and expected volume and frequency of equity swap and other activity with the relevant client over time and knowledge by the sales and trading personnel as to whether the particular equity swap order is being competitively bid concurrently with other dealers, sales trader efforts, special operational or other accommodations and the overall general relationship between the relevant client and State Street and its affiliates.

The above factors will vary by client at any point in time, which means that, in the course of conducting its equity swap business, State Street will quote different financing rates and equity swap prices to different clients (including different individuals within the same client entity that it believes are responsible for managing separate standalone strategies) for similar equity swaps, even when those rates and prices are quoted contemporaneously by the same trading desk or by the same individual sales or market risk trader. The above factors also will vary from time to time with respect to the same client, which means that State Street will quote and negotiate different rates and prices for equity swap requests of a similar size, complexity and currency with that same client, but which are submitted for execution at different points in time and under different market conditions. It should be expected that, as part of their market making activities, the sales, trading and other personnel at State Street will consult with one another, including with respect to a client's trading behavior and expectations, and any other relevant factors that should be considered when trading with a particular client.

Similarly, State Street may quote a rate or price to a swap client at any given time that is not what may be quoted by another third-party swap dealer at the same time with respect to the same equity swap and notional amount. You should determine prior to executing a transaction with us that we offer a rate and price and execution quality that is consistent with your needs and is favorable relative to that offered by third-party dealers. You should also assume that any price that is quoted to you by State Street must be accepted within a limited period of time or otherwise shall be deemed to have been rejected by you.

State Street may enter into equity swaps with one or more other counterparties that have trading strategies or objectives that are or could be the same as, similar to or adverse to yours, which may create potential conflicts of interest. State Street has no duty to inform you of the nature or identity of these other trading counterparties or their respective trading strategies or objectives. In addition, as a principal dealer in the equity swap market, State Street continuously provides prices to numerous market counterparties (which prices will, as described above, differ by market counterparty). This activity, together with its knowledge of aggregated information relating to unexecuted client orders and executed equity swaps with you and other participants in the equity swap market and other available information relating to market, economic and political conditions in any jurisdiction in which it operates or with respect to the securities underlying its equity swap activities, may adversely affect the price at which State Street is willing to enter into an equity swap with you.

As stated above, State Street acts solely in the capacity of a principal counterparty (i.e., as an arm's length contractual counterparty) in entering into equity swaps with you. Accordingly, except as otherwise required by applicable local regulations or guidance, State Street does not owe you any best execution or other similar duty in connection with any equity swap executed with you, and you should not rely on State Street to protect your interests in relation to the pricing or other execution elements of any such equity swap transaction.

Please note (i) certain personnel involved in our risk, capital, inventory, or financing functions may have access to information relating to your positions, exposure levels, collateral, or financing terms; (ii) such information may be used for internal risk-management, credit, balance sheet, or liquidity purposes; (iii) aggregated or anonymized exposure information may be used in assessing our overall market and counterparty risk; and (iv) except as required by law, we have no obligation to disclose our hedging strategies, aggregated exposures, or internal risk assessments to you.

DOES STATE STREET ENGAGE IN EQUITY SWAP AND HEDGING TRANSACTIONS FOR ITS OWN ACCOUNT AT THE SAME TIME IT MONITORS AND EXECUTES SWAP ORDERS WITH ITS CLIENTS?

Yes. As a principal dealer, State Street continuously places bids and offers on various electronic trading venues and takes equity positions for its own account to hedge or manage the risks associated with equity swap transactions it enters into with counterparties. Accordingly, State Street may enter into equity swap or hedging transactions for its own account prior to or contemporaneously with the execution of an open swap order that you have placed with State Street. State Street may enter into those equity transactions to satisfy an existing open swap order of one or more clients, including you, or to hedge its exposure to equity swaps that it has entered into with you or other market counterparties.

In connection with its equity swap services, State Street enters into transactions in the equities market solely for its own account, and no equity transaction entered into by State Street in the market shall obligate State Street to enter into an equity swap transaction with you in the same equity or equities or on the same economic terms as it effected in such other transactions.

In those circumstances where you have instructed us to determine the period over which we will establish an execution price for an open swap order (e.g., an instruction to work an order over the course of the trading day, such as with a "market" order, or in accordance with specific parameters), State Street may enter into one or more equity market transactions at different times and at different prices in order to be able to execute the open order with you and to source liquidity for one or more other clients. State Street also may execute your open order by means of a trading algorithm that may cause State Street to enter into equity market transactions as part of the process of executing an open order with you.

As a principal dealer in the equity swap market, State Street has sales and trading personnel in multiple jurisdictions globally executing equity swaps whenever the markets are open for trading. Accordingly, State Street executes transactions across multiple markets and instruments for its own account on a continuous basis throughout the global trading day with one or more other principal dealers or institutional clients. Notwithstanding the existence of one or more open swap orders from clients, State Street will continue to establish, maintain, modify and terminate positions for its own account, which may include equity swap transactions economically equivalent to the equity swap transactions that State Street may enter into with you or any other client. Consequently, State Street may be competing with you in the equity market or equity swap market in connection with its own risk management or ordinary course activities at the same time it holds an open swap order from you. These global trading activities will, subject to compliance with applicable laws and regulations, result, on any given day, in a trading desk other than the trading desk handling an open swap order of a particular client (the "local client") executing an equity swap transaction for the benefit of State Street or another client in an amount or at a price that could satisfy the open order left by the local client. State Street typically will have positions in equities in its own account that are the same, similar, different or opposite to the open swap orders or positions of its clients.

You should also be aware that the execution of equity transactions by State Street for its own account in the circumstances indicated above, as well as the placing of bids and offers for equities on various trading venues, may impact the current market price of the relevant equity or equities that underly an open swap order from a client as well as the availability of liquidity at levels necessary to execute certain of your equity swap requests. In addition, State Street may enter into and/or unwind or terminate, in whole or in part, any equity swap with an independent third party prior to, at or after the time at which (i) the price for an equity swap with a client is negotiated or otherwise has been set; (ii) the external market or other price to which the equity swap transaction makes reference is calculated or published; or (iii) a party's right to require settlement of the equity swap transaction becomes exercisable. These activities may directly or indirectly impact the current market price for any underlying equity or equities, which, in turn, may have an adverse impact on the equity price at which State Street is willing to enter into an equity swap with you and/or the value of any outstanding equity swap. The foregoing impact likely would be more significant in circumstances where the trading activity involves less liquid equities or in periods of significant market volatility.

PRICING PRACTICES

There is no single market price for any particular equity swap at any given time. Unless otherwise expressly agreed, any pricing information quoted to you will be inclusive of any costs of financing and hedging. The financing costs or equity prices at which State Street has transacted, or believes it may be able to transact, with other counterparties in the equity market may be taken into consideration when providing any indicative quotes.

Personnel involved in pricing, negotiating, executing, or managing equity swaps may be compensated based on: (a) transaction profitability; (b) financing spreads; (c) balance sheet usage; (d) capital charges; or (e) overall performance of the synthetic prime brokerage business. Such incentives may not align with your interests. Internal policies are maintained to identify and manage such conflicts but do not eliminate them.

BEST EXECUTION OBLIGATIONS

It is the responsibility of each client to assess the equity swap rates quoted or notified to it by State Street. State Street may or may not have the same or better information relative to a client as to the market rates and other terms generally available at the time of providing indicative pricing to a client. More importantly, State Street acts as a principal counterparty to the client, with the intent of making a profit from an equity swap and any related activity, such as financing. The client should therefore neither expect nor rely on State Street to protect its interests in relation to the pricing or other elements of equity swaps and State Street will have no obligation to provide the client with "best execution".

AT WHAT POINT ARE BOTH STATE STREET AND THE CLIENT BOUND TO AN EQUITY SWAP TRANSACTION?

The parties will not have a legally binding transaction, modification, or termination and no such trade shall be considered "executed" for purposes of applicable law or regulation, unless and until the time at which State Street has recorded the trade on its books and records.

WHAT IS STATE STREET'S ROLE IN CONNECTION WITH ANY ELECTRONIC EXECUTION TOOLS OR ALGORITHMS USED IN CONNECTION WITH EQUITY SWAPS?

1. Separate Legal Entities; Capacity.

State Street is the counterparty to your equity swaps. Any hedging transactions in the cash market that State Street may execute in connection with an equity swap may be executed by an affiliated State Street broker-dealer for State Street or by one or more third-party executing brokers, dealers, or trading venues.

2. No client algorithmic trading service for equity swaps.

State Street does not provide you with an "algorithmic trading" service for the execution of equity swaps and you do not submit orders to, or control, any electronic execution tools or algorithms used by State Street for hedging transactions. Your equity swap transactions are entered into, modified, or terminated with State Street pursuant to your applicable documentation and any agreed execution protocols.

3. Use of Electronic Execution Tools for Hedging.

In connection with managing the risks of an equity swap, State Street may seek to enter into, adjust, or unwind hedging transactions. State Street's broker-dealer affiliates or other executing brokers may use one or more electronic execution tools and/or algorithmic execution methodologies to execute hedging transactions on behalf of State Street. The selection and use of any algorithms, the timing of any hedging transactions, and the manner of execution of any hedging transactions are determined by State Street in its sole discretion.

4. Liquidity Sources and Information.

Hedging transactions may be executed on exchanges, alternative trading systems, or other trading venues, and/or with third-party dealers, liquidity providers, or brokers. State Street may receive information in connection with its hedging transactions (including indicative prices, quotes, and market data) and may use such information, together with other information, to inform its risk management and swap pricing decisions, subject to applicable confidentiality obligations, information barriers, and law.

FOREIGN EXCHANGE TRANSACTIONS ARE ENTERED INTO BY THE EQUITY SWAPS DESK SOLELY FOR HEDGING AND RISK MANAGEMENT PURPOSES.

In managing the risks associated with equity swaps (including currency, funding, and liquidity risks), the Equity Swaps Desk may enter into foreign exchange and other transactions solely for hedging and risk management purposes. These transactions are entered into for State Street's own account to manage State Street's foreign exchange exposures and obligations arising under equity swaps. Where the Equity Swaps Desk enters into these foreign exchange transactions, it does so with State Street's principal foreign exchange trading desk.

WHAT ARE THE PRIMARY RISKS OF PARTICIPATING IN THE PRIME SERVICES EQUITY SWAPS PROGRAM?

Equity swaps give rise to various risks, including market, credit, liquidity, operational, legal and regulatory risks.

General Risks of OTC Derivatives

Whether you are using equity swaps to hedge or mitigate risk, or to acquire a position for investment or trading purposes, information about the material risks of equity swaps can be found in the General Disclosure Statement for Transactions and the accompanying Disclosure Annex for Equity Derivatives published by the International Swaps and Derivatives Association, Inc. ("ISDA").

Equity swaps also share characteristics of derivatives in other asset classes. For example, the financing leg of an equity swap references a floating interest rate and is structured to accrue and reset in a manner similar to the floating leg of an interest rate derivative. Similarly, in a composite swap (sometimes referred to as a "compo swap"), the underlying asset is denominated in one currency, the swap is settled in another currency, and the interim foreign exchange risk is included in the payoff at maturity. Information about the material risks of interest rate derivatives and foreign exchange derivatives can be found in ISDA's Disclosure Annexes for Interest Rate Derivatives and Foreign Exchange Derivatives, respectively. We refer to all of these disclosures as the "ISDA Disclosures" and encourage you to review them. The ISDA Disclosures contain important information about the material risks and the potential risk of loss that counterparties face when they enter into equity swaps.

If an equity swap 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 equity swap, you may decide to disregard that Disclosure Annex. We urge you to read and understand the information and disclosures contained herein, which are intended to supplement the ISDA Disclosures. Because potential gains and losses on equity swaps are generally a function of unpredictable market-related factors, it is impossible to quantify the magnitude of the gains or losses that an equity swap will likely experience.

Market and Liquidity Risk

Even if equity swaps provide you with a positive return, the return on and risks associated with these transactions may be different than returns and risks associated with other transactions that you could have entered into or other arrangements that you could have made, including owning or taking a short position in the reference securities underlying equity swaps. Equity swaps reference equity securities whose prices may be volatile and subject to rapid change, making the value of an equity swap sensitive to valuation timing and methodology. Equity swaps may be affected by market disruption events, trading halts, and corporate actions relating to the reference securities, such as dividends, stock splits, mergers, or similar events.

Most equity swaps are structured as synthetic financing arrangements, under which one party pays a financing leg to the other, and therefore involve exposure to interest rate risk in addition to equity price risk. The value of an equity security may be influenced by issuer-related information; we or our affiliates may possess information that is material to an equity swap, and publicly available information may be inaccurate or incomplete. You are responsible for conducting your own independent analysis, and we make no representation or warranty regarding publicly disclosed information.

Unless otherwise expressly agreed in writing, State Street generally reserves the right to terminate an equity swap at any time and for any reason, including, without limitation, for the purpose of complying with regulatory obligations, limiting the credit exposure of State Street to a client consistent with internal risk guidelines or regulatory capital requirements. As a result, clients may experience a loss under a terminated equity swap if at the time of termination the client's swap is out-of-the-money.

State Street separately operates an agency securities lending program and a principal securities lending program. Those equity swap clients that also participate as a "lending client" in the agency securities lending program should review the "State Street Agency Securities Lending Program Description of Risks and Conflicts of Interest" and those clients that also participate in State Street's principal securities lending program should also read the "State Street Prime Services Program Description of Risks and Conflicts of Interest" for a description of certain risks and actual and potential conflicts of interest related to those program.

Credit Risk

State Street will exchange variation margin ("VM") with clients against the mark to market value of equity swaps in accordance with regulatory requirements and internal credit risk guidelines. Collateral will typically be some combination of cash and non-cash securities. For those clients who are subject to regulatory initial margin ("IM"), State Street will exchange IM using ISDA's Standard Initial Margin Model ("SIMM") and arrange for IM to be held at third-party custodians. State Street will also carry out a "House Margin" calculation on a daily basis, and clients will be required to post collateral equal to the higher of (i) the House Margin calculation and (ii) the value determined under the SIMM.

If a client provides VM to State Street to collateralize its equity swaps, the client may be subject to the credit risk of State Street if the value of the collateral exceeds the client's payment obligations thereunder. State Street also typically has the right to use, invest and rehypothecate VM provided to State Street, except, and unless otherwise agreed, in those circumstances where House Margin is provided by the client to State Street in the form of a memo pledge (i.e., the securities of the client that are held in custody with State Street and are identified and designated on the books and records of State Street, as custodian, as collateral securing outstanding equity swaps).

In the event State Street does use, invest, or otherwise rehypothecate collateral securities (or a client permits State Street to re-pledge its security interest in memo pledged collateral), there is a risk that, if such re-hypothecation extends over an income record date, any payments received by clients with respect to such distributions may be characterized as substitute or "in lieu" dividend or interest income (as the case may be), in which case the tax and accounting treatment may differ from the tax and accounting treatment of such interest or dividend payments if received directly from the relevant issuer.

When State Street allows a client to pledge collateral in the form of a "memo pledge," State Street is typically authorized to select from the assets of the client held in custody at State Street or one of its affiliates the specific securities that are to be memo pledged as collateral. State Street is entitled to select such collateral in its own interests as secured party acting as principal, and is not obligated to consider, and does not otherwise take into consideration, the interests of the client when selecting such collateral. Accordingly, there may be a conflict between the interests of State Street and those of the client in relation to the collateral selected by State Street. State Street may, for example, select the most liquid securities of the client as collateral to be pledged to State Street. The specific securities that are the subject of a memo pledge arrangement remain in the custody account of the client but may not be transferred out of the custody account of the client until such memo pledge is removed This restriction on transfer may, for example, prevent a sale transaction of the relevant memo pledged securities from settling in the ordinary course. State Street is not required to agree to substitution of one security for another in the memo pledge arrangement if doing so would not be in the best interests of State Street under the circumstances. Similarly, unless otherwise agreed in writing with the client, the specific securities that are the subject of a memo pledge may not be rehypothecated by State Street, except in the context of an event of default.

Collateral Risk

VM and IM requirements are established in accordance with State Street's internal credit standards and the prudential margin requirements governing non-centrally cleared derivatives promulgated by relevant banking regulators. House Margin requirements may be increased or adjusted at any time based on market conditions, volatility, credit considerations, regulatory constraints, liquidity demands, or risk-management considerations.

If you fail to meet margin calls or if we otherwise determine it necessary for risk or regulatory reasons, we may, without prior consultation: (i) liquidate or hedge your outstanding transactions; (ii) reduce or terminate exposures; (iii) restrict trading activity; or (iv) exercise any contractual rights of close-out or set-off. Such actions may materially disadvantage you and may be taken to protect our interests or regulatory position.

Financing and Interest Rate Risk

Equity swaps include a financing component intended to reflect the time value of money, funding costs, and market conventions. The financing leg of an equity swap is not a loan; it is a derivative cashflow determined by the agreed interest rate benchmark plus or minus a spread and applied to a defined notional amount. Financing leg calculation amounts can be positive or negative depending on the benchmark level, spread and trade structure. Changes to benchmark rates, spreads, notional resets, payment frequency, day count conventions and compounding methodology may materially change financing amounts payable under equity swaps.

Operational Risk

Equity swaps may give rise to processing mistakes and other administrative errors, including, without limitation, errors in calculating the daily mark-to-market value and any associated collateral, system availability, and dependence on third-party infrastructure. Due to the operational requirements associated with processing equity swaps, any late activity or activity close to the relevant market cut-off may not be processed until the following business day.

Legal, Tax, and Regulatory Risk

Changes to the tax and regulatory regimes governing equity swaps and State Street's hedging activities could adversely impact the manner in which State Street is able to provide its equity swap services. Changes in regulation, interpretation, or supervisory expectations may also impact trade economics, margin, or termination and other rights.

CAN EXECUTION OF EQUITY SWAPS IMPACT REGULATORY REPORTING REQUIREMENTS?

Clients may be subject to regulatory reporting requirements, including but not limited to transaction reporting under certain non-US regimes, and clients are responsible for determining the applicability of, and their compliance with, such requirements. In general, reporting obligations associated with equity swaps apply to all associated lifecycle events (such as changes to the economic terms of a trade terms). In certain circumstances, State Street may agree to help clients meet some or all of their obligations by reporting, on the client's behalf, relevant data to a trade repository or other relevant entity. Any such delegated reporting will be a distinct service provided by State Street pursuant to a separate agreement setting out the relevant terms thereof including, if applicable, any fees to be paid by the client. Note that delegation of reporting does not relieve the delegating party of its regulatory responsibility for the completeness, accuracy, and timeliness of the reported data.

DOES STATE STREET USE AND DERIVE ECONOMIC OR OTHER INTERESTS FROM USING CERTAIN AFFILIATED AND UNAFFILIATED TRADING VENUES OR SERVICE PROVIDERS IN CONNECTION WITH ITS EQUITY SWAP SERVICES?

State Street has a financial incentive to use, and to encourage its clients to use, certain transaction execution facilities, including security-based swap execution facilities and alternative trading systems, that are owned and operated by State Street or one of its affiliates or in which State Street or one of its affiliates has an economic interest. State Street has and in the future may acquire ownership or other economic interests, such as the right to receive payments for order flow or transaction reporting or to receive other fees, in a transaction execution facility or alternative trading system on or through which an equity swap or underlying cash equity transaction may be priced or executed. State Street also may have access to certain transaction execution facilities or alternative trading systems, but not to others. In addition, State Street has, and in the future may acquire, ownership or other economic interests in service providers such as order and/or execution management systems through which you may route equity swap requests to State Street and transaction cost analysis providers from whom you may subscribe to or receive reporting. The directors, officers and employees of State Street or one of its affiliates may serve as directors of one or more transaction execution facilities or alternative trading systems. In all such cases, State Street will derive financial or other benefits if you execute an equity swap on or through such a transaction execution facility or alternative trading system, or otherwise engage the services of such other service provider. State Street will have financial or other incentives to encourage you to execute equity swap transactions on or through such a transaction execution facility or alternative trading system or use such other service providers.

You are not required to use any transaction execution facility, alternative trading system, order and execution management service or transaction cost analysis provider that is owned and operated by State Street or one of its affiliates or in which State Street or one of its affiliates has an economic interest in order to enter into an equity swap with State Street. State Street may, however, encourage you to become a subscriber to and enter into equity swaps on or through one or more of these transaction execution facilities or alternative trading systems or submit transaction requests or receive transaction cost analysis services through one of its affiliated service providers. In connection with the provision of its equity swap services, State Street has not provided you, and does not assume any obligation to provide you, with any information about any alternative transaction execution facility, alternative trading system, or service provider or about the benefits or risks of any particular transaction execution facility, alternative trading system, or service provider, including those that are owned and operated by State Street or one of its affiliates or in which State Street or one of its affiliates has an economic interest. There may be other transaction execution facilities, alternative trading systems, or service providers that are better suited to your specific objectives and trading strategies and that may provide different benefits, including greater anonymity, access to a greater number of liquidity sources or faster or greater certainty of execution of your equity swap transactions. In advance of becoming a subscriber to and entering into equity swaps on or through any transaction execution facility or alternative trading system, including any facility or system that is owned and operated by State Street or one of its affiliates or in which State Street or one of its affiliates has an economic interest, you should ensure that you fully understand the benefits and risks associated with, and the rules and regulations applicable to, such transaction execution facility or alternative trading system and that you are fully satisfied that such transaction execution facility or alternative trading system is suitable for your specific objectives and trading strategies.

Neither State Street nor any of its affiliates has any duty to ascertain whether a particular transaction execution facility offers the best available market for entering into an equity swap, generally or in any specific circumstance. Accordingly, there is no assurance that the quotations that you receive from State Street and other third-party dealers on any particular transaction execution facility will be the best available price under prevailing market conditions.

ADDITIONAL CONFLICTS OF INTEREST

State Street is a global financial services organization and, through its affiliates world-wide, provides a wide range of services and engages in a wide range of transactions with its counterparties. As a result, there are likely certain other conflicts of interest and related considerations that have not otherwise been described above or that may arise in the future in connection with the offering by State Street of its equity swap services, including those conflicts of interest and considerations set forth herein.

OUTSOURCING

As a global financial services organization, State Street may use affiliated or unaffiliated third parties in order to carry out the management of its businesses, including middle and back office functions (e.g., transaction processing, settlement reconciliations and client reporting), financial and operational management and reporting, risk management, legal and regulatory compliance, client service management, data maintenance and product development. These entities may be located in multiple jurisdictions across the world, including, but not limited to, China, India, Poland and the Philippines. In support of its global operating model, State Street shares data and other information that may be deemed confidential by you to the extent necessary to allow such affiliates and third-party entities to perform the particular services or functions that have been delegated to them under written servicing arrangements. Notwithstanding the use of affiliates or third-party entities to perform any of these services or functions, State Street retains contractual responsibility for the performance of its equity swap services under our contractual arrangements with you, including with respect to data and other information shared with such entities.