

IMPORTANT RISK DISCLOSURES WITH RESPECT TO PARTICIPATING IN FULLY PAID SECURITIES LENDING TRANSACTIONS

General Overview

These disclosures describe important characteristics of, and risks associated with engaging in, securities-lending transactions. Please read these important disclosures carefully before deciding whether to participate in Fully Paid Securities (as defined below) lending or agreeing to enter into a Master Securities Lending Agreement (as amended, modified, or supplemented from time to time, the “MSLA”) with DriveWealth, LLC (DriveWealth, LLC and its affiliates are collectively referred to as “DriveWealth”). The MSLA gives DriveWealth the right to borrow certain securities (the “Loaned Securities”) from your Account carried at DriveWealth in the U.S. The MSLA is a separate agreement from any agreements you have with your Introducing Firm (as defined below) and any other agreement you may have with DriveWealth, including your Customer Account Agreement, and these disclosures are meant to be read in conjunction with all such agreements.

DriveWealth, as the clearing firm for your adviser or broker on your securities transactions (the “Introducing Firm”), offers eligible customers of its Introducing Firms the ability to lend certain of their Fully Paid Securities. DriveWealth may then lend those securities to other market participants – including third-parties and potentially one of the DTC Custodians (as defined in your Customer Account Agreement) with which DriveWealth may custody securities held in your Account – that wish to borrow those shares, potentially for short selling or other purposes. “Fully Paid Securities” are securities in your Account that have settled and have been completely paid for by you. Certain eligibility requirements may apply for you to participate in securities-lending transactions. Please contact your Introducing Firm for more information concerning eligibility.

If you decide to participate in Fully Paid Securities lending and enter into an MSLA, you permit DriveWealth to borrow from you in the U.S. any Fully Paid Securities in your Account and loan those securities in the U.S. securities-lending markets. If you have any securities in your Account that have been obtained directly or indirectly from or use the assets of any U.S. employee benefit plan such as a pension, 401(k), or individual retirement account (IRA), as explained more fully in the MSLA, you must identify such securities to DriveWealth and your Introducing Firm. Please contact your Introducing Firm if you have any questions concerning such securities.

DriveWealth will be the counterparty borrower to each of the securities loans in which you participate. After borrowing your Fully Paid Securities, DriveWealth may transact with another party in one or more U.S. securities-lending markets. In certain circumstances, DriveWealth may use the securities-lending services of one of the DTC Custodians to facilitate a securities-lending transaction.

DriveWealth will have the discretion to initiate loans of your Fully Paid Securities and you will not receive prior notice for or be asked to approve each loan before it is initiated. DriveWealth is not obligated to borrow securities from you at any time and your agreement to participate in

Fully Paid Securities lending does not guarantee that your securities will be borrowed. A loan of securities is typically of indefinite duration and may remain open until either you or DriveWealth elects to close it. You maintain full economic ownership of the securities on loan and are subject to market exposure concerning those securities. You can sell your shares that are on loan, but that sale will be treated as notification that you are terminating your participation in that particular loan. You can also terminate your participation in Fully Paid Securities lending at any time, which will terminate your participation in any outstanding securities-lending transactions.

In return for your participation in any securities-lending transaction, collateral will be held for your benefit at a custodial bank that is independent of DriveWealth. In the event of a default, you will have the right to the collateral held at the custodial bank in the manner set forth in the MSLA.

When a lending transaction takes place, your Fully Paid Securities will be designated as on loan. Collateral will then be held for your benefit to secure the amount of the loan. The current securities industry convention for the collateral calculation with respect to U.S. stocks is to multiply the security price by 102%, then round up to the nearest dollar, multiplied by the number of shares loaned. All positions are marked-to-market daily to reflect changes in security prices. For example, Customer A is eligible to loan securities and has entered into an MSLA with DriveWealth. DriveWealth borrows 200 shares of XYZ from Customer A. XYZ's closing price is \$40.55. The mark-to-market is calculated by multiplying the closing price by 102%, $\$40.55 * 1.02$, which equals \$41.361. Rounded up to the nearest dollar, \$41.361 is \$42.00, making the collateral calculation $\$42 * 200$, which equals \$8,400. DriveWealth reserves the right to adjust to U.S. securities industry convention should it change or to raise or lower the collateral amount based on local laws or market customs outside of the U.S.

When DriveWealth or one of the DTC Custodians initiates a securities-lending transaction, the borrower of the Fully Paid Securities will ordinarily pay a loan fee. This loan fee is an interest rate-based lending fee that is calculated by multiplying the loan interest rate by the market value of the Fully Paid Securities on loan. The interest rate paid may vary, is based on the relative value of the individual securities in the securities-lending markets, and is subject to change based upon, among other things, market conditions and borrowing demand.

DriveWealth and your Introducing Firm, and potentially one of the DTC Custodians, may receive a portion of the loan fee in connection with your Loaned Securities. Please contact your Introducing Firm or refer to documentation from your Introducing Firm for more information about the calculation of any such loan fee or any amounts that may be paid or payable to you.

DriveWealth will provide to your Introducing Firm information concerning your Loaned Securities and any securities-lending transactions in which you participate on a daily basis. Please contact your Introducing Firm for more information about your loans. In addition, your Loaned Securities and any interest earned, as applicable, will appear on your Account statement for the month following the month in which you participated in a securities-lending transaction. For example, any securities-lending transactions in which you participated in during the month of May will appear on your June Account statement. Your Account statement will include a

Fully Paid Securities report, which contains a daily listing of each Loaned Security. That report shows for each loan date, among other things, the symbol of the Loaned Security and its CUSIP, the quantity of each Loaned Security, and the collateral held for your benefit (which is the quantity of Loaned Securities multiplied by the closing price).

Important Considerations in Connection with Fully Paid Securities Lending

1. SECURITIES LOANED OUT BY YOU MAY NOT BE PROTECTED BY SIPA: THE PROVISIONS OF THE SECURITIES INVESTOR PROTECTION ACT OF 1970 (“SIPA”) MAY NOT PROTECT YOU WITH RESPECT TO LOANED SECURITIES ONCE SUCH SECURITIES ARE REMOVED FROM YOUR ACCOUNT AND, THEREFORE, THE COLLATERAL HELD FOR YOUR BENEFIT MAY CONSTITUTE THE ONLY SOURCE OF SATISFACTION OF DRIVEWEALTH’S OBLIGATIONS IN THE EVENT DRIVEWEALTH FAILS TO RETURN THE LOANED SECURITIES.

2. Loss of Voting Rights with Respect to Loaned Securities: While a securities loan is outstanding, and until Loaned Securities are credited back to your Account upon termination of a loan, you will lose your right to vote the Loaned Securities. In other words, the borrower of Loaned Securities (and not you, as lender) has the right to vote, or to provide any consent to or to take any similar action with respect to the Loaned Securities, if the record date or deadline for such vote, consent, or other action falls during the term of the loan.

3. Your Continued Ownership of Loaned Securities. When you lend your shares, you retain a contractual right to the return of the Loaned Securities and therefore continue to have economic ownership of those shares. As a result, you continue to have the market exposure inherent in ownership of securities. In other words, if the share price decreases while you own the shares but are lending them out, the value of your position will decrease.

4. Loaned Securities/Short Sales: Securities that may be attractive to borrowers in the securities-lending markets, and which may generate the highest loan fees, are “hard-to-borrow” securities. Loaned Securities may be, or may become, “hard to borrow” because of short selling, scarcity of available lending supply, or corporate actions that may impact liquidity in a security. When you lend your Fully Paid Securities, it is likely that such securities will be used to facilitate one or more short sales, where the borrower (to which DriveWealth loans those securities) is selling shares in hopes that the stock will decline in value (the short seller later repurchases the stock to pay back the stock loan). Because you are holding the Loaned Securities “long” in your Account, the activity of short sellers potentially could affect the long-term value of your holdings. In other words, use of the Loaned Securities to facilitate short selling could put downward pressure on the price of the Loaned Securities.

5. There Is No Guarantee That Your Fully Paid Securities Will Be Loaned Out: There is no guarantee that you will be able to lend (or that DriveWealth will want to or be able to borrow) your Fully Paid Securities. There may not be a market to lend your Fully Paid Securities in a particular security at a rate that is advantageous. In addition, DriveWealth or (should it use one of

the DTC Custodian's securities-lending services) the DTC Custodians, may not have access to a market with willing borrowers. Customers of other Introducing Firms might have shares that will satisfy available borrowing interest and, therefore, DriveWealth may not borrow shares from you. There is no rule or requirement, nor is there anything in the applicable agreements, including your Customer Account Agreement or the MSLA, that requires DriveWealth to borrow shares from you or requires DriveWealth to place your interest in lending shares of a particular security ahead of its own interests or those of the customers of other Introducing Firms. DriveWealth cannot and does not guarantee that any or all of your Fully Paid Securities that possibly could be loaned out will be loaned out.

6. Your Right to Recall and Sell the Loaned Securities: Even though you have loaned your Fully Paid Securities out, you have the right to:

- a. recall, terminate, or liquidate a loan at any time for any reason by recalling the Loaned Securities in accordance with the terms of the MSLA; and
- b. sell some or all of the Loaned Securities at any time, including, without limitation, prior to recalling the Loaned Securities or prior to the return of the Loaned Securities to your Account.

7. You May Terminate Your Participation: In addition to terminating your participation in any securities loan, you may also terminate your participation in Fully Paid Securities lending at any time. Please note, however, that if you terminate your participation in Fully Paid Securities Lending, there may be restrictions on rejoining at a later date, including the possibility that you may not be permitted to rejoin the program or you may have to wait a certain length of time to rejoin. Please contact your Introducing Firm for more information concerning the potential implications of terminating your participation in Fully Paid Securities lending.

8. DriveWealth's Compensation with Respect to Loaned Securities: DriveWealth will be the counterparty borrower when you lend your shares. In addition, a third party or, under certain circumstances, a DTC Custodian, may be a counterparty borrower to DriveWealth when DriveWealth further lends your shares. Any transactions that DriveWealth may or may not do on any securities-lending markets are completely independent of your loan transaction with DriveWealth. Thus, after DriveWealth borrows Fully Paid Securities from you at a given rate, DriveWealth may then lend those shares to another party. Likewise, DriveWealth may terminate your loan and return the Loaned Securities to you while at the same time continuing to lend shares of the same stock out to the securities-lending markets. In short, the obligation of DriveWealth to you in connection with ongoing loan transactions involving Fully Paid Securities is to cause collateral to be held for your benefit to secure the loan until such transactions are terminated by you or by DriveWealth. Nothing in the various agreements between you and DriveWealth restricts the ability of DriveWealth to conduct securities-lending and borrowing transactions with third parties, who may profit or lose in connection with any such transactions.

DriveWealth and its associated persons will receive compensation in connection with the use of your Loaned Securities, including in connection with lending your Loaned Securities to other

parties potentially for use in connection with short sales. In addition, in certain securities-lending transactions where DriveWealth uses the securities-lending services of one of the DTC Custodians, that DTC Custodian and its associated persons, as well as DriveWealth and its associated persons, will receive compensation in connection with the use of your Loaned Securities, including potentially in connection with lending your Loaned Securities to other parties for use in connection with short sales.

The key factor in determining the amount of compensation that DriveWealth will receive from using your Loaned Securities is the availability of the securities for lending in the markets relative to the demand to borrow such securities. DriveWealth will have an opportunity to earn more compensation when the securities become limited in supply relative to demand (i.e., become “hard to borrow” securities, as described above).

DriveWealth may pay part of the loan fees in connection with your Loaned Securities to other third parties, such as the Introducing Firm that introduces your Account to DriveWealth.

9. Factors Determining the Loan Fees: Loaned Securities will generate a loan fee, which accrues and will be credited daily. The loan fee may vary for a variety of reasons, including the factors described below.

a. Supply and Demand. A key factor in determining the amount of the loan fee in connection with your securities-lending transactions is the availability of the securities for lending in the markets relative to the demand to borrow such securities. Loaned Securities that become limited in supply relative to demand (i.e., become “hard to borrow” securities, as described above), will in general provide an opportunity to earn a larger loan fee.

b. Interest Rate Flexibility. The amount of the loan fee may change over the course of a securities loan because the interest rate paid by the borrower on that loan may change. The loan fee may be based either, in whole or in part, on (i) an interest rate index (such as the Fed Funds open rate or LIBOR) which may vary over time, in which case the loan fee may change without prior notice, or (ii) a fixed rate. Rates for “hard to borrow” securities and other shares change frequently, even daily, in the securities-lending markets and this can reduce (or increase) the loan fee for lending your shares. You will not have direct control over when to initiate or terminate loans of specific shares (including based on rate changes). You can, however, always terminate your participation in Fully Paid Securities lending (which will terminate all of your securities-lending transactions).

c. Size of Securities Loan. The loan fee may be higher or lower based on the number of shares needed by a borrower in a securities-lending market.

The securities-lending markets are not standardized or transparent markets. Securities-lending transactions generally take place “over the counter” rather than on organized exchanges where prices and transactions are transparent. There are no guarantees or requirements that any given participant in a securities-lending market will receive the best rate for lending shares, and

DriveWealth cannot and does not guarantee that it will receive the most favorable rate for lending your Fully Paid Securities. DriveWealth may not have access to the markets or counterparties that are offering the most favorable rates or may be unaware of the most favorable rates.

Unless otherwise agreed by you, including in an agreement between you and the Introducing Firm, loan fees paid to you will be paid by DriveWealth by the middle of the month following the month that your Loaned Securities are out on loan. Please contact your Introducing Firm or refer to documentation from your Introducing Firm for further information concerning your compensation in connection with your Loaned Securities and any securities-lending transactions in which you participate.

10. Collateral for Loaned Securities: Pursuant to the MSLA, in exchange for the Loaned Securities, DriveWealth will cause to be pledged to you in an account maintained by a third-party custodian cash collateral or potentially certain forms of non-cash collateral permissible under the Securities Exchange Act of 1934 and related SEC and FINRA guidance.

Pursuant to the MSLA and applicable regulations, the Loaned Securities will be marked-to-market at the close of trading on each business day and, if necessary, collateral will be transferred (i.e., added or deducted) no later than the close of business on the next business day so that the market value of the collateral is at least equal to the market value of the Loaned Securities. If DriveWealth defaults and the market value of the Loaned Securities increases in value on the day DriveWealth defaults, the collateral provided by DriveWealth may be insufficient to fully collateralize the Loaned Securities. If DriveWealth collateralizes the Loaned Securities with securities collateral, the securities collateral will be subject to market risk, and therefore may not be sufficient to replace the full value of Loaned Securities should DriveWealth default.

You generally will not receive a separate interest payment on the collateral that is held for your benefit when you lend your Fully Paid Securities to DriveWealth. This is because when you lend shares against collateral, you are effectively borrowing the collateral (just as DriveWealth is borrowing your shares). Ordinarily you would pay an interest rate on the collateral to the stock-loan counterparty (DriveWealth) and then you would receive interest if you then deposited that collateral with a third party. In connection with these securities-lending transactions, these two potential interest payments cancel each other out. The interest treatment on collateral may change from the above depending on the securities-lending markets and the collateral method.

11. Permitted Purposes to Borrow Loaned Securities: DriveWealth may borrow the Loaned Securities for any purpose permitted under Regulation T, including to satisfy delivery requirements resulting from short sales, to cover a short sale or fail to deliver, to satisfy customer possession and control requirements, or to further on-lend the Loaned Securities to other broker-dealers, including the DTC Custodians and other third parties.

12. Potential Tax Implications with Respect to Loaned Securities: During the term of any securities loan, you are entitled to receive the amount of all dividends and distributions made on

or in respect of your Loaned Securities. It is, however, solely within the discretion of DriveWealth whether to recall Loaned Securities from a borrower prior to a dividend and DriveWealth makes no guarantee to recall a loan prior to a dividend. As a result, if a dividend or distribution is made on one of your Loaned Securities, you may receive manufactured payments (e.g., cash-substitute payments) in lieu of receiving dividends or distributions directly from the issuer. Certain unique distributions may not be capable of being exactly replicated as a manufactured payment by DriveWealth. With respect to other corporate actions affecting loaned shares, non-cash distributions that you are entitled to receive in connection with ownership of Loaned Securities will be added to the Loaned Securities on the date of distribution and will be transferred to you at termination of the loan.

- a. DriveWealth does not provide tax advice. You are strongly encouraged to consult a tax advisor regarding the potential tax implications of entering into any securities loan.
- b. If you are a U.S. taxpayer, cash payments in lieu of dividends are not the same as qualified dividends for tax purposes and are likely to be taxed at a higher tax rate instead of the preferential qualified dividend rate.
- c. DriveWealth may be required to withhold tax on payments in lieu of dividends and any loan fees paid to you, unless an exception applies.
- d. Other special tax considerations could arise, including but not limited to: treatment of cash-in-lieu payments under U.S. state tax laws and the Internal Revenue Code, as well as any foreign tax regulations, as applicable; under what circumstances a securities loan could be treated as a taxable disposition of the Loaned Securities; and treatment of interest received on cash collateral.

13. Selling Your Shares or Borrowing Against Them Will Terminate a Loan Transaction: If you sell the Fully Paid Securities you have lent out, or if you borrow against the Loaned Securities (such that the securities are no longer Fully Paid Securities), the loan will terminate.

14. DriveWealth May Terminate Any Borrow Transaction at Any Time: When you lend your Fully Paid Securities, the loan may be terminated and the shares returned to your Account at any time. The loan may be terminated because a party that borrowed the shares from DriveWealth chose to return the shares, or because DriveWealth received a rerate request and rejected the rerate request, or for other reasons. DriveWealth also has the right to terminate the borrowing of shares from you even if DriveWealth continues to lend the same stock in another securities-lending market. When the loan is terminated, shares will no longer be designated as on loan and the collateral will no longer be held for your benefit. You will not have direct control over when to initiate or terminate loans of specific shares. Please note, however, that you can terminate your participation in Fully Paid Securities lending, which will terminate all of your securities-lending transactions.

15. DriveWealth's Rights Upon Your Default: DriveWealth shall have the right to terminate a borrow transaction and liquidate the securities loan if an event of default, as defined in the MSLA, occurs with respect to you. An event of default includes, but is not limited to, if you:

a. apply for or consent to, or become the subject of an application for, the appointment of or the taking of possession by a receiver, custodian, trustee, or liquidator of itself or of all or a substantial part of your property;

b. admit in writing your inability, or become generally unable, to pay your debts as such debts become due;

c. make a general assignment for the benefit of your creditors; or

d. file, or have filed against you, a petition under Title 11 of the United States Code, or have filed against you an application for a protective decree under Section 5 of SIPA, unless the right to liquidate such transaction is stayed, avoided, or otherwise limited by an order authorized under the provisions of SIPA or any statute administered by the SEC.

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