



DISCLOSURE FRACTIONAL BOND TRADING

Broker's fractional bond trading functionality allows you to buy and sell certain fixed income securities in quantities smaller than the typical bond minimum lot size. ("Fractional Bond Trading") Fractional Bond Trading presents unique risks and has certain limitations that you should understand prior to making any trades. This disclosure describes the unique features, limitations, and key risks associated with trading in and holding fractional interests in bonds.

Fractional Bond Trading Generally

You can generally use the Fractional Bond Trading functionality to trade certain U.S. corporate bonds and U.S. Treasury securities that are made available by Broker for Fractional Bond Trading ("Eligible Bonds"), and Broker reserves the right to modify the list of Eligible Bonds at any time. Any modification to the list of Eligible Bonds available for Fractional Bond Trading will not affect any fractional bond interests previously acquired by you. However, if you attempt to use Fractional Bond Trading for a bond not on the list of Eligible Bonds, your order will be rejected.

Orders to buy or sell may be entered using a fractional bond quantity (e.g., 132 bonds representing \$132 face value). The minimum value for a fractional bond order to buy is \$100 face value in increments of \$1. The price of a fractional bond may be different from the estimated price you see when you place your order. This is because the price of the bond can change before your order is executed, and certain fees may be deducted from your purchase. If you are trying to buy a small fraction of a bond and the market price moves down, it is possible that the purchase amount will be less than the minimum, and your order will be canceled.

Any interest paid on fractional bonds will be rounded to the nearest cent. The actual amount of fractional bond interests for an executed dollar-value trade may be different from the estimated amount at the time of order entry as a result of this conversion convention, the ultimate execution price and the deduction of certain fees or taxes.

Orders in Eligible Bonds received in good form by Broker will be accepted and transmitted to our clearing broker for execution. You may attempt to cancel an order, but there is no ability to modify an order once it has been submitted. Instead, you must cancel your order and submit a new one. It is possible that your order could be executed before Broker receives and processes your cancellation request.

Broker, through its clearing broker, will do its best to fill any order for an Eligible Bond, but there may be circumstances where an order cannot be executed because there is insufficient supply of the Eligible Bond in the market. All orders (whether related to Fractional Bond Trading or whole quantities of a bond) will be cancelled if unexecuted at the end of market hours unless otherwise designated by the customer. Fractional Bond Trading orders will not be executed outside of hours designated by Broker.

Execution of Fractional Bond Trades

Fractional Bond Trades are principal trades. Clearing broker will act in a riskless principal capacity when executing your order. The whole share component of any order will be executed by the clearing broker as a

riskless principal at the price the clearing broker receives in the market plus a markup added by the clearing broker, subject to applicable fees and mark-ups charged by Broker and the clearing broker. Fees related to Fractional Bond Trading are detailed in the Brokerage Commission and Fee Schedule provided by your Broker. The fractional bond component of any order will be executed by the clearing broker in a riskless principal capacity. When a fractional bond interest is allocated to your account, the clearing broker will maintain custody of the whole bond in which you have the fractional interest. Any fractional interest in the whole bond not allocated to your account may be allocated to our other customers or to the clearing broker or the clearing brokers other customers as principal. The clearing broker may make a profit or incur a loss on each trade when trading as principal or riskless principal. You will always be the beneficial owner of any fractional bonds in your account and your ownership will be reflected on Broker's books and records in the same way as whole bonds in your account.

When you place an order with a fractional bond component, Broker will mark your order as "Not Held." This means Broker has time and price discretion to execute your order without being held to the security's currently available quotation (if any). Broker and its clearing broker will try to obtain the most favorable terms for your order consistent with our duty of best execution. However, it is possible that the market price may move against your order before your order is filled. If you do not wish your order to be handled on a Not Held basis, you should not engage in Fractional Bond Trading.

The clearing broker may need to correct or adjust trades that (for a variety of reasons) were executed for more or less than the requested amount. Trade corrections and adjustments can affect both the agency and principal parts of executed orders. The clearing broker will execute these trade corrections and adjustments in a principal capacity, which could result in the clearing broker making a profit or incurring a loss.

Fractional Bondholder Rights

Fractional bond interests in a security generally have different rights from full bond interests of the same security. Please review the following information carefully to understand your rights with respect to your fractional bond interests.

Fractional bond interests cannot be transferred or certificated. The Automated Customer Account Transfer System ("ACATS"), which is the automated system that facilitates the transfer of customer account assets between brokers, does not support fractional bond interests. If you wish to transfer your account or specific bond positions to another broker, your fractional bond interests must be liquidated and the cash proceeds may be transferred, which may result in tax consequences, investment gain or loss, and the assessment of commission charges. Whole bond interests generally may be transferred to a different broker provided the receiving broker is able to accept such whole bond interests.

After receipt from Eligible Bond issuers, Broker will forward to you corporate action items that relate to bonds, including fractional bond interests, held in your account (e.g., default notice, tender offer notice). Broker will solicit proxies in connection with any whole and fractional bond positions with associated voting rights. Broker or its clearing broker will aggregate selections of fractional bondholders to form whole bond amounts that elect to participate in a given discretionary or voluntary action. You acknowledge that if your fractional bond position is unable to be aggregated into a whole bond position, you may not be able to participate in discretionary or voluntary actions with respect to a fractional bond position.

You will receive the interest and redemption proceeds in proportion to your ownership of an Eligible Bond, including your fractional ownership. Broker will only provide payments that are equal to or greater than \$0.01 per bond. Amounts smaller than that, or nondivisible amounts will be retained by the clearing broker. All interest or other distributions will be paid in cash only.

Corporate actions can be unpredictable, so Broker may encounter situations that are not described here. In

general, Broker will handle these situations in the same way that Broker handles interest payments and redemptions. Broker will divide and distribute interest to you in proportion to your ownership interest, whenever possible. All corporate actions and any related distributions are always subject to the terms of the issuer's materials on the corporate action, as well as the Broker's and clearing broker's policies and procedures, which may result in a different outcome.

You and Broker agree that you are the owner of all fractional bond interests allocated to your account.

Additional Considerations

Fractional bond positions may be difficult to sell, and there is no guarantee that there will be a market for them. At the time of the drafting of these disclosures, there is presently only one counterparty in the market for fractional bond transactions. Broker does not guarantee that it will be able or willing to buy or sell fractional bond interests on your behalf. Fractional bond orders may take longer to execute than whole bond orders. Historical pricing and reference data may differ from the price actually received for a fractional bond position. The pricing of a fractional bond position may also be higher than the price that would otherwise be received for a whole bond position.

If your account is closed, your fractional bond interests will be liquidated, and the proceeds distributed to you as cash. If your account has been approved for margin, Broker will not lend (hypothesize) your fractional bond interests.