

changes in volatility, expected dividends, stock loan rates or liquidity of an Underlier. Depending on the terms of the Equity Transaction, the calculation agent may or may not be obligated to follow any adjustments made by a derivatives exchange to related listed derivatives contracts. The calculation agent may be permitted to use its proprietary models in setting the terms of an adjustment, and it may be difficult for you to predict the resulting adjustments in advance. Verifying an adjustment's accuracy and its conformity to the terms of the Equity Transaction may require expertise in applying valuation models.

Depending on the terms of an Equity Transaction, there may be issuer events for which the calculation agent is not required to make adjustments. In such cases, the issuer event may adversely affect the Transaction Economics and there will be no compensating adjustments, notwithstanding that you had no opportunity to participate in benefits from the event that would have been available to a holder of the Underlier, such as an opportunity to sell into a partial tender offer or into the market at the prevailing price.

Certain methods of adjustment may be less favorable to you than other possible methods of adjustment, or no adjustment, and may adversely affect the Transaction Economics.

### **Changes to an Index**

Please see section III.O of the General Disclosure Statement – “Index Underliers” – for certain considerations relevant to Equity Transactions in which an Underlier is an index. For certain actions of the index sponsor, an Equity Transaction with an index Underlier may provide for adjustments similar to those described above or may treat the action as an extraordinary event, as described below.

### **Early Termination due to Extraordinary Events**

Equity Transactions may be subject to early termination upon the occurrence of certain events affecting the issuer or its shares, changes to an index, changes in law or regulation, or events that may affect markets for an Underlier or related instruments or our or an affiliate's ability to maintain or realize proceeds from hedge positions related to the Equity Transaction or the costs of doing so. Such events (“**extraordinary events**”) will be specified in the terms of an Equity Transaction and may include:

- Issuer events (as defined above);
- Nationalization of an issuer;
- Delisting of shares;
- Insolvency or a similar proceeding that results in legal prohibitions on the transfer of shares or a requirement to transfer shares to a trustee or similar official;
- [Insolvency filing by or against an issuer, even if it does not have the consequences described immediately above;](#)
- Modifications or cancellation of an equity index, or failure by the index sponsor to announce or calculate the index at the relevant times;
- Changes in law or regulation (and increased costs associated with such changes);
- Illiquidity in the market for an Underlier;

- ~~Insolvency filing by or against an issuer;~~
- Events that affect our or an affiliate's ability to maintain hedge positions related to the Equity Transaction;
- Events that increase our costs associated with maintaining hedge positions related to the Equity Transaction or continuing to be a party to the Equity Transaction;
- Events that affect our ability to borrow shares at less than a specified cost or increase the cost of borrowing shares;
- Events that affect the transferability or convertibility of the foreign currency in which an Underlier or related hedge positions are denominated.

For events related to the merger of an issuer or a tender offer for its equity securities, the applicability of early termination may depend on the type of consideration offered to holders of the Underlier. For example, the terms of an Equity Transaction may provide that if the consideration consists of shares listed on same market as the predecessor shares and satisfies other conditions, then such successor shares may be substituted as Underliers, either with or without corresponding adjustments to other terms. Alternatively, the calculation agent may have discretion to make adjustments and/or terminate the Equity Transaction. For hedging or increased cost events, the hedging party or other designated party may have the ability to propose price adjustments to you and you may have the ability to choose between accepting the price adjustment (which may include the payment of increased costs) or termination of the Equity Transaction (which may result in an associated termination payment).

The terms of an Equity Transaction referencing exchange-traded funds ("ETFs") or other collective investment vehicles may provide that specialized extraordinary events apply, including declines in net asset value, changes in or breaches of investment strategies, resignation of an investment manager or the departure of key persons.

Please see Section II.I of the General Disclosure Statement – "Termination of Transactions" – for certain considerations that may be relevant to the early termination of Equity Transactions due to the occurrence of extraordinary events.

## **Regulation of Underlying Markets**

Markets in equity securities are extensively regulated. Such regulation may include:

- reporting requirements relating to the acquisition of beneficial ownership of equity securities, changes in ownership, and arrangements that have the purpose or effect of changing or influencing control of an issuer;
- prohibitions on transacting on the basis of material non-public information and on manipulative trading;
- disgorgement of "short-swing" profits earned in connection with certain transactions (including Equity Transactions) in or related to an issuer's shares by ~~affiliates or~~ "insiders" or significant beneficial owners of the issuer;
- procedural, disclosure and substantive requirements with respect to distributions or repurchases of securities by or on behalf of an issuer or affiliate and the commencement of tender offers;