

Coinbase Capital Markets Corporation

MARGIN DISCLOSURE STATEMENT

Margin Risk Disclosures

Coinbase Capital Markets Corp. (“CCM,” “we,” “us,” “our”) is furnishing this document to you to provide certain facts about purchasing securities on margin, and to alert you to the risks involved with trading securities in a margin account. Before trading in a margin account, you should carefully review this Margin Disclosure Statement, your Apex Customer Margin Account Agreement, and the Apex Margin Disclosures. If you have any questions or concerns regarding your margin account, please contact our Customer Support team.

We do not provide investment, legal, or tax advice. Margin is not suitable for everyone. You should examine your investment objectives, financial resources, and risk tolerance to determine whether borrowing against securities, and trading on margin in particular, is appropriate for you. The increased leverage that margin provides may heighten the risks of investing.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from our clearing firm, Apex Clearing Corporation (“Apex”). If you choose to borrow funds from Apex, you will open a margin account. The securities purchased are the firm’s collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and as a result, we or Apex can take action, such as issue a margin call and/or sell securities in your account, in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

- **You can lose more funds than you deposit in the margin account.** A decline in the value of securities that are purchased on margin may require you to provide additional funds to CCM or Apex to avoid a forced sale of those securities or other securities in your account.
- **CCM or Apex can force the sale of securities in your account.** If the equity in your account falls below the maintenance margin requirements under the law, or CCM or Apex’s higher house requirements, then CCM or Apex can sell the securities in your

account to cover the margin deficiency. You also will be responsible for any shortfall in the account after such a sale.

- **CCM or Apex can sell your securities without contacting you.** Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities in their accounts to meet the call unless the firm has contacted them first. This is not the case. Most firms will attempt to notify their customers of margin calls, but they are not required to do so. However, even if CCM or Apex have contacted a customer and provided a specific date by which the customer can meet a margin call, CCM or Apex can still take necessary steps to protect its financial interest, including immediately selling the securities without notice to the customer.
- **You are not entitled to choose which security in your margin account is liquidated or sold to meet a margin call.** Because the securities are collateral for the margin loan, CCM or Apex has the right to decide which security to sell in order to protect its interests.
- **CCM or Apex can increase its house maintenance margin requirement at any time and is not required to provide you advance written notice.** These changes to CCM or Apex's firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause CCM or Apex to liquidate or sell securities in your account.
- **You are not entitled to an extension of time on a margin call.** While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension.
- **The IRS requires Broker Dealers to treat dividend payments on loaned securities positions as a substitute payment in lieu of a dividend.** A substitute payment is not a qualified dividend and is taxed as ordinary income.
- **Industry regulations may limit, in whole or in part, your ability to exercise voting rights of securities that have been lent or pledged to others.** You may receive proxy materials indicating voting rights for a fewer number of shares than are in your account, or you may not receive any proxy materials.

Margin Credit Terms & Policies

The following disclosure of Margin Credit Terms and Policies is required by the Securities and Exchange Commission and is part of your Apex Customer Margin Account Agreement. It describes the terms under which Apex extends credit and charges interest and how your obligations are secured by property in your account. We or Apex reserve the right to amend these terms at any time.

Interest Charges

Apex will charge interest on a daily basis on the credit it extends to you. The rate of interest charged by Apex is set by us. Apex will charge interest on a daily basis (the “Daily Margin Interest Rate”) on the credit extended to you at the margin interest rate described in the Margin Interest Rate section of CCM’s Fee Schedule. The Daily Margin Interest Rate is subject to change at any time.

Your daily interest charges are calculated by multiplying your “Daily Adjusted Debit Balance” by the Daily Margin Interest Rate. Generally speaking, your Daily Adjusted Debit Balance is the actual settled debit balance in your margin account, increased by the value of securities held short and reduced by the amount of any settled credit balance carried in your cash account. Your Daily Adjusted Debit Balance is calculated each day by adjusting your previous day’s balance by any debits and credits to your account and by changes in the value of short positions. If your Daily Adjusted Debit Balance is reduced because you deposit a check or other item that is later returned to us unpaid, then your account may be adjusted to reflect interest charges you have incurred. Apex reserves the right to charge interest on debit balances in your cash account.

Periodically, we or Apex will send you a comprehensive statement showing the activity in your account, including applicable interest charges, interest rates, and adjusted daily debit balances.

Daily Margin Interest Rate

The Daily Margin Interest Rate is based on a 360-day year. It is calculated for each day by dividing the applicable margin interest rate in the CCM’s Fee Schedule (“Base Rate”) by 360. Note that the use of a 360-day year results in a higher effective rate of interest than if a year of 365 days were used.

CCM and Apex Clearing set the Base Rates at our discretion with reference to commercially recognized interest rates, industry conditions relating to the extension of margin credit, and general credit market conditions. Your margin interest rate will be adjusted automatically and without notice to reflect any change in the Base Rate. If your interest rate increases for any reason other than a change in the Base Rate, then CCM or Apex will give you written notice at least 30 days prior to that change.

Compounding Interest Charges

Apex compounds interest on a daily basis. Interest charges will accrue to your account each day. Apex will include the charges in the next day’s opening debit balance and charge interest accordingly. The interest rates described above do not reflect compounding of unpaid interest charges; the effective interest rate, taking into effect such compounding, will be higher.

Initial Margin Requirements

The Federal Reserve Board and various stock exchanges determine margin loan rules and regulations. When you purchase securities on margin, you agree to deposit the required initial equity by the settlement date and to maintain your equity at the required levels. The maximum amount we currently may loan for common stock (equity) securities is 50% of the value of marginable securities purchased in your margin account; different requirements apply to non-equity securities, such as bonds or options.

If the market value of stock held as collateral increases after you have met the initial margin requirements, your available credit may increase proportionately. Conversely, if the market value decreases, your available credit may proportionately decrease. Initial margin requirements may change without prior notice.

We or Apex may impose anytime and without prior notice more stringent requirements on positions that in Apex's or our sole discretion involve higher levels of risk; for example, higher limits may apply for thinly traded, speculative or volatile securities, or concentrated positions of securities.

You may purchase only certain securities on margin or use them as collateral in your Margin and Short Account. Most stocks traded on national securities exchanges, and some over-the-counter (OTC) securities, are marginable. At our or Apex's discretion, we or Apex reserve the right not to extend credit on any security.

Equity securities with a market value of less than \$3 per share may not be purchased on margin or deposited as margin collateral. If the market value of a security drops below \$3 per share, the security will not be assigned any value as collateral to secure your margin obligations.

Margin Maintenance Requirements

You must maintain a minimum amount of equity in your account to collateralize your outstanding loans and other obligations. Margin maintenance requirements are set:

- By the rules and regulations of the New York Stock Exchange, the American Stock Exchange, and other regulatory agencies to the jurisdiction of which CCM or Apex are subject; and
- According to CCM or Apex's sole discretion and judgment.

You agree to maintain in your Margin and Short Account collateral of the type and amount required by:

- Applicable exchange rules and federal regulations; and
- This “Credit Terms & Policies” section; or
- As required by CCM or Apex, at CCM or Apex’s discretion.

Margin maintenance requirements may change without prior notice.

CCM or Apex may issue a “margin call” (that is, a notification to deposit additional collateral) if your account equity falls below the margin maintenance requirement. This can happen for various reasons. The most common reasons are a decrease in the value of long securities held as collateral or an increase in the value of securities held short.

As a general guideline and when it is practicable to do so, CCM or Apex may (but are not required to) issue a margin call when the equity in your margin account falls below a predetermined percentage of the market value of assets at risk (that is, the sum of the market values of the long and short equity security positions) in your margin account. The amount of additional collateral we require usually is an amount sufficient to raise your equity to minimum standards. For information on the current equity requirements, please contact our Customer Support team.

CCM or Apex retain absolute discretion to determine whether, when and in what amounts additional collateral will be required. In some situations, CCM or Apex may find it necessary to require a higher level of equity in your account. For example, CCM or Apex may require additional collateral if an account contains:

- Only one security or a large concentration of one or more securities; or
- Low-priced, thinly traded or volatile securities; or
- Some of your collateral is or becomes restricted or non-negotiable or non-marginable.

CCM or Apex also may consider market conditions and your financial resources.