

## BARCLAYS CAPITAL INC.

### OTC Option Risk Disclosure Statement

Barclays Capital, Inc. (“BCI”) believes that options transactions are not suitable for all persons, and that accordingly, clients should be aware of the risks involved in trading over-the-counter (“OTC”) options on equity securities or on baskets or indices based upon equity securities (“OTC Options”) generally, and in purchasing or writing OTC Options in particular.

The following is a brief summary of certain considerations which each OTC Option counterparty should take into account in deciding whether to participate in transactions involving OTC Options. This document is not meant to be all-inclusive; rather, it is intended to highlight certain of the more significant factors and special risks relating to OTC Options:

1. **Credit Risk.** An affiliate of BCI, Barclays Bank Plc (“BB Plc”) or Barclays Capital Securities Limited (“BCSL”) (collectively, “Barclays”) will be the writer of any OTC Option purchased by you. Consequently, any such purchase from BCI as agent for its affiliate will be an obligation of Barclays, (as opposed to an obligation of The Options Clearing Corporation (“OCC”) or other central clearing organization as in the case of exchange-traded options), so you must evaluate the credit of the Barclays entity with which you are dealing.

2. **BCI in its Agency Capacity.** You will be entering into OTC Options either with BCSL or BB Plc, BCI’s U.K. affiliates, as principal. In connection with OTC Options entered into with these affiliates, BCI will act as agent as contemplated by Rule 15a-6 under the U.S. Securities Exchange Act of 1934, as amended. In that capacity, BCI is not a principal with respect to the OTC Options, and has no financial responsibility or liability (including without limitation, by way of guarantee, endorsement or otherwise) to you.

All obligations arising under any OTC Option with BB Plc or BCSL are solely the responsibility of BB Plc or BCSL and you, as the arm’s length contracting parties. None of BCI, BB Plc or BCSL shall act in the capacity of an advisor or fiduciary for you unless it has expressly agreed otherwise, as further discussed below.

3. **Market Risk; Restrictions on Transfer; Non-Marketability.** Market risk is the risk that the value of a transaction will be adversely affected by fluctuations in the level or volatility of, or correlation or relationship between, one or more market prices, rates or indices or other market factors, or by illiquidity in the market for the relevant transaction or in a related market.

The OTC Options will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or under applicable state securities laws and, therefore, the transfer of OTC Options may be prohibited or restricted by such laws. OTC Options will be sold to or bought from you by BCI as agent for Barclays in transactions exempt from registration under the Securities Act by virtue of Section 4(2) of that Act and/or Regulation D thereunder. There will be no public market for the OTC Options. You also will be required to represent that you are entering into OTC Options transaction for investment purposes only and not with a view to resale or distribution. OTC Options which you enter into with Barclays cannot be assigned or transferred without the prior written consent of Barclays. The limits on transferability of OTC Options make such transactions a relatively illiquid investment.

Because of the restrictions noted above, it may be extremely difficult for you to transfer any OTC Option entered into with you other than to Barclays. Barclays may, but is not obligated to, repurchase or otherwise resell an OTC Option originally entered into with you. If the OTC Option is an American-style option (as described in Section 6 below), you may exercise it in accordance with its terms and realize any intrinsic value it may then have. However, if it is a European-style option (also described in Section 6 below), it may be exercised only at its date of expiration; you will not be able to realize any intrinsic value the OTC Option might have at any earlier date unless it is repurchased by Barclays.

OTC Options are privately negotiated and are not listed on any options exchange. Therefore, if you write and sell an OTC Option to (or buy an OTC Option from) Barclays to offset an OTC Option you bought from (or sold to) another dealer or counterparty, there will not be an automatic close-out as would be the case with listed options. You will, in addition to being a holder of an OTC Option, continue to be obligated as the writer of an OTC Option unless and until it is exercised or is sold back to you by Barclays (or another dealer or counterparty).

4. **Funding Risk.** Funding risk is the risk that, as a result of mismatches or delays in the timing of cash flows due from or to you or your counterparty in OTC Option transactions or related hedging, trading, collateral or other transactions, you or your counterparty may not have adequate cash available to fund current obligations.

5. **Operational Risk.** Operational risk is the risk of loss to you arising from inadequacies in, or failures of system and controls for, monitoring and quantifying the risks and contractual obligations associated with OTC Option transactions, for recording and valuing OTC Options and related OTC transactions, or for detecting human error or systems failures.

6. **Pricing and Other Terms.** The price and characteristics of an OTC Option are individually negotiated by BCI or Barclays and you and there is no central source to obtain prices from other dealers. Accordingly, neither BCI nor Barclays represent or warrant to you that the prices at which they offer OTC Options are the best prices available in the marketplace. Similarly, while market-makers and dealers generally quote prices or terms for entering into or terminating OTC Option transactions and provide indicative prices or mid-market valuations with respect to outstanding OTC Option transactions, BCI and its affiliates are not contractually obligated to do so. You may wish to seek representative quotations from other participants in the OTC Options market to determine the intrinsic or current market value of a particular OTC Option.

Consequently, it also may be difficult for you to establish an independent market value for an outstanding OTC Option. You should not regard the valuation or representative quotation that is provided by BCI or its affiliate at your request to be an offer to enter into or terminate the relevant transaction at that value or price, unless the value or price is identified by BCI or its affiliate as firm or binding with respect to a specific quantity of the security.

7. **Option Style.** The style of an option refers generally to when an option is exercisable.

An American-style option may be exercised at any time (i.e., on any business day) during the specified exercise period prior to the time of expiration.

A European-style option may be exercised only on the specified exercise date (or expiration date) and prior to the expiration time.

An Asian-style option is a variant of the European-style option. The Asian-style option may be made available by Barclays to certain counterparties under appropriate circumstances. Alternatively referred to as an “average price” option, in an Asian-style option the reference price in relation to the underlying securities is derived from an agreed upon calculation, which, by way of example, may be based upon an average of the underlying securities’ market prices at predetermined dates occurring during a specified “averaging period,” with the exercise date (assuming the counterparty is the option buyer or holder) occurring at the end of such averaging period. An Asian-style option can have the effect of reducing the risk, inherent in a standard European-style option, of establishing the value of an OTC Option on a single trading day, and hence can protect the option holder from fluctuations in underlying securities prices which might otherwise occur as a European-style option nears the single expiration date. An Asian-style option’s payoff is therefore based upon the difference between the average reference price of the underlying securities and the option strike price.

8. **Potential Loss of Investment.** The purchaser of an OTC Option may lose its entire investment in a relatively short period of time. This risk reflects the nature of an OTC Option as an asset which tends to decline in value over time. If the OTC Option is a call option, it may not be in-the-money or at-the-money before it expires; if it is a put option, it may not be in-the-money at the time of its expiration. Therefore, an OTC Option is not intended to be the sole asset held by a purchaser and OTC Options should be only one portion of a purchaser’s portfolio, which should be diversified by holding other types of assets.

9. **Uncovered Options.** There are special risks associated with uncovered option writing which expose the investor to potentially significant loss. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument. Uncovered options writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.

10. **Position and Exercise Limit Requirements.** The position limit and exercise limit rules of the National Association of Securities Dealers, Inc. (“NASD”), Rule 2860, may apply to OTC Options. As a result, you may be required to aggregate all OTC Options held by you at any given time with any counterparty to determine whether you have complied with such limitations, thereby potentially limiting your positions in OTC Options.

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There may be other significant risks which you should consider based upon the terms of a specific OTC Option transaction. Highly customized OTC Option transactions in particular may increase liquidity risk and introduce other significant risk factors of a complex character. For example, highly leveraged transactions are subject to significant changes in value as a result of relatively small changes in the value or level of an underlying or related market factor.

Before entering into an OTC Option transaction, you should understand fully the terms of the transaction, the relevant risk factors, the nature and extent of your risk of loss and the nature of the contractual relationship into which you are entering. You also should evaluate carefully whether the transaction is appropriate for you in light of your investing experience, financial objectives and needs, financial resources, and other relevant circumstances and whether you have the operational resources in place to monitor the associated risks and contractual obligations over the term of the transaction. If you are acting as a financial adviser or agent, you should evaluate these considerations in light of the circumstances applicable to your principal and the scope of your authority.

In entering into OTC Option transactions you also should understand that Barclays is acting solely in the capacity of an arm's length contractual counterparty to you in connection with the transaction and not in the capacity of your financial adviser or fiduciary, unless Barclays has expressly so agreed in writing, and then only to the extent so agreed. Accordingly, unless Barclays has agreed in writing to act as your advisor, you should not regard any transaction proposals, suggested investment strategies or other written or marketing materials or other oral communications from Barclays as investment recommendations or advice or as expressing Barclays' view as to whether a particular transaction is suitable for you or meets your financial objectives.

In evaluating the risks and contractual obligations associated with a particular OTC Option transaction, you also should consider that an OTC Option transaction may be terminated, modified or offset only pursuant to the terms of the relevant OTC Option Agreement or confirmation or by the mutual consent of the parties to the transaction. Accordingly, it may not be possible for you to terminate your obligations or your exposure to the risk associated with a particular transaction by terminating the transaction prior to its scheduled termination date or by entering into an offsetting transaction.

Furthermore, you should be aware that BCI and its affiliates may from time to time have substantial long or short positions in, and may make a market in or otherwise buy or sell instruments identical or economically related to, OTC Option transactions entered into with you. BCI or Barclays also may undertake proprietary trading activities, including hedging transactions related to the initiation or termination of an OTC Option transaction with you, that may adversely affect the market price, rate, index or other market factors underlying an OTC Option transaction entered into with you and, consequently, the value of such transaction.

THIS BRIEF DISCLOSURE STATEMENT DOES NOT PURPORT TO DISCLOSE ALL OF THE RISKS OR OTHER RELEVANT CONSIDERATIONS ASSOCIATED WITH ENTERING INTO OTC OPTION TRANSACTIONS. YOU SHOULD NOT CONSTRUE THIS DISCLOSURE STATEMENT AS BUSINESS, LEGAL, TAX OR ACCOUNTING ADVICE. YOU SHOULD CONSULT YOUR OWN BUSINESS, LEGAL, TAX AND ACCOUNTING ADVISERS WITH RESPECT TO PROPOSED OTC OPTION TRANSACTIONS AND YOU SHOULD REFRAIN FROM ENTERING INTO ANY OTC OPTION TRANSACTION UNLESS YOU HAVE FULLY UNDERSTOOD THE ASSOCIATED RISKS AND HAVE INDEPENDENTLY DETERMINED THAT THE TRANSACTION IS APPROPRIATE FOR YOU.