Jefferies

IMPORTANT RISK DISCLOSURES WITH RESPECT TO FULLY PAID AND EXCESS MARGIN SECURITIES LENDING TRANSACTIONS

These disclosures are provided to you in connection with the Fully Paid Securities Lending Program at Jefferies LLC ("Jefferies"), pursuant to which you may agree to lend to Jefferies fully paid or excess margin securities (the "Loaned Securities") from your account at Jefferies. The disclosures set forth herein are intended to be read in conjunction with the Master Securities Loan Agreement (as amended, modified or supplemented from time to time, the "Agreement") between you and Jefferies that governs any loans of Loaned Securities by you to Jefferies. These disclosures describe important characteristics of and risks associated with engaging in fully paid and excess margin securities lending transactions.

1. **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 DELIVERED TO YOU MAY CONSTITUTE THE ONLY SOURCE OF SATISFACTION OF JEFFERIES' OBLIGATIONS IN THE EVENT THAT JEFFERIES FAILS TO RETURN THE LOANED SECURITIES.**

2. **The Agreement and Collateral**. The Agreement sets forth the terms upon which you agree to lend the Loaned Securities to Jefferies in return for an interest rate-based fee. Your loan to Jefferies will be secured by collateral, which will be held at a third-party custodian in an account for your benefit. You will receive separate statements each month detailing the value and status of the collateral.

3. **Right to Recall and Sell the Loaned Securities.** You will maintain economic ownership of the Loaned Securities and may sell the Loaned Securities or request that the Loaned Securities be returned to your account at any time. You have the right:

    (a) to recall, terminate or liquidate a loan at any time, for any reason, by recalling the Loaned Securities in accordance with the terms of the Agreement, and

    (b) to sell some or all of the Loaned Securities at any time, and may do so prior to recalling the Loaned Securities and/or prior to the return of the Loaned Securities to your account. If you wish to sell the Loaned Securities, you must contact your account executive and request the return of the Securities. Please note that if you entered into a "Term Loan" *(i.e.*, a loan with a scheduled termination date) and exercise your right to recall or sell the Loaned Securities before the scheduled termination date, the terms and conditions of such Term Loan, as set forth in the Agreement or other written communication to you, may impose additional costs or obligations on you.

4. **Permitted Purpose.** The Loaned Securities may be used by Jefferies for any purpose permitted under Regulation T, including to cover a short sale or a failure to deliver, or to satisfy customer possession and control requirements, and may be lent by Jefferies to a third party.

5. **Voting Rights.** 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. However, if you wish to act on an upcoming corporate action, you may instruct your account executive to return the Loaned Securities prior to the record date. Jefferies will use commercially reasonable efforts to return the Loaned Securities to you prior to the record

date of the corporate action, but shall not have any liability to you in the event that it is unable to return the Loaned Securities to you prior to the record date.

6. **Jefferies' Compensation with respect to Loaned Securities.** Jefferies will receive compensation in connection with the use of your Loaned Securities, which may include compensation associated with lending your Loaned Securities to other parties for use in settling short sales, or for facilitating settlement of short sales by Jefferies, its affiliates and/or its customers. The key factor in determining the amount of compensation Jefferies will receive from using your Loaned Securities is the availability of the securities for lending in the marketplace relative to the demand to borrow such securities. Jefferies may earn more compensation when the securities become limited in supply relative to demand (*i.e*., the securities become "hard to borrow" securities). A portion of the compensation received by Jefferies may be paid to the registered representatives servicing your account.

7. **Your Compensation with respect to Loaned Securities.** You and Jefferies will agree upon the compensation you will be paid in connection with your securities lending transactions. The key factor in determining the amount of compensation to be paid to you in connection with your securities lending transactions is the availability of the securities for lending in the marketplace relative to the demand to borrow such securities. You generally have an opportunity to earn more compensation when the Loaned Securities become limited in supply relative to demand (*i.e.*, the securities become "hard to borrow" securities). You may also be paid more compensation if the securities loans are with respect to a desired quantity of Loaned Securities. The interest rate to be paid to you may change over the course of a loan due to market conditions and borrowing demand. Jefferies will negotiate and agree upon such interest rate changes with you. The compensation to be paid to you in connection with each Loan, as agreed upon by you and Jefferies, will be confirmed to you in your monthly statement.

8. **Collateral for Loaned Securities.** Pursuant to the Agreement, in exchange for the Loaned Securities, Jefferies will pledge to you in an account maintained by a third party custodian either cash collateral or U.S. Treasuries, as permitted under Rule 15c3-3(b)(3)(iii)(B) of the Securities Exchange Act of 1934 and related SEC guidance. There may be market fluctuation in the value of the U.S. Treasuries posted to you as collateral under the Agreement, which may result in the value of the U.S. Treasuries being insufficient to replace the full value of the Loaned Securities, should Jefferies default. If Jefferies defaults and the market value of the Loaned Securities increases on the day that Jefferies defaults, the cash collateral provided by Jefferies may be insufficient to fully collateralize the Loaned Securities.

9. **"Hard to Borrow" Securities:** Loaned Securities may be, or may become, "hard to borrow" due to short selling, a scarcity of available lending supply, or corporate events that may impact liquidity.

10. **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 in respect of your Loaned Securities. However, you will receive manufactured payments (*i.e.*, 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 Jefferies.
    (a) If you are a U.S. taxpayer, cash payments in lieu of dividends will not be afforded the same treatment as qualified dividends for tax purposes, and are likely to be taxed at a higher tax rate instead of the preferential qualified dividend rate.

(b) Jefferies may be required to withhold tax on payments in lieu of dividends and loan fees to you, unless an exception applies.

(c) Jefferies will gross up the substitute payment, enabling you to receive the equivalent value of the substitute dividend payment from a federal after tax perspective.

(d) You should consult a tax advisor regarding the tax implications of entering into a securities loan with Jefferies, 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 the treatment of interest received on cash collateral.

11. **Rights upon a Default:** Each party shall have the right to terminate and liquidate the securities loan if an event of Default, including an Act of Insolvency as defined in the Agreement, occurs with respect to the other party.

12. **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.

13. **Loaned Securities/Short Sales:** Use of the Loaned Securities to facilitate short selling could put downward pressure on the price of the Loaned Securities. You are under no obligation to enter into a securities loan with Jefferies and may elect not to allow your Loaned Securities to be used in connection with short sales or any other permitted purpose by:

(a) Not agreeing to lend any specific securities under the Agreement that you do not want to be used in connection with short sales;

(b) Recalling any Loaned Securities that you do not want to be used in connection with short sales, or

(c) Terminating the Agreement in accordance with its terms, subject only to the recall of any outstanding Loaned Securities and the fulfillment of any remaining obligations.