

Important Order Execution Information

Order Handling

When a “working” or “not held” order is received by Jefferies, it will be handled within the terms specified to you or your fiduciary and with the objective of achieving the best overall execution possible. Achieving best execution may involve Jefferies acting in the capacity of agent, riskless principal, principal, or in the event of multiple executions, more than one capacity. When Jefferies acts in more than one capacity, the confirmation will reflect that fact as well. From time to time, executions for “not held” orders may be split with other customers or Jefferies.

All orders received by the Electronic Trading Services (“ETS”) Desk are handled on a “not held” basis, meaning Jefferies is not held to the size and price of transactions reported to the consolidated tape. We will execute orders received according to the instructions specified when the order was placed, with the objective of achieving the best overall execution possible. Please speak to your Account Executive or to the ETS Desk to determine the best algorithm and trading strategy for your order flow. Orders directed to the ETS Desk will also be handled on a best efforts basis, unless instructed otherwise by our client. Please speak to your Account Executive or the ETS Desk to discuss the differences between best efforts and guaranteed executions. When an algorithmic order is received by Jefferies, it will be handled within the parameters of the algorithm selected. As we continue to invest in our electronic trading platform for our clients, we test our innovative solutions internally prior to distribution. Jefferies may execute proprietary algorithmic orders at the same time in a separate server to ensure that an algorithmic strategy is modeled properly. Given the underlying nature of algorithmic trading, the Firm's orders will be automatically generated by the algorithmic server and will not directly interact with customer order flow using the same strategy. Please understand that the testing size will be very small in notional value, should have very little, if any, market impact, and ultimately allows us to offer our best product to clients.

All orders received by Jefferies via FIX protocol must be marked as “held”, meaning that Jefferies will execute your order at the earliest possible time, or “not held”, meaning that Jefferies has time and price discretion over the order on the day it is entered. Orders that are received without a “held” or “not held” designation will be marked and executed as “not held” by Jefferies.

If we effect an execution for you in a security for which Jefferies is a registered market maker, we will identify that fact on your confirmation. Orders executed by Jefferies on a “net” basis may only apply to institutional clients. If so instructed, we will work your order on a “net” basis. Pursuant to Financial Industry Regulatory Authority (“FINRA”) Rule 2124, a “net” transaction means “a principal transaction in which a broker-dealer, after having received an order to buy (sell) an equity security, purchases (sells) the equity security at one price (from (to) another broker-dealer or another customer) and then sells to (buys from) the customer at a different price.” By this we mean, if we find both a buyer and seller, we may effect two transactions wherein Jefferies would sell to the buyer at one price and buy from the seller at another price, reporting two transactions to the “tape.” Confirmations from such transactions would indicate a “net” price inclusive of any markup/markdown. Also, if you desire, we can affect your transactions on a principal basis with a “commission equivalent.” In such cases, the confirmation will note that we acted in such a capacity and will reflect that rate and amount of “commission equivalent” charged. Jefferies will only execute a transaction on a “net” basis at the request of the customer. If you intend to trade on a net basis, you must inform your Account Executive at the time of order entry.

When multiple executions are employed consistent with a client’s “work – not held” specification, confirmations may reflect the price as an average price. In such cases, the confirmation will state that the price as “average price.”

We calculate average prices by multiplying the number of shares executed at each price, adding all sums and dividing by the aggregate number of shares executed. Any client may request detail on the individual executions comprising an average price transaction. All remuneration received by Jefferies in connection with such transactions will be reflected in total.

Under FINRA Rule 5320, when a “working” or “not held” order is received by Jefferies by an institutional account or of a size in excess of 10,000 shares or \$100,000 dollars, Jefferies may in a principal capacity, trade along with or ahead of such orders without the consent of the customer under FINRA Rule 5320. Under the rule, a customer may “opt in” to protections afforded under this rule by notifying Jefferies in writing. Once received, Jefferies will not trade along with orders from that customer without express consent on an order-by-order basis.

Client Orders in the Pre or Post Market

Jefferies may not accept an order from a client for execution in the pre-market session or post-market session without disclosing that extended hours trading involves material trading risks, including the possibility of lower liquidity, high volatility, changing prices, unlinked markets, an exaggerated effect from news announcements, wider spreads and any other relevant risk. The absence of an updated underlying index value or intraday indicative value is an additional trading risk in extended hours for Derivative Securities Products.

Material Trading Risks

1. **Risk of Lower Liquidity** – Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, your order may only be partially executed, or not at all.
2. **Risk of Higher Volatility** – Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price in extended hours trading than you would during regular markets hours.
3. **Risk of Changing Prices** – The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening of the next morning. As a result, you may receive an inferior price in extended hours trading versus what you would receive during regular market hours.
4. **Risk of Unlinked Markets** – Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system versus what you would receive in another extended hours trading system.
5. **Risk of News Announcements** – Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. These announcements may occur during extended hours trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.
6. **Risk of Wider Spreads** – The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.
7. **Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value (“IIV”)** – For certain Derivative Securities Products, an updated underlying index value or IIV may not be calculated or publicly disseminated in extended trading hours. Since the underlying index value and IIV are not calculated or widely disseminated during the pre-market and post-market sessions, an investor who is unable to calculate implied values for certain Derivative Securities Products in those sessions may be at a disadvantage to market professionals.