

Notice to End User SWAP Counterparties

Dear Client,

We are sending this Notice to you because you are or may become a counterparty to **Jefferies Financial Services, Inc., Jefferies Derivative Products, LLC** and/or **Jefferies Financial Products, LLC** (each individually, “Jefferies”), each of which is a swap dealer registered with the Commodity Futures Trading Commission (“CFTC”). This Notice is intended to provide you with certain information that a swap dealer is required to deliver to end user counterparties pursuant to the External Business Conduct Rules and certain other rules promulgated by the CFTC pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”) and to explain our position with respect to some other significant Dodd-Frank matters. An “end user” is any swap counterparty other than a Swap Dealer or Major Swap Participant.

A. Summary of Risk Information.

Under the External Business Conduct Rules, we are required to make certain disclosures to you (as further described below) prior to entering into any swap with you in order to enable you to assess the material risks of the swap. Please review these disclosures carefully. You must not enter into a swap with us unless:

1. You understand the economic and contractual terms of the swap.
2. You understand the risks to which you will be exposed as a result of the swap (including, without limitation, market risk and the credit risk of Jefferies) and are capable of bearing those risks and the economic losses they may cause.
3. You are aware that our interests as your counterparty in any swap will be in conflict with your interests and that we consequently will not be (a) acting as your fiduciary or advisor, or (b) assessing whether the swap is appropriate, proper or suitable for you.
4. You (either on your own or on the basis of advice from advisors other than Jefferies) have made your own independent decision to enter into the swap and that the swap is appropriate, proper and suitable for you based on your risk appetite and your financial sophistication, objectives and condition.

B. Transaction Risk Information, Disclosures and Documents.

1. **ISDA Risk Disclosure Documents.** In order to assess the material risks and characteristics of a swap, please review (a) the “General Disclosure Statement for Transactions” and (b) the disclosure annexes related to the following products (as applicable) that are published by the International Swaps and Derivatives Association, Inc. (“ISDA”) and available at <http://www2.isda.org/functional-areas/legal-and-documentation/disclosures/> prior to entering into any swap with us:

- Interest Rate Derivatives
- Foreign Exchange
- Commodity Derivatives
- Equity Derivatives
- Credit Derivatives
- ABS Swaps.

Other product annexes may be added by ISDA in the future. (The copyright to all these documents is owned by ISDA as discussed below.) The General Disclosure Statement and the disclosure annexes provide detailed information about the risks of swaps. Jefferies may supplement these risk disclosures with other customized disclosures that will be provided to you if applicable.

The factors that have the most significant influence on day-to-day changes in the value of a swap, as well as the factors or events that actually lead to significant losses, may ultimately be unpredictable and may be different than any mentioned in the disclosures provided.

2. **Transaction Contracts and Documentation.** Unless it is intended to be cleared, your swap with Jefferies will be documented under an ISDA master agreement or another standard form of swap documentation (including a customized form of swap trading agreement prepared by Jefferies), in each case supplemented by a confirmation that sets forth all the terms of the relevant transaction. The relevant ISDA documentation and definitions are available at <http://www.isda.org/publications/isdadayslist.aspx>.

Please contact your Jefferies representative to obtain any of these documentation and definitions free of charge. Please read carefully all relevant documentation (including definitions) prior to entering into the swap with us.

ISDA holds copyright on certain ISDA documents and such works may not be reproduced or distributed without ISDA's written permission, except the ISDA Master Agreements, ISDA Credit Support Documents and standardized general and product specific risk disclosures published by ISDA, which may be reproduced and distributed solely for use in documenting specific commercial transactions. In no event may any copyright or trademark notice be removed. ISDA makes no warranty, express or implied, concerning the suitability of ISDA documentation for use in any particular transaction and bears no responsibility or liability whatsoever, whether in tort or contract, in respect of any such use.

C. Transaction-specific Pre-trade Disclosures.

1. **Material Information.** Jefferies will disclose to you the material terms of each specific proposed swap and will, if Jefferies deems it to be necessary or appropriate, supplement the general risk disclosures that have been provided to you with additional specific disclosures concerning the material risks and characteristics of the proposed swap. Any disclosures of such material terms and additional risk information that are made orally by Jefferies will be confirmed in writing. We will provide you upon request with a draft of all relevant documentation for a proposed swap. In the event of inconsistency between any general and specific disclosures or information provided about a proposed swap, please rely on the specific disclosures. If there is any material information that you do not understand, please ask your Jefferies representative for further information or clarification.

2. **Scenario Analyses.** Upon request, Jefferies will provide you with a scenario analysis with respect to any proposed swap with us. Such a scenario analysis will illustrate how a proposed swap may perform from your perspective under different assumed factual scenarios that are identified in the analysis. If you so elect, we will consult with you concerning the design of the scenario analysis, but if you do not affirmatively make such an election, you will receive a form of scenario analysis solely designed by Jefferies.

Since a scenario analysis does not present all possible outcomes for a proposed swap, it cannot be relied upon as an indicator of the actual results you will obtain if you enter into the proposed swap with us. The information in the scenario analysis also cannot be relied upon as an indicator of the unwind price, if any, which you might have to pay or might receive for terminating the proposed swap prior to its stated termination date under the same assumptions. However, unless the terms of a proposed swap give you a contractual early termination right, you cannot terminate a swap prior to maturity without the consent of Jefferies and the price quoted for such consent could cause a significant loss under the swap from your perspective.

3. **Pre-trade Mid-Market Marks.** As required by CFTC rule 23.431(a)(3)(i), we will provide you with a mid-market mark for each proposed swap at or about the time we provide you with an executable price. For a full understanding of our pre-trade mid-market marks, please review the important information on Exhibit A to this Notice. Each pre-trade mid-market mark will, as required by the rule, exclude amounts for profit, credit reserves, hedging, funding and liquidity reserves and other costs, reserves and adjustments so it is highly unlikely to be the same as the executable price that will be quoted by Jefferies to enter into the proposed swap.
4. **Clearing.** You are hereby notified that, if you execute a swap with Jefferies that is intended to be cleared, upon acceptance of the swap for clearing by a "derivatives clearing organization," as such term is defined in Section 1a(15) of the Commodity Exchange Act and CFTC rules ("DCO"):
- a. the original swap between Jefferies and you is extinguished;
 - b. the original swap between Jefferies and you is replaced by equal and opposite swaps with the DCO (so that, from your perspective, you will have an identical swap with the DCO and no swap with Jefferies); and
 - c. all terms of the swap shall conform to the product specifications of the cleared swap established under the DCO's rules.

D. Conflicts of Interest.

The External Business Conduct Rules do not change the fundamental conflict of interest that is inherent in every swap because a positive performance for one party will inevitably be a negative performance for the other party. Because of this unavoidable conflict of interest, communications from Jefferies with respect to swaps are not, and should not be treated or relied upon as, or considered by you to be, investment advice or an offer, recommendation, suggestion or call for you to enter into any swap.

Additional material conflicts of interest may arise between you and Jefferies in connection with swaps that are subject to mandatory clearing. Under applicable law, including regulations of the CFTC, all such swaps are required to be executed on an exchange or swap execution facility (each, a "Trading Facility") if at least one Trading Facility makes such swaps available to trade. In such circumstances, Jefferies or an affiliate may receive fees, discounts and/or other financial benefits if the swap is executed on a Trading Facility in which Jefferies or an affiliate has an interest as a member, market-maker, equity owner, board member and/or some other form of interested party.

If more than one Trading Facility makes a cleared swap available to trade, Jefferies may decline to execute the swap unless it is executed on a Trading Facility preferred by Jefferies.

Applicable law also permits an end user counterparty to choose the CFTC-registered DCO to which a cleared swap is submitted for clearing. Jefferies or an affiliate may receive fees, discounts and/or other financial benefits if the swap is cleared at a DCO in which Jefferies or an affiliate has an interest as a member, market-maker, equity owner, board member and/or some other form of interested party.

Jefferies may decline to execute a swap unless it will be cleared at a DCO preferred by Jefferies rather than one chosen by you. Jefferies may also decline to execute a swap to be cleared at a DCO chosen by you if it does not have the ability to submit swaps for clearing to that DCO.

Another potential conflict of interest with respect to Trading Facilities and DCOs in which Jefferies or an affiliate has an interest is that individual employees and officers of Jefferies or its affiliates may also serve on the board of directors or on one or more committees of such a Trading Facility or DCO and may consequently be able to influence policies and practices of the organization.

E. Daily Marks

As required by CFTC rule 23.431(d)(2), we will provide you with a daily mark for all uncleared swaps subject to CFTC regulation under the Dodd-Frank Act. For cleared swaps, you have the right to receive the daily mark from the appropriate DCO. For a full understanding of our daily marks, please review the important information on Exhibit A to this Notice.

F. Transaction Reporting.

Jefferies is required as a swap dealer to report the primary economic terms of every swap to a swap data repository or to the CFTC. Some details of each swap will be made publicly available by the swap data repository, but none of those details will include information identifying you or Jefferies.

G. Future Regulatory Developments.

Our swap trading relationship is certain to be affected in the future by additional rules for swaps that the CFTC is required to adopt pursuant to Dodd-Frank. We may notify you of relevant new rules as they come into effect, but you may inform yourself about them by checking the list of final rules posted on the CFTC website at <http://www.cftc.gov/LawRegulation/DoddFrankAct/Dodd-FrankFinalRules/index.htm>.

H. ISDA Protocols.

Compliance with CFTC rules for swaps has been facilitated by ISDA through the publication of protocols that are available to all market participants. Information about current protocols can be found at <http://www2.isda.org/functional-areas/protocol-management/protocol/12> and we expect that additional protocols will be published in the future. We are adherents to many of these protocols and may request your adherence to the same protocols as a condition of doing business with you.

I. Recording of Telephone Lines.

As required by CFTC rules, we will be recording all your conversations with Jefferies personnel relating to any swap that you may enter into with us. By transacting with Jefferies, you are deemed to have consented, to the extent permitted by applicable law,

to such recording and to the submission of such recording as evidence in any legal proceedings, or to any regulator, court or other authority having jurisdiction over Jefferies.

J. Address for complaints

As required by CFTC rule 23.201(b)(3)(ii), we hereby provide you with an address to which any complaints may be directed:

Jefferies Financial Services, Inc.
Jefferies Derivative Products, LLC
Jefferies Financial Products, LLC
520 Madison Avenue
New York, NY 10022
Attn: Swap Dealer Compliance
Email: swapdealercompliance@jefferies.com
Phone: 212-707-6302
Fax: 646-786-5213

Please feel free to contact either your Jefferies representative or email us at clientqueries@jefferies.com if you have any questions on the above.

Yours sincerely,

Jefferies Financial Services, Inc.
Jefferies Derivative Products, LLC
Jefferies Financial Products, LLC

Exhibit A

Important Information Regarding Marks For Swaps

Information For All Swaps:

1. Each mid-market mark (each, a “Mark”) for a swap (each, a “swap”) between the recipient and Jefferies Financial Services, Inc., Jefferies Derivative Products, LLC and/or Jefferies Financial Products, LLC (“Jefferies”) is provided to the recipient subject to the terms and conditions set forth in these notes.
2. Each Mark is either the pre-trade mid-market mark for the relevant proposed swap that Jefferies is required to deliver to the recipient pursuant to Section 23.431(a)(3)(i) of the rules promulgated by the Commodity Futures Trading Commission (the “Pre-trade Mark”), or the “daily mark” for the date specified for the relevant swap that Jefferies is required to deliver to the recipient pursuant to Section 23.431(d)(2) of the rules promulgated by the Commodity Futures Trading Commission (the “Daily Mark”). All Marks are shown from point of view of the recipient. Jefferies will not be required to provide a Pre-trade Mark for certain transactions covered by CFTC no-action letters if a counterparty has agreed in advance, in writing, that Jefferies need not disclose such Pre-trade Mark.
3. Each Mark is Jefferies’ estimate of the value of the swap under market conditions prevailing at the time the Mark is delivered, in the case of Pre-trade Marks, or as of the close of business of the previous business day, in the case of Daily Marks, but in each case without taking into account any amounts for profit, credit reserves, hedging, funding, liquidity and other relevant costs, reserves and adjustments that would be included in an executable price for the swap. The Mark for a swap can change from day to day as a result of changes in the relevant economic markets. These changes, which can be sudden and material, can make the next Mark for the relevant swap substantially less favorable from the point of view of the recipient.
4. Because a Pre-trade Mark does not include amounts for profit, credit reserves, hedging, funding, liquidity and other relevant costs, reserves and adjustments, it is highly likely to differ from the price at which Jefferies is willing to enter into the relevant proposed swap. That difference is not indicative of the profit, if any, that Jefferies will realize from the relevant proposed swap, which will be dependent on a number of variables including, without limitation, price volatility, market liquidity and relevant hedging activity, if any, by Jefferies. Because a Mark does not include amounts for profit, credit reserves, hedging, funding, liquidity and other relevant costs, reserves and adjustments, it a) may not represent the price at which Jefferies would agree to replace or terminate the relevant swap, b) may not necessarily be the value assigned to the relevant swap for purposes of the books and records of Jefferies, and c) depending on the terms of the trading relationship documentation between the parties, may not represent the value assigned to the relevant swap for the purposes of computing collateral calls and returns. If Jefferies is obligated pursuant to the terms of any contract or otherwise agrees to quote a live price to terminate a swap prior to its stated maturity, that live price may differ from the most recent Mark for the swap.
5. Each Mark is provided solely for the information of the counterparty to the swap and is not intended for the benefit of any other party. Data used in calculating a Mark may be obtained from third party sources that Jefferies believes are reliable, but may not have been independently verified. Jefferies specifically disclaims liability for any use the recipient may make of any Mark including, without limitation, use of such Mark in the preparation of its own financial books and records.

Additional Information For Rates and Credit Default Swaps:

Each Mark represents an estimate of the net present value (NPV) of the expected future cash flows from the relevant swap calculated using a) the proprietary computer valuation models that are used by Jefferies to prepare its own financial books and records for the relevant type of swap, and b) relevant mid-market price data inputs at the time the Mark is delivered, in the case of Pre-trade Marks, or as of the close of business of the previous business day, in the case of Daily Marks. Marks do not include a bid-offer spread and other costs, reserves and adjustments that would be included in an actual market price. In general, the proprietary computer valuation models used by Jefferies are based on appropriate discounting of fixed and floating cash flows as well as the appropriate projection of floating cash flows and reflect assumptions by Jefferies regarding past, present and future market conditions including liquidity of markets, trading volumes and interest rates. Because of these circumstances, a Mark will not necessarily be indicative of, and may be materially different from, the value which any other person might assign to the relevant swap, including a person that is affiliated with Jefferies.

Additional Information For Foreign Exchange and Commodities:

Each Mark is derived from underlying spot prices, applicable futures prices, forward points and implied volatilities obtained from a combination of different independent pricing sources and exchange price files. These price components are entered into Jefferies’ trading and back-office systems where they are utilized by embedded price interpolation and industry standard option

models to calculate each Mark. Each Mark: a) is generally used by Jefferies to prepare its own financial books and records for the relevant type of swap or forward, and b) is prepared using price data inputs, at the time the Mark is delivered, in the case of Pre-trade Marks, or as of the close of business of the previous business day, in the case of Daily Marks. Marks do not include a bid-offer spread and other costs, reserves and adjustments that would be included in an actual market price. In general, the valuation models used by Jefferies reflect assumptions by Jefferies regarding past, present and future market conditions including liquidity of markets, trading volumes and interest rates. Because of these circumstances, a Mark will not necessarily be indicative of, and may be materially different from, the value which any other person might assign to the relevant proposed swap, including a person that is affiliated with Jefferies.

Additional Information For Equity Total Return Swaps:

Each Mark is calculated on an accrual basis to equal the sum of the Equity Amount (with such Equity Amount including any commission equivalent embedded in the swap), the Floating Amount, and the Dividend Amount, if any, that would be payable under the terms of the swap, if the swap were early terminated with the final Valuation Date of the swap being the day with respect to which the Mark is calculated, and the settlement date being one settlement cycle following such Valuation Date. In the case of a Pre-trade Mark, applying that methodology results in a Mark that consists of just the commission equivalent that would be embedded in the proposed swap, since no other amounts will have accrued on the swap pre-trade. In summing such amounts, any such Equity Amount, Floating Amount and Dividend Amount that would be payable by Jefferies will be expressed as a positive number, and any such amount that is payable to Jefferies will be expressed as a negative number. As used herein, Equity Amount, Floating Amount and Dividend Amount have the meaning given to them in the relevant trading documentation between us, provided that the Equity Amount will be calculated by using the official close on the primary exchange of the underlying equity as of the prior business day.

Marks related to underlying equities that trade outside of the United States are converted into a US Dollar equivalent at the end of every business day based on current market FX rates. Marks do not include amounts for profit, credit reserves, hedging, funding, liquidity and other costs, reserves and adjustments that would be included in an actual market price. Because of these circumstances, a Mark will not necessarily be indicative of, and may be materially different from, the value which any other person might assign to the relevant swap, including a person that is affiliated with Jefferies.