

YOUR FEE BASED NON-DISCRETIONARY ADVISORY ACCOUNT – IS THIS TYPE OF ACCOUNT APPROPRIATE FOR YOU?

Dear Client:

You should discuss with your Jefferies Account Executive all investment options in order to determine if your fee based non-discretionary advisory account is best suited to your level of account activity and investment preferences.

Whereas traditional brokerage accounts charge commissions or mark ups on each transaction, your fee based non-discretionary advisory account charges an annual fee that is based upon the aggregate amount of assets in the account. You should discuss with your Account Executive whether a fee based non-discretionary advisory account continues to be the right choice for you based on the level of trading activity in your account, your financial status, investment objectives, size of portfolio, type of securities held, and account diversification.

In an ordinary non-discretionary brokerage account your Account Executive will execute all trades based on your instructions and you will be charged a commission or mark-up on each transaction. You control this account, and your Account Executive does not have discretion to purchase or sell securities for you without authorization from you.

What is a brokerage account?

Based upon communications that you have with your Account Executive, from time to time you may be provided with additional information, investment advice and recommendations. It is important to distinguish between advice that is solely incidental to the brokerage relationship and the advisory services that are rendered pursuant to the Investment Advisers Act of 1940, as amended. A non-discretionary brokerage account is *not* an advisory account.

How does a fee based non-discretionary advisory account differ from a brokerage account?

A fee based non-discretionary advisory account is regulated by the Investment Advisers Act of 1940, as amended. However, your Account Executive does not have any authority to act in this account without your authorization. Your Account Executive will provide investment advice and related services for the account, but will not exercise discretion with respect to investment decisions.

How are fees calculated?

The fee applied to your account is an all-inclusive fee that is not based on individual trades. Therefore, the annual fee for your fee based non-discretionary advisory account could potentially be higher than a standard commission-based brokerage account. In addition, this fee will be charged regardless of how much activity is in the account. Clients with lower trading activity or those who would prefer a commission based brokerage account may not be suited for a fee based non-discretionary advisory account. The fee will be charged on all eligible assets which include equity securities, corporate debt securities, options, U.S. government securities, warrants, commercial paper, certificates of deposit, municipal securities, and load-waived Class A share (including off-shore) mutual funds, no-load mutual funds and cash and cash equivalents (e.g., money market fund securities and short-term treasury mutual fund securities). You may avoid paying the fee on cash and cash equivalents by holding these assets outside of your fee based advisory account. Investments in additional products are permitted, however an additional charge may be incurred in some cases. Many clients prefer an annual fee in order to ensure that their investment interests are more aligned with those of their Account Executive. Annual fees also tend to be somewhat more predictable than commission charges. However, it should be noted that if you anticipate a lower level of trading activity your annual fee could be higher than the aggregate commissions you would have been charged on a commission based account. If you decide at a later date that you would prefer a traditional brokerage account rather than a fee based non-discretionary advisory account, you should discuss with your Account Executive the option of converting from a fee-based account to a commission-based account.

Sincerely,

Ronald S. Filipowicz
Managing Director
Wealth Management Division
Jefferies LLC
520 Madison Avenue – 4th Floor
New York, N.Y. 10022
212-284-1780 (Direct)
rfilipowicz@jefferies.com

Required Disclosure:

“Your account is a fee-based account and not a traditional brokerage account. Our interests may not always be the same as yours. Please ask us questions to make sure you understand our rights and obligations to you, including the extent of our obligations to disclose conflicts of interest and to act in your best interest. We are paid both by you and, sometimes, by people who compensate us based on what you buy. Therefore, our profits, and our salespersons’ compensation, may vary by product and over time.”