JEFFERIES GROUP INC /DE/
Form DEF 14A
March 25, 2011

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO.___)

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
þ Definitive Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

JEFFERIES GROUP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Title of each class of securities to which

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount

Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

JEFFERIES GROUP, INC.
520 Madison Avenue
New York, New York 10022

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Monday, May 9, 2011

Dear Shareholder:

You are invited to attend our Annual Meeting of Shareholders. The meeting will be held at our offices at 520 Madison Avenue, New York, New York, 10022, on Monday, May 9, 2011, at 9:30 a.m. At the meeting, shareholders will:

1. Elect eight directors to serve until our next Annual Meeting,
2. Vote on an advisory basis to approve the compensation of the named executive officers,
3. Vote on an advisory basis on how frequently shareholders will vote on the compensation of our named executive officers,
4. Vote to ratify the selection of our independent registered public accounting firm, and
5. Conduct any other business that properly comes before the meeting.

You are entitled to notice of the meeting and to vote at the meeting if you held our common stock at the close of business on March 14, 2011.

Even if you will not be able to attend, we have taken a number of steps to make it easy for you to vote. The enclosed proxy card contains instructions on how to vote by telephone, on the Internet or by mail. We urge you to vote early using one of these methods if you do not expect to attend. You can still attend the meeting and vote in person if you choose.

We have provided this Proxy Statement to provide background information for you to use when casting your vote. We hope you will find it informative.

For the Board of Directors,

Michael J. Sharp
Secretary

March 25, 2011

JEFFERIES GROUP, INC.
520 Madison Avenue
New York, New York 10022

March 25, 2011

PROXY STATEMENT

The Board of Directors of Jefferies Group, Inc. requests that each shareholder provide a proxy for use at our Annual Meeting of Shareholders. The meeting will be held at our principal executive offices at 520 Madison Avenue, New York, New York, 10022, on Monday, May 9, 2011, at 9:30 a.m., local time. You are entitled to receive notice of the meeting and to vote at the meeting if you were a shareholder of record at the close of business on March 14, 2011. We are first mailing this Notice of Annual Meeting, Proxy Statement and proxy card to shareholders on or about March 25, 2011.

Eligible shareholders may vote by telephone, on the Internet, by mail or by attending the meeting and voting by ballot as described below. If you vote by telephone or on the Internet, you do not need to return a proxy card. Telephone and Internet voting facilities will be available 24 hours a day, and will close at 11:59 p.m. on May 8, 2011, the night before the meeting.

To vote by telephone please call 1-800-PROXIES (1-800-776-9437).

To vote on the Internet go to www.voteproxy.com and follow the on-screen instructions.

To vote by mail simply mark the enclosed proxy, date and sign it, and return it to American Stock Transfer & Trust Company in the postage-paid envelope provided. If the envelope is missing, please mail the completed proxy card to us at:

Jefferies Group, Inc.
c/o American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219-9821

We will use any votes received by telephone, internet or mail at the annual meeting and any adjournment of the meeting if an adjournment is necessary. If you change your mind after voting by telephone or on the Internet, simply call the number again or return to the website again to change your vote. You may also revoke your vote, whether by telephone, internet or by mail, by (i) delivering a written notice of revocation to our Secretary on or before the closing of the polls at the meeting, (ii) delivering a new proxy card with a later date to our Secretary on or before the closing of the polls at the meeting or (iii) attending the meeting and voting in person.

If you indicate how you would like your shares voted by returning a proxy card, voting by telephone or voting on the Internet, we will vote your shares at the meeting in accordance with your directions. If you do not indicate how you want your shares voted, but return a proxy card, your shares will be voted as follows:

FOR the election of the eight nominees for Director whose names are listed in this Proxy Statement,

FOR the resolution approving the compensation of our named executive officers,

FOR EVERY THREE YEARS in answer to the question of how often you would like to vote for approval of the compensation of our named executive officers, FOR ratification of the selection of our independent registered public accounting firm, and

if any other matters are properly raised at the meeting, your shares will be voted as directed by Richard Handler, our Chief Executive Officer, or Brian P. Friedman, the Chairman of our Executive Committee.

Each person we list in this Proxy Statement as a nominee for Director has agreed to serve if elected. Although we expect that all the nominees will be able to serve if elected, if a nominee becomes unable to serve between now and the meeting date, we will vote any shares for which we have received proxies in favor of a substitute nominee recommended by our Board of Directors.

We are paying for all costs associated with soliciting proxies from our shareholders. Although there are no formal agreements to do so, we will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for their reasonable expenses incurred in sending proxy materials and annual reports to our shareholders. In addition to solicitation by mail, our directors and officers may solicit proxies in person, by telephone, or by fax, but they will not receive special compensation for such solicitation.

On March 14, 2011, the record date for determining which shareholders are entitled to vote at the annual meeting, there were 177,303,169 shares of our Common Stock outstanding. We do not have cumulative voting, and there are no appraisal or dissenters rights associated with the matters we have scheduled for a vote at the meeting. Each share you hold on the record date will give you the right to one vote for each Director to be elected and one vote on each separate matter of business properly brought before the meeting.

The directors who receive the most votes from the shares properly voting at the meeting will be elected, even if one or more directors does not receive a majority of the votes cast. Withholding a vote for a particular director will not count as a vote against that director, since there is no minimum number of votes necessary to elect a director. However, in accordance with our Board of Directors Corporate Governance Guidelines, any nominee for director who receives a greater number of votes withheld from his election than votes for his election is required to promptly tender his resignation to the Chairman of the Board. The Corporate Governance and Nominating Committee will promptly consider the resignation and recommend to the Board whether to accept the tendered resignation or reject it in accordance with the Corporate Governance Guidelines. In considering whether to accept or reject the tendered resignation, the Corporate Governance and Nominating Committee will consider all factors deemed relevant by the members of the Committee, including any stated reasons why shareholders withheld votes, the length of service and qualifications of the Director whose resignation has been tendered, the Director s contributions to the Company, and our Corporate Governance Guidelines. The Board will act on the Corporate Governance and Nominating Committee s recommendation no later than 90 days following the date of the shareholders meeting where the election occurred. In considering the Committee s recommendation, the Board will consider the factors considered by the Committee, and such additional information and factors the Board believes to be relevant. Following the Board s decision on the resignation, we will promptly disclose the Board s decision and a description of the process we undertook. If the Board rejects the tendered resignation, we will also disclose the reasons for the rejection. If the Board accepts the resignation, the Corporate Governance and Nominating Committee will recommend whether to fill the vacancy or reduce the size of the Board. Any Director who tenders his or her resignation as described above will not participate in the committee or board consideration of his or her tendered resignation.

Approval of items of business that properly come before the meeting other than the election of directors will require the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter.

If your shares are held in your broker s name and you do not give your broker timely voting instructions on certain matters, the broker cannot vote your shares. Such a broker non-vote will have no effect on the election of directors or any other item coming before the meeting. If you abstain on the vote on any proposal coming before the meeting (other than the election of directors), the effect of the abstention will be the same as a vote against the proposal, except that an abstention from voting on the advisory vote on the frequency of votes on our compensation of named executive officers will not affect the frequency proposal (every one, two or three years) that is deemed to receive the most votes.

We have retained our transfer agent, American Stock Transfer & Trust Company, as independent inspector of election to receive and tabulate the votes. Our transfer agent will also certify the results and perform any other acts required by the Delaware General Corporation Law.

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Security Ownership Of Certain Beneficial Owners And Management

The following table sets forth certain information regarding beneficial ownership of our common stock by

each person we know of who beneficially owns more than 5% of our common stock,

each of our directors,

each executive officer and former executive officer named in the Summary Compensation Table and

all directors and executive officers as a group.

The information set forth below is as of January 1, 2011, unless otherwise indicated. Information regarding shareholders other than directors and executive officers is based upon information contained in documents filed with the Securities and Exchange Commission (SEC). The number of shares beneficially owned by each shareholder and the percentage of the outstanding common stock those shares represent include shares that may be acquired by that shareholder within 60 days through the exercise of any option or right, but do not take into consideration the potential application of Section 409A of the Internal Revenue Code (the Code) which in some cases could result in a delay of the distribution beyond 60 days. Unless otherwise indicated, the mailing address of the parties listed below is our principal business address and the parties have sole voting power and sole dispositive power over their shares.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned
Leucadia National Corporation 315 Park Avenue South New York, New York 10010	49,351,385(1)	27.8%
Capital World Investors 333 South Hope Street Los Angeles, CA 90071	13,000,000(2)	7.3%
Richard B. Handler	11,904,207(3)	6.4%
BlackRock Inc. 40 East 52nd Street New York, NY 10022	10,382,351(4)	5.8%
Brian P. Friedman	3,428,455(5)	1.9%
Richard G. Dooley	268,062(6)	*
Peregrine C. Broadbent	257,311(7)	*
Lloyd H. Feller	119,897(8)	*
W. Patrick Campbell	69,437(9)	*
Charles Hendrickson	36,958(10)	*
Robert Joyal	20,598(11)	*
Joseph S. Steinberg	14,485(12)	*
Ian M. Cumming	5,479(13)	*
Michael J. Sharp	64(14)	*
Michael T. O Kane	0(15)	*

All directors and executive officers as a group	16,124,953(16)	8.7%

* The percentage of shares beneficially owned does not exceed one percent of the class.

(1) The indicated interest was reported on a Form 4 filed with the SEC by Leucadia National Corporation (Leucadia) on November 2, 2010, reporting interests directly held by BEI Jeffvest, LLC (Jeffvest) as of November 1, 2010 and indirectly by Baldwin Enterprises, Inc. (Baldwin), Phlcorp, Inc. (Phlcorp) and Leucadia. Jeffvest is a wholly-owned subsidiary of Baldwin, which is a wholly-owned subsidiary of Phlcorp and Phlcorp is a wholly-owned subsidiary of Leucadia. Leucadia, Baldwin and Phlcorp have previously reported shared voting and dispositive power over the shares.

(2) The indicated interest was reported on a Schedule 13G filed with the SEC by Capital World Investors on February 14, 2011. In its Schedule 13G, Capital World reported that as of December 31, 2010, it had sole voting and dispositive power over all 13,000,000 of its shares.

(3) Assuming Mr. Handler s continued employment with us through the expiration of all applicable vesting and deferral periods, Mr. Handler would beneficially own 13,897,359 shares (representing 7.83% of the currently outstanding class). The table above includes 7,708,319 vested restricted stock units (RSUs) which Mr. Handler has a right to acquire within 60 days from January 1, 2011; 114,193 shares held under the Jefferies Group, Inc. Employee Stock Ownership Plan (the ESOP) as to which Mr. Hander has sole voting power and no dispositive power; 636,061 RSUs resulting from dividend reinvestments which Mr. Handler has a right to acquire within 60 days from January 1, 2011; 3,137,558 shares which Mr. Handler has shared voting and dispositive power with his wife through a family trust; 11 shares held by the Trustee of our profit sharing plan (the PSP); and 40 shares held in an account for the benefit of Mr. Handler s immediate family. Participants in the PSP have sole voting power and limited dispositive power over shares allocated to their PSP accounts. Under the ESOP, shares are allocated to accounts in the name of the individuals who participate in the ESOP. The voting rights for shares in each individual participant s account are passed through to that participant. Because participants can vote shares in their ESOP accounts, but cannot sell them, participants in the ESOP have sole voting power and no dispositive power over shares allocated to their accounts. The table above excludes 1,725,910 RSUs which do not represent a right to acquire shares within 60 days from January 1, 2011; 200 shares of vested and deferred stock held by the trustee of our Employee Stock Purchase Plan (the ESPP) as to which Mr. Handler has neither voting nor dispositive power; and 267,042 share denominated deferrals under the DCP.

(4) The indicated interest was reported on a Schedule 13G filed with the SEC by Blackrock, Inc. on February 4, 2011. In its Schedule 13G, Blackrock reported that as of December 31, 2010, it had sole voting and dispositive power over all 10,382,351 of its shares.

(5) Assuming Mr. Friedman s continued employment with us through the expiration of all applicable vesting and deferral periods, Mr. Friedman would beneficially own 5,095,224 shares (representing 2.87% of the currently outstanding class). The table above includes 659,456 vested RSUs which Mr. Friedman has a right to acquire within 60 days from January 1, 2011; 63,564 RSUs resulting from dividend reinvestments which Mr. Friedman has a right to acquire within 60 days from January 1, 2011; 1,273 shares held under the ESOP; and 11,519 shares held by the trustee of the PSP. The table above excludes 1,644,644 unvested RSUs which do not represent a right to acquire shares within 60 days from January 1, 2011; and 22,125 share denominated deferrals under the DCP.

(6) Assuming the expiration of all applicable deferral periods, Mr. Dooley would beneficially own 438,443 shares (representing less than 1% of the currently outstanding class). The table above excludes 170,381 stock units held under our Director Stock Compensation Plan (the DSCP), which do not represent a right to acquire shares within 60 days after January 1, 2011. Directors holding shares under the DSCP have voting but no dispositive power over those shares.

(7) Assuming the expiration or termination of all applicable vesting and deferral periods, Mr. Broadbent would beneficially own 363,765 shares (representing less than 1% of the currently outstanding class). The table above includes 159,681 vested RSUs which Mr. Broadbent has a right to acquire within 60 days from January 1, 2011; 7,523 RSUs resulting from dividend reinvestments which Mr. Broadbent has a right to acquire within 60 days from January 1, 2011; 11 shares held by the trustee of the PSP; and 6 shares held under the ESOP. The table above excludes 106,454 unvested RSUs which do not represent a right to acquire shares within 60 days from January 1, 2011.

(8) Assuming Mr. Feller s continued compliance with the non-competition clause in the agreement he signed when he retired through all applicable vesting periods, Mr. Feller would beneficially own 158,723 shares (representing less than 1% of the currently outstanding class). The table above includes 1,412 vested RSUs arising from dividend reinvestments which Mr. Feller has a right to acquire within 60 days after January 1, 2011; 11 shares held by the trustee of the PSP; and 604 shares held under the ESOP. The table above excludes 21,926 vested RSUs which Mr. Feller does not have a right to acquire within 60 days from January 1, 2011; and 16,901 share denominated deferrals under the DCP which do not represent a right to acquire within 60 days from January 1, 2011.

(9) Assuming the expiration or termination of all applicable deferral periods, Mr. Campbell would beneficially own 104,602 shares (representing less than 1% of the currently outstanding class). The table above includes 9,428 shares subject to immediately exercisable options and 35,165 shares of restricted stock under the DSCP.

(10) Assuming the expiration or termination of all applicable vesting and deferral periods, Mr. Hendrickson would beneficially own 49,408 shares (representing less than 1% of the currently outstanding class). The table above includes 21,048 vested RSUs which Mr. Hendrickson has a right to acquire within 60 days from January 1, 2011; 1,503 shares resulting from dividend reinvestments on RSUs which represent a right to acquire within 60 days from January 1, 2011; and 4,620 shares held by the trustee of the PSP. The table above excludes 12,450 unvested RSUs which do not represent a right to acquire within 60 days from January 1, 2011.

(11) Assuming the expiration or termination of all applicable deferral periods, Mr. Joyal would beneficially own 42,280 shares (representing less than 1% of the currently outstanding class). The table above excludes 21,682 deferred shares under the DSCP which do not represent a right to acquire shares within 60 days from January 1, 2011.

(12) Excludes shares held by Leucadia as to which Mr. Steinberg disclaims beneficial ownership.

(13) Includes 9,096 shares held under the DSCP which do not represent a right to acquire shares within 60 days from January 1, 2011. Excludes shares held by Leucadia as to which Mr. Cumming disclaims beneficial ownership.

(14) Assuming the expiration or termination of all applicable deferral periods, Mr. Sharp would beneficially own 21,413 shares (representing less than 1% of the currently outstanding class). The table above excludes 21,349 shares which reflect deferred shares under the DSCP and do not represent a right to acquire shares within 60 days from January 1, 2011.

(15) Assuming the expiration or termination of all applicable deferral periods, Mr. O Kane would beneficially own 22,329 shares (representing less than 1% of the currently outstanding class). The table above excludes all 22,329 shares which reflect deferred shares under the DSCP and do not represent a right to acquire shares within 60 days from January 1, 2011.

(16) Includes 9,428 shares subject to immediately exercisable options; 8,548,504 vested RSUs which employees have a right to acquire within 60 days from January 1, 2011; 710,126 shares representing dividend reinvestments on RSUs which may be acquired within 60 days from January 1, 2011; 1,261,024 shares of restricted stock as to which employees have sole voting and no dispositive power; 116,088 shares held under the ESOP; and 16,172 shares under the PSP for the listed directors and executive officers as a group. Assuming the expiration of all applicable vesting and deferral periods, the directors and named executive officers as a group would beneficially own 20,222,607 shares (representing 11.4% of the currently outstanding class).

Election Of Directors

Under our By-Laws, the Board of Directors may determine its own size so long as it remains not less than five nor more than seventeen directors. Our Board currently consists of eight members, and has proposed the election of eight directors at this year s Annual Meeting. The directors elected at this Annual Meeting will serve a term that lasts until the directors elected at next year s Annual Meeting of Shareholders assume their duties.

Information Concerning Nominees For Director And Executive Officers

Each of the biographies of the nominees for election as directors below contains information regarding the person s service as a director, business experience, director positions held currently or at any time during the past five years, and the experience, qualifications, attributes and skills that caused the Nominating and Corporate Governance Committee and the Board of Directors to determine that the person should be nominated as a director of the Company for re-election at the Company s 2011 Annual Meeting of Shareholders.

Nominees

The following information relates to the nominees for election as directors:

Richard B. Handler, age 49, a nominee, has been our Chairman since February 2002, and our Chief Executive Officer since January 2001. Mr. Handler has also served as Chief Executive Officer of Jefferies & Company, Inc., our principal operating subsidiary (Jefferies), since January 2001, as President of Jefferies since May 2006, and as Co-President and Co-Chief Operating Officer of both companies during 2000. Mr. Handler was first elected to our Board in May 1998. He was Managing Director of High Yield Capital Markets at Jefferies from May 1993 until February 2000, after co-founding that group as an Executive Vice President in April 1990. Mr. Handler has also been the President and Chief Executive Officer of the Jefferies Partners Opportunity family of funds and is Chief Executive Officer of their successor entities, Jefferies High Yield Trading, LLC and Jefferies High Yield Holdings, LLC. He is also Chairman and Chief Executive Officer of the Handler Family Foundation, a non-profit foundation working primarily with underprivileged children. Mr. Handler received an MBA from Stanford University in 1987, where he serves as a member of the Advisory Council for the University s Graduate School of Business. He received his BA in Economics from the University of Rochester in 1983 where he also serves on the Board of Trustees and is Chairman of the University s Finance Committee. For the 21 year period Mr. Handler has worked at Jefferies, our shares compounded annually at 19.6%. Since joining Jefferies in 1990 and throughout his entire term as CEO, 77% of Mr. Handler s compensation has consisted of non-cash equity related securities vesting over three to five years. Aside from charitable donations, Mr. Handler has never sold any of his Jefferies shares. We view Mr. Handler s broad experience in the securities industry, long history with Jefferies, years of demonstrated leadership in both favorable and difficult markets and commitment to the Company, including his significant stock ownership, as key attributes and skills that make him uniquely suited to continue to serve as a director, our Chief Executive Officer, and Chairman of our Board.

Brian P. Friedman, age 55, a nominee, has been one of our directors and an executive officer since July 2005, and has been Chairman of the Executive Committee of Jefferies since 2002. Since 1997, Mr. Friedman has also been President of Jefferies Capital Partners (formerly known as FS Private Investments). Mr. Friedman splits his time between his role with us and his position with Jefferies Capital Partners. Mr. Friedman was previously employed by Furman Selz LLC and its successors, including serving as Head of Investment Banking and a member of its Management and Operating Committees. Prior to his 17 years with Furman Selz and its successors, Mr. Friedman was an attorney with the New York City law firm of Wachtell, Lipton, Rosen & Katz. As a result of his management of various private equity funds and the significant equity positions those funds hold in their portfolio companies, Mr. Friedman serves on several boards of directors of private portfolio companies, and has served on the board of the general partner of K-Sea Transportation L.P. since 2004 and of Carrols Restaurant Group, Inc. since June 2009. Since Mr. Friedman became associated with Jefferies in May 2001, initially as an advisor and since 2005 as an executive officer, he has been instrumental in helping us establish and implement a focused and consistent strategy that has guided our growth and development, including business unit buildouts and acquisitions. Over 90% of Mr. Friedman s compensation from Jefferies has consisted of non-cash equity related securities vesting over three to five years. Additionally, Mr. Friedman s experience analyzing, selecting and managing private equity investments as well as his prior experience in building and managing another Wall Street firm, have provided him skills, knowledge and insights valuable to Jefferies growth and management. In light of his management experience and track record, both at the company and previously, Mr. Friedman has been a significant addition to the Board and we believe he should continue to serve as a director.

W. Patrick Campbell, age 65, a nominee, has been one of our directors since January 2000. Mr. Campbell was Chairman and Chief Executive Officer of Magex Limited from August 2000 to April 2002 and has been an independent consultant in the media and telecom field since that time. From 1994 until October 1999, Mr. Campbell was Executive Vice President of Corporate Strategy and Business Development at Ameritech Corp. where he was a member of the Management Committee and directed all corporate strategy and merger and acquisition activity. From 1989 to 1994, Mr. Campbell served as President and Chief Executive Officer of Columbia TriStar Home Video, a Sony Pictures Entertainment Company, and has previously been President of RCA/Columbia Pictures International Video. Mr. Campbell has also been a director of Black & Veatch since

November 1999. Mr. Campbell is Chairman of our Audit Committee, and a member of our Compensation Committee and Corporate Governance and Nominating Committee. Mr. Campbell brings the Board the perspective of an experienced business leader from outside the financial services industry. His merger and acquisition experience provides familiarity with a key component of our investment banking and capital market business and his understanding of the media and telecom field provides him insight in a key industry where we have a significant research presence. Mr. Campbell s mix of strategic planning experience and understanding of our business lines has made him a valuable contributor to the Board and supports our conclusion that he should continue to serve as a director.

Ian M. Cumming, age 70, a nominee, has been one of our directors since April 2008 and a director of Jefferies High Yield Holdings, LLC since April 2007. Mr. Cumming has served as a director and Chairman of the Board of Leucadia since June 1978. Leucadia is a diversified holding company engaged in a variety of businesses, including manufacturing, telecommunications, property management and services, gaming entertainment, real estate activities, medical product development and winery operations. Mr. Cumming was also Chairman of the Board of The FINOVA Group Inc., a middle market lender and AmeriCredit Corp., an auto finance company. Mr. Cumming is a director of Skywest, Inc., a Utah-based regional air carrier, and HomeFed Corporation (HomeFed), a publicly held real estate development company. Mr. Cumming is an alternate director of Fortescue Metals Group Ltd (Fortescue), an Australian public company that is engaged in the mining of iron ore. Mr. Cumming is also a member of our Compensation Committee and Corporate Governance and Nominating Committee. Mr. Cumming s experience in finance and investments gives him a skill set he brings to the Board and his history of working with us as a client and now key investor bring a new perspective to Board discussions. Mr. Cumming occupied one of two board seats committed to Leucadia as a result of its strategic investment in the company in April 2008 and has been nominated by the Board to continue as a director.

Richard G. Dooley, age 81, a nominee, has been one of our directors since November 1993. From 1978 until his retirement in June 1993, Mr. Dooley was Executive Vice President and Chief Investment Officer of Massachusetts Mutual Life Insurance Company (MassMutual). Mr. Dooley was a consultant to MassMutual from 1993 to 2003. Mr. Dooley has been a director of Kimco Realty Corporation since 1990 and is a member of its Compensation Committee. Mr. Dooley is Chairman of our Compensation Committee and a member of our Audit Committee and Corporate Governance and Nominating Committee. Mr. Dooley is also a Chartered Financial Analyst and his experience as an investment professional, and with Jefferies in particular, has given him an understanding of our long term strategic goals and objectives and how we have progressed over time. His service on a number of other boards has helped him gain insights he applies to his service on our board, and his ability to recognize and react to market changes and trends have made him an important contributor to the Board and its leadership. We believe these traits qualify him to continue to serve as a director.

Robert E. Joyal, age 66, a nominee, has been one of our directors since January 2006. Previously, Mr. Joyal was the President of Babson Capital Management LLC, an investment management firm, a position that he held from 2001 until his retirement in June 2003. Mr. Joyal served as Managing Director of Babson from 2000 to 2001. He also served as Executive Director from 1997 to 1999 and Vice President and Managing Director (1987-1997) of the Massachusetts Mutual Life Insurance Company, a director of York Enhanced Strategy Fund (2005-06), and a director of Alabama Aircraft Industries, Inc. (2003-2010). Mr. Joyal is a trustee of various investment companies sponsored by the Massachusetts Mutual Financial Group and various private equity and mezzanine funds sponsored by First Israel Mezzanine Investors. Mr. Joyal is also a director of Kimco Insurance Company since 2007, and of Scottish Reinsurance Group, Ltd. since 2007. Mr. Joyal is Chairman of our Corporate Governance and Nominating Committee, and a member of our Audit Committee and Compensation Committee. Mr. Joyal brings the Board skills derived from his time at Massachusetts Mutual and his involvement in the management of the many investments of the entities mentioned above. As a Chartered Financial Analyst, and executive with 37 years of cumulative experience in financial management, Mr. Joyal is able to offer his evaluation of the financial return on investments and opinion of long term strategic goals from an outside perspective. We believe he is an asset to the Board and recommend that he continue to serve as a director.

Michael T. O Kane, age 65, a nominee, has been one of our directors since May 2006. From 1986 to 2004, Mr. O Kane served in various capacities for TIAA-CREF, first as a Managing Director Private Placements from 1986 to 1990, then as Managing Director Structured Finance from 1990 to 1996 and finally as Senior Managing Director Securities Division from 1986 to 2004, when he was responsible for approximately $120 billion of fixed income and $3.5 billion of private equity assets under management. Since August 2005, Mr. O Kane has also served on the Board of Directors and on the Audit, Finance and Risk Oversight Committee of Assured Guaranty, Ltd. In addition, Mr. O Kane served on the Board of Trustees of Scholarship America, a non profit company engaged in providing scholarships for young students to attend college, from 2001 to 2006. Mr. O Kane is a member of our Corporate Governance and Nominating Committee, Audit Committee and Compensation Committee. Mr. O Kane s experience in two of our key industries, fixed income investments and asset management, required that he conduct financial analysis in many companies. This experience, together with his experience as the Chief Financial Officer of another public company, Motor Coils Manufacturing Company, from 1982 to 1984, provide him with an understanding of key issues and a unique perspective. We believe he is an asset to the Board and recommend that he continue to serve as a director.

Joseph S. Steinberg, age 67, a nominee, has been one of our directors since April 2008 and a director of Jefferies High Yield Holdings, LLC since April 2007. Mr. Steinberg has served as a director of Leucadia since December 1978 and as its President since January 1979. In addition, Mr. Steinberg is Chairman of the Board of HomeFed and an alternate director of Fortescue. Mr. Steinberg had been a director of The FINOVA Group Inc., Jordan Company, White Mountains and was a member of the board of managers of Premier Entertainment Biloxi, LLC. Mr. Steinberg is a member of our Compensation Committee and Corporate Governance and Nominating Committee. Like Mr. Cumming, Mr. Steinberg has had experience in finance and investments and brings the perspective of a client, business partner and now significant strategic investor. Mr. Steinberg occupied the second of two board seats committed to Leucadia as a result of its strategic investment in the company in April 2008 and has been nominated by the Board to continue to serve as a director.

Other Executive Officers

Our Executive Officers are appointed by the Board of Directors and serve at the discretion of the Board. Other than Messrs. Handler and Friedman, for whom information is provided above, the following sets forth information as to the Executive Officers:

Peregrine C. Broadbent, age 47, has been our and Jefferies Executive Vice President and Chief Financial Officer since November 2007. Prior to joining us, Mr. Broadbent was employed by Morgan Stanley for 16 years, including serving as Managing Director, Head of Institutional Controllers (Fixed Income, Equity and Investment Banking) of Morgan Stanley from November 2003 through November 2007, and was Morgan Stanley s Managing Director, Head of Fixed Income Infrastructure (Operations and Controllers) from March 2002 to November 2003. Mr. Broadbent is a Chartered Accountant in the United Kingdom.

Charles J. Hendrickson, age 60, has been our Treasurer and Treasurer and a Managing Director of Jefferies since July 2006. Mr. Hendrickson was Managing Director and Treasurer of Donaldson, Lufkin & Jenrette, Inc. from March 1984 to September 2000, when it was acquired by Credit Suisse, and provided continuing services to Credit Suisse through the transition until February 2001. Mr. Hendrickson has served as a director of ImaginAsian Entertainment, Inc. since 2004 and served as its interim Chief Financial Officer from 2005 to 2006 when he joined Jefferies. From 2001 to 2005 Mr. Hendrickson also served on the Board of Youth Directions and Alternatives, a New York based charitable organization, and served as its Treasurer from 2003 to 2005. Mr. Hendrickson served as Treasurer of Clarendon Ltd. from 1983 to 1984 and from 1973 to 1983 Mr. Hendrickson held various positions in credit and marketing at Chase Manhattan Bank finally serving as Vice President and Division Executive of the Financial Analysis Division of its Workout Group.

Michael J. Sharp, age 55, has been our and Jefferies Executive Vice President, General Counsel and Secretary since November 2010. Prior to joining us in September 2010, Mr. Sharp had been a partner with the law firm of Wilmer Cutler Pickering Hale & Dorr LLP since March 2009. Previously, Mr. Sharp was General Counsel of Citigroup s Global Wealth Management, Global Consumer Bank, and Global Credit Card business units. Before his 12 years at Citigroup, Mr. Sharp was a litigation associate at Cravath, Swaine & Moore, which he joined in 1992. Mr. Sharp began his legal career as a judicial clerk on the United States Court of Appeals for the Eleventh Circuit. Before embarking on a legal career, Mr. Sharp traded U.S. Treasury Bonds from 1981 to 1988.

Equity Compensation Plan Information

The following table provides information regarding our compensation plans (other than our tax qualified ESOP and 401(k) Plan), under which our equity securities were authorized for issuance as of December 31, 2010.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	6,538,507(1)	$ .01(2)	48,532,404(3)
Equity compensation plans not approved by security holders			
Total	6,538,507	$ .01	48,532,404

(1) Includes 3,601,511 RSUs which were granted in fiscal 2010; 25,840 options under our Director s Stock Compensation Plan; and 2,911,156 share equivalents under our deferred compensation plans. Excludes 8,559,901 shares of restricted stock granted in fiscal 2010.

(2) The weighted average exercise price of outstanding options, warrants and rights is calculated including RSUs and similar rights which have an exercise price of zero. If the weighted average exercise price was calculated including only those awards that have a specified exercise price, which in our case is only options, the weighted average exercise price for plans approved by security holders would be $9.89.

(3) Of the shares remaining available for future issuance under the 2003 Plan, as of November 30, 2010, the numbers of shares that may be issued as restricted stock, RSUs or deferred stock were as follows: 39,346,832 shares under the 2003 Plan for general use; and 6,821,031 shares under the 2003 Plan designated for use under the DCP. These plans also authorize the grant of options and other types of equity awards. The number of shares available for future grants under the 2003 Plan changes pursuant to a formula set forth in the plan. The formula establishes that the number of shares available for grant under the plan shall be equal to 30% of the total number of shares outstanding immediately prior to the grant, less shares subject to outstanding awards under the 2003 Plan and the 1999 Incentive Compensation Plan. For this purpose, an option is outstanding until it is exercised and any other award is outstanding in the calendar year in which it is granted and for so long thereafter as it remains subject to any vesting condition requiring continued employment. A maximum of 16,000,000 shares are reserved for restricted stock units and options under the DCP (additional shares may be allocated to the DCP out of the shares

available under the 2003 Plan). Restricted stock equivalent units will be credited with dividend equivalents on the last day of each quarter, which will be converted into additional stock units in accordance with the terms of the DCP. The number of shares remaining available under the 2003 Plan, and outstanding restricted stock units, options, and other share based awards, and the terms thereof, are subject to equitable adjustment by the Compensation Committee in the event of certain extraordinary corporate events.

Corporate Governance

The Board of Directors is responsible for supervision of our business. During fiscal 2010, the Board held 7 meetings. To assist it in carrying out its duties, the Board has three committees: an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. Each incumbent member of the Board of Directors attended at least 80% of the 2010 meetings of the Board of Directors and its committees that he was required to attend. Though we do not have a policy regarding attendance by directors at the Annual Meeting of Shareholders, two of the eight directors attended the Annual Meeting of Shareholders in 2010.

Director Independence

The Board has adopted Corporate Governance Guidelines that contain categorical standards for the determination of director independence, which are available to the public through the Jefferies website at www.jefferies.com. The Board has determined that directors who comply with the standards in the Corporate Governance Guidelines have no material relationship with us as required by New York Stock Exchange Rules. The Board has noted relationships by and among its Board members and nominees that may give rise to conflicts, in particular, the board has noted that

Mr. Campbell also serves on the Compensation Committee of Black & Veatch,

Mr. Dooley also serves on the Compensation Committee of Kimco Realty Corp.

Mr. Dooley was an associate of Mr. Joyal prior to Mr. Dooley s retirement from Mass Mutual

Mr. Cumming and Mr. Steinberg, each serves in various capacities at Leucadia and its affiliates,

Mr. Steinberg also serves on the Compensation Committee of HomeFed Corp.

Mr. Joyal also serves on the board of First Israel Opportunity Funds, which deliberates on that fund s executive compensation issues

Mr. Cumming and Mr. Steinberg have had prior social and business relationships between and various members of our management, including Mr. Handler.

The Board has determined that these facts do not impair the independence of these directors or lessen their qualifications to serve on the Board, or on any committees.

Audit Committee and Financial Expert Determination

The current Audit Committee members are W. Patrick Campbell, Chairman, Richard G. Dooley, Robert E. Joyal and Michael T. O Kane. The Audit Committee is appointed by the Board to assist the Board in monitoring the following:

(1) the integrity of our financial statements

(2) our independent registered public accounting firm s qualifications and independence

(3) the performance of our internal audit function and independent registered public accounting firm

(4) our compliance with legal and regulatory requirements

The Audit Committee has adopted a written charter which is available on our website as described below. During 2010, there were 11 meetings of the Audit Committee. We anticipate the Audit Committee to consist of W. Patrick Campbell, Chairman, Richard G. Dooley, Robert E. Joyal and Michael T. O Kane after the annual meeting. The Board has determined that the members of its audit committee, Messrs. Campbell, Dooley, Joyal and O Kane, each meet the independence standards as set forth in the Corporate Governance Guidelines and is a Financial Expert as defined by applicable New York Stock Exchange and SEC rules.

Compensation Committee

The current Compensation Committee members are Richard G. Dooley, Chairman, W. Patrick Campbell, Ian M. Cumming, Robert E. Joyal, Michael T. O Kane and Joseph S. Steinberg. The Compensation Committee is appointed by the Board to:

(1) advise senior management on the administration of our compensation programs

(2) review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO s performance in light of those goals and objectives, and determine and approve the CEO s compensation level based on this evaluation

(3) make recommendations to the board with respect to non-CEO executive officer compensation, and incentive-compensation and equity-based plans that are subject to board approval

(4) produce a compensation committee report on executive compensation required by the rules and regulations of the SEC

The Compensation Committee has the sole authority to select, retain and terminate a compensation consultant and to approve the consultant s fees and other retention terms. The Compensation Committee has adopted a written charter which is available on our website as described below. During 2010, there were 6 meetings of the Compensation Committee. We anticipate the Compensation Committee will consist of Richard G. Dooley, Chairman, W. Patrick Campbell, Ian M. Cumming, Robert E. Joyal, Michael T. O Kane and Joseph S. Steinberg after the annual meeting.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee during 2010 were our current or former employees or officers. The Compensation Committee members other than Messrs. Cumming and Steinberg were not involved in transactions with us which would require disclosure as related party transactions. Messrs. Cumming and Steinberg were not involved in transactions which would required disclosure other than the transactions by and involving Leucadia National Corporation which are described in detail under the heading Transactions With Related Persons Leucadia National Corporation .

Use of Compensation Consultant

The Committee retained the services of Mercer as its compensation consultant in January of 2010, but has not since used the services of a compensation consultant. In early 2010, Mercer was engaged directly by the Compensation Committee to provide advice to the Committee generally, and specifically, to:

- provide the Committee with an executive compensation assessment for the CEO and Chairman of the Executive Committee
- outline potential bonus approaches for 2010
- develop recommended short and long-term incentive program approaches and levels for 2011
- support our disclosure efforts

Mercer assisted the Committee in proposing its new peer group, provided benchmarking for the compensation arrangements of the CEO and Chairman of the Executive Committee against the peer group and developed preliminary 2010-12 compensation recommendations for review by the Committee. In fiscal 2010, we paid Mercer $79,290 for its services related to 2009 and 2010-12 executive compensation. Affiliates of Mercer also received $712,237 in commissions as a result of commercial insurance policies we purchased through those affiliates. The decisions to use Mercer affiliates for these other services are made in the ordinary course of our business and are generally recommended by our business department heads with the approval of management. We view these decisions as unrelated to our discussion of executive compensation and we do not require the Compensation Committee or the Board to review each use of an affiliate of Mercer.

Compensation Committee Subcommittee

In order to ensure that the directors making compensation decisions qualify as outside directors under Section 162(m) of the Internal Revenue Code and non-employee directors for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, the Compensation Committee formed a subcommittee for consideration and approval of certain performance-based compensation for executive officers comprised of Messrs. Dooley, Campbell, Joyal and O Kane. On November 29, 2010, the subcommittee met to review the fiscal 2010 compensation of Mr. Hendrickson and Mr. Broadbent. The subcommittee approved their long-term equity compensation grants and total fiscal 2010 awards. On February 9, 2011, the subcommittee met in executive session to review the fiscal 2010 compensation of

Mr. Handler and Mr. Friedman. The subcommittee reported out and commended management for requesting the 50% reduction in 2010 bonus amounts, approved the fiscal 2010 Pay for Performance bonus calculations as reduced by 50% and approved the 2011 performance targets.

Corporate Governance and Nominating Committee

The current Corporate Governance and Nominating Committee members are Robert E. Joyal, Chairman, W. Patrick Campbell, Ian M. Cumming, Richard G. Dooley, Michael T. O Kane and Joseph S. Steinberg. The Corporate Governance and Nominating Committee is appointed by the Board to:

(1) identify individuals to the Board who are qualified to become board members consistent with criteria approved by the board

(2) recommend individuals to the Board for nomination as members of the Board and its committees

(3) develop and recommend to the Board a set of corporate governance principles applicable to the corporation

(4) oversee the evaluation of the board and management

In nominating candidates, the Committee takes into consideration such factors as it deems appropriate, which may include judgment, skill, diversity, experience with businesses and other organizations of comparable size, the interplay of the candidate s experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. The Committee seeks members with diverse backgrounds, with an understanding of the Company s business, and with a reputation for integrity, and has adopted a policy with regard to the consideration of diversity in evaluating candidates. The Committee is committed to a policy of inclusiveness and takes reasonable steps to see that women and minority candidates are considered for the pool from which the Board nominees are chosen. In addition to candidates proposed by management, the Committee may consider candidates proposed by shareholders, but is not required to do so. If the Committee considers any candidates proposed by shareholders it would consider the same factors in making its recommendation as it uses when evaluating candidates proposed by management or the Board. To suggest a nominee, address your correspondence to Michael J. Sharp, our corporate Secretary, at our address listed at the top of the front page of this Proxy Statement. The Corporate Governance and Nominating Committee has adopted a written charter which is available on our website as described below. During 2010, there was 1 meeting of the Corporate Governance and Nominating Committee. We anticipate the Corporate Governance and Nominating Committee will consist of Robert E. Joyal, Chairman, W. Patrick Campbell, Ian M. Cumming, Richard G. Dooley, Michael T. O Kane and Joseph S. Steinberg.

Board Organization, Leadership and Accessibility

The non-employee directors of the Board of Directors meet in executive session at each meeting of the Board of Directors. These executive sessions are led by the non-employee members of the board on a rotating basis. The non-employee directors have the authority to retain outside consultants and to schedule additional meetings.
Mr. Handler continues to serve as both Chairman of the Board and Chief Executive Officer and we do not have a lead independent director. The Board believes a lead independent director is not desirable for 3 reasons: (1) the Board s size makes interaction among all directors relatively easy; (2) the existence of a lead independent director may cut off or reduce access of other directors to the CEO and management and result in a less informed and less effective Board; and (3) the Board has a procedure for determining who shall lead non-employee executive sessions of the Board.

Important documents related to our corporate governance are posted on our website at *http://www.jefferies.com/* and may be viewed by following the Investor Relations link near the lower middle of the screen, and then the Corporate Governance link in the menu that follows. Documents posted include our Code of Ethics, Corporate Governance Guidelines and the Charters for each of the board committees mentioned above, which may be accessed directly at *http://www.jefferies.com/charters/.* We will also provide you with any of these documents in print upon request without charge. You may direct your request to Investor Relations, Jefferies & Company, Inc., 520 Madison Avenue, New York, NY 10022, or by calling 203-708-5975 or sending an email to *info@jefferies.com.*

We have established a process by which shareholders and other interested parties can contact our Board of Directors, the non-management directors as a group, or a committee of the Board of Directors. To contact our

Board, you can send an email to Michael J. Sharp, our Corporate Secretary, at msharp@jefferies.com, or write to: Michael J. Sharp, Executive Vice President and General Counsel, Jefferies Group, Inc., 520 Madison Avenue, New York, NY, 10022. To contact our non-management directors as a group, a committee of the Board of Directors directly, or the chairman of the next executive session of the non-management directors, write to the party you wish to contact, c/o the General Counsel s Office, Attention: Corporate Secretary, Jefferies Group, Inc. 520 Madison Avenue, New York, NY, 10022.

Advisory Vote on the Compensation of our Named Executive Officers

This year we are asking you to vote, as required by recently enacted SEC rules, on whether you endorse the compensation we pay to our named executive officers. We have described this compensation in detail under the heading Compensation Discussion & Analysis below. The Board recommends that you vote FOR the following resolution:

RESOLVED, that the compensation paid to the Company s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion in the Proxy Statement relating to this Annual Meeting is hereby APPROVED.

Here are some common questions and answers to help you better understand what this vote means:

What am I voting on?

Commonly referred to as a say-on-pay proposal, this lets you vote on whether to endorse the compensation we pay to our named executive officers.

What factors should I consider in voting on this proposal?

The Section entitled Compensation Discussion & Analysis, (CD&A) describes in detail the different kinds of compensation we pay, the reasons for paying each type of compensation, and the amounts of compensation we pay. As stated in that Section, our goal is to compensate our named executive officers in a way that inspires them to maximize short-term performance without compromising long-term profitability and shareholder return, while giving them a degree of compensation stability. You should consider whether you agree with the objectives we describe in the CD&A are whether the amounts we pay as a result are appropriate.

We believe our compensation practices are reasonable, carefully crafted to accomplish the best possible long-term results for the company and have served us well. In particular, we believe our program strongly and consistently links the level of compensation of named executive officers to our performance. The program has enabled us to attract and retain a management team that has led the firm through several difficult years during which period some of our competitors failed to survive and positioned our Company for future growth and success.

Is this vote binding?

Because your vote is advisory, it will not be binding upon the Board or Compensation Committee. However, our Board and Compensation Committee value your opinion and will take the outcome of the vote into account when considering future compensation arrangements.

How does the Board of Directors recommend that I vote?

We recommend that you vote FOR the advisory resolution approving the compensation of our named executive officers as described in this Proxy Statement.

Frequency of Advisory Vote on Executive Compensation

Under new rules adopted by the SEC, we are required, not less frequently than once every six calendar years, to provide a separate shareholder advisory vote in our annual Proxy Statement to determine whether the shareholder advisory vote on the compensation of executives will occur every one, two or three years. You will be given four choices:

Every year

Every other year

Every three years

Abstain

If you select Every Year , you are indicating that you would like us to hold an advisory vote on executive compensation in every Proxy Statement. If you select Every other year , you are indicating that you would like us to hold the next shareholder advisory votes on executive compensation in 2013 and 2015. If you select Every three years , you are indicating that you would like us to hold the next shareholder advisory votes on executive compensation in 2014 and 2017. If you select Abstain , you are indicating that you do not desire to express an opinion on how often the shareholder advisory vote on executive compensation should be held. If you do not select any of the four options above, your shares will be voted for Every three years in accordance with the recommendation of the Board.

THE BOARD OF DIRECTORS RECOMMENDS VOTING FOR EVERY THREE YEARS.

The Board takes a long term view of compensation, and typically grants its long-term incentive compensation with equity grants that vest over a period of years and contain performance thresholds to vesting. The purpose of these long term grants is to allow our executives to focus less on executive compensation discussions and more on company performance. We believe soliciting shareholder opinion on executive compensation more frequently than once every three years would put undue emphasis on compensation in years when compensation matters would not otherwise rise to the forefront. Annual advisory votes on the executive compensation program could promote a short-term focus and undermine some of the program s more thoughtful and effective features.

We also believe that consideration is advisable every three years because if shareholders were to disapprove our executive compensation at an annual meeting, any significant changes in response to the vote would primarily be made to the program for the next fiscal year. The measurable effects of those changes to executive compensation, including long-term compensation payouts, would only be apparent over the following two fiscal years. If the advisory vote is held more frequently than every three years, shareholders will be judging the effectiveness of our response before the effectiveness is fully apparent. Advisory votes on executive compensation, now required for all public companies, also impose a burden on investors to evaluate numerous executive compensation programs, particularly in the months of February and March. Annual say-on-pay votes may exacerbate a trend toward evaluation of compensation programs with standardized one-size-fits-all formulas. This could have the effect of discouraging innovation and, in particular, penalizing our program which is designed to coordinate with our business model emphasizing equity ownership by our employees and to incorporate the measures of performance that we believe drive our long-term success.

This vote is a non-binding advisory vote, which the Board may choose to accept or reject. If the Board determines that it will not follow the vote recommended by a plurality of the shareholders, we will explain the reasons the Board chose to take this action in next year s Proxy Statement. We expect to conduct another advisory vote on how frequently shareholders should be asked to vote on executive compensation in our Proxy Statement relating to our 2017 Annual Meeting.

Compensation Discussion and Analysis

This section provides a narrative discussion of our objectives when compensating the named executive officers, and the policies we have implemented to achieve those objectives. It also outlines what the compensation program is designed to reward, each element of compensation, why we chose to pay each element, how we determined the amount we would pay, and how each compensation element fits into our overall compensation objectives. Although we include examples in this discussion to illustrate how our policies have been implemented, you should also refer to the tables following this discussion for specific disclosures about the compensation of each named executive officer. The specific disclosures in the tables and the narrative following the tables together with this general discussion of objectives and policies should provide you with a complete picture of how we approach and implement compensation for our named executive officers.

Objectives of our Compensation Programs

Our compensation policies, plans and programs are intended to meet three key objectives:

- Provide competitive levels of compensation in order to attract and retain talented executives and firm leaders.
- Encourage long-term service and loyalty.
- Provide compensation that is perceived as fair within the Company and consistent with employee and executive contributions to the Company that motivates employees to perform without exposing the Company to excessive risk.

Certain components of our compensation programs are targeted to help us achieve one of those objectives, and other components help us achieve multiple objectives simultaneously.

Attract and Retain Talented Employees

The Company is engaged in a highly competitive service business, and its success depends on the leadership of senior executives and the talent of its key employees. As the financial markets have undergone significant turmoil, we have taken advantage of opportunities when they have arisen to hire additional talented individuals to join our team. We have been motivated to build the best possible team and now view execution as paramount to capitalizing on the recovery of the financial markets. Our ability to execute on market opportunities will require that we continue to attract and retain highly capable individuals. Our goal has been to ensure that our compensation program provides competitive levels of compensation that are realistic in light of recent and expected market conditions.

When formulating the compensation policies for 2010, the Committee evaluated whether to use a peer group of public companies to guide their decision making process. The Committee does not view the firm as having any true peers, given our size and business model, which is sufficiently different from companies that might otherwise be considered in our peer group that are either much larger bank holding companies or smaller or not wholly comparable to our business. However, the Committee recognized the value of using a peer group to further its understanding of the competitive market for executive talent and selected companies with some comparable attributes. The Committee believes our Company s greatest source of competition is from bank holding companies.

In 2009, the Board reconstituted its peer group and did not change its peer group for 2010. The Committee continues to divide its peers into three categories: bank holding companies, limited service investment banks, and non-investment banking peers:

Bank Holding Companies	Limited Service Investment Banks	Non-Investment Banks
Barclays	FBR Capital Markets	Affiliated Managers Group
Credit Suisse	Greenhill & Co.	Allied Capital
Deutsche Bank	Lazard	American Capital
Goldman Sachs Group	Piper Jaffray	Blackrock
Morgan Stanley	Stifel Financial	
UBS	Raymond James Financial	

An analysis of the compensation practices of these peer groups was used as a general frame of reference for determining 2010 compensation, though the determination of the amounts for 2010 was subjective and not formulaic.

Encourage Long-Term Service and Loyalty

We encourage long-term service and loyalty to the Company by fostering an employee ownership culture. We are proud of the large percentage of the Company s common stock that is owned by our employees and executives. This ownership encourages our employees and executives to act in the best long-term interest of the Company, and is enhanced through the use of long term restrictions on vesting. We have not adopted ownership stock guidelines for executives due to their historically large relative stock ownership and our strong culture of stock ownership. These restrictions encourage employees to take a multi- year perspective, rather than a short term perspective, on the Company s health and opportunities. Consistent with this approach, since Mr. Handler became CEO in 2001, his compensation has consisted of over 77% in equity or equity-linked compensation and less than 23% in cash.

Relative Fairness

As the brokerage and financial services industry emerges from a period of tremendous challenges, it now becomes even more essential we retain talented producers and incentivize them to capitalize on market opportunities. While the financial services market is reshaped, our compensation objective continues to focus on rewarding personal productivity and fostering a results-oriented environment, while maintaining a non-variable component of compensation to provide stability. Our two most senior executives continue to have roles that blend both management and production responsibilities and accordingly, the Compensation Committee generally considers the compensation opportunities those individuals would have if they chose to focus entirely on their production abilities. We believe that maintaining our entrepreneurial culture is still essential and makes us unique among our competitors, so we continue to offer compensation opportunities that are driven by performance and results.

Our Compensation Committee looks to the recommendations of our CEO and Chairman of the Executive Committee in setting the compensation for the other named executive officers.

What Our Compensation Program is Designed to Reward

By linking compensation opportunities to performance of the Company as a whole, we believe our compensation program encourages and rewards:

- Executive efforts at enhancing firm-wide productivity and profitability, and
- Entrepreneurial behavior, in which executives and employees are shareholders and act to maximize long-term equity value in the interest of all shareholders.

Consistent with rewarding these specific activities, we have fashioned our policies to reward productivity and profitability of our executive officers in a performance based environment much the same way we approach other employees responsible for the generation of revenue throughout the firm, and we expect our executives to set the example for these revenue producers throughout the firm. We accomplish these objectives by providing four different types of compensation described below.

Elements of Compensation

In this section we discuss each element of our compensation program, why we choose to pay each element, and how we determine the amount of each element to pay. Our annual compensation program generally consists of the following elements which make up our executives   total direct compensation:

Salary

Performance Based Bonus

Long-Term Equity Incentive

Other Benefits

We also provide medical, dental and other similar benefits to executives and other employees that are not part of what we consider direct compensation, and are not included in the tabular disclosures. We believe providing these benefits furthers our compensation objectives. We intend these benefits to be generally competitive, but our evaluation of these benefits is separate from our decisions on total direct compensation. Our executives participate in these benefit programs on the same basis as all our other employees.

Our Compensation Committee acts on behalf of the Board of Directors and represents the shareholders to advise senior management in the administration of the compensation program for the named executive officers generally, and plays a greater role in the administration of the program as it relates to our CEO and Chairman of the Executive Committee. Our Committee operates under a charter adopted by the Board of Directors, which delegates authority to the Committee and provides for its governance.

Employment Contracts and the Role of Negotiation

None of our named executives had employment contracts in 2010, other than Michael Sharp, who joined us during 2010. We believe it is in the Company s best interest to minimize the number of employment agreements entered into with our key executives. Our Compensation Committee generally enters into, and we disclose, compensation arrangements with our key executives on an annual basis, but we do not enter into employment contracts with preexisting employees which would give our executives a right to future employment or to golden parachute payments if they are terminated. Instead, we depend upon their overall compensation opportunity, share holdings, the vesting of long term equity grants and their personal commitments to our firm to motivate the loyalty of our key executives.

Avoiding employment contracts allows our Compensation Committee to retain greater flexibility in setting periodic compensation terms. Our Compensation Committee makes decisions on the amount of executive compensation to pay by focusing on total direct compensation for a given year, which includes the sum of all annual base salary, bonuses and attributable long-term compensation.

The Committee considered the views of the CEO and Chairman of the Executive Committee in setting the elements and amounts of their own compensation, and received significant input from the CEO and Chairman of the Executive Committee in determining the bonus for the CFO and both the past and present General Counsels. The Chief Executive Officer is the principal negotiator with the Compensation Committee regarding his own compensation and the compensation of the Chairman of the Executive Committee, subject to approval by the Compensation Committee. The Chairman of the Executive Committee was the principal negotiator regarding the compensation of the Chief Financial Officer, subject to the review and approval of the Compensation Committee. The negotiation regarding the amounts of total compensation and the amount of long term equity awards for the CEO and Chairman of the Executive Committee occurs primarily between the CEO and the Chairman of the Compensation Committee, but the final decision, and the analysis relied upon to reach that decision, are the Committee s.

Base Salary

We pay our named executive officers a base salary in order to provide them a predictable level of income and enable the executive to meet living expenses and financial commitments. We view base salary as a way to provide a non-performance based element of compensation that is certain and predictable. Though we make our decisions on executive compensation focusing on total direct compensation for a given year including base salary, annual bonus and long-term awards, we are sensitive to the needs of our executives for a certain level of compensation stability. The base salaries we have established for the named executive officers reflects our understanding of the trade-off that exists between aligning the interests of the named executive officers as closely as possible with those of the Company s shareholders and our desire to avoid exposing them to compensation risk. We believe the base salary levels we have established strike the proper balance and that providing a predictable base salary is essential to attract and retain talented executives and provide a compensation package that is perceived as fair, in comparison to other companies and within the Company.

With respect to the base salary paid to executives, our Compensation Committee s determination of the appropriate level of base salary is subjective and not formulaic. The base salary for the CEO is largely a result of previous negotiation and historical precedent. At that time, the Committee agreed to pay the CEO the maximum base salary permitted within the limits of Internal Revenue Code § 162(m). The Committee has historically paid the Chairman of the Executive Committee a base salary that is a fixed ratio to the CEO s salary. In December 2009, the Compensation Committee established the ratio at 75% of the CEO s salary beginning January 1, 2010, based on its recognition of the important contributions to the firm s growth Mr. Friedman has made and the growing amount of managerial time required to manage an increasingly complex firm. The Compensation Committee continues to prefer to address performance related compensation through the bonus process rather than through adjustments to base salary. Though the continuation of this relationship is not guaranteed, the Committee has viewed it as an effective way to align the interests of the CEO and Chairman of the Executive Committee and to simplify a highly subjective process that is not the product of any additional quantitative or qualitative analysis. The Committee continues to use base salary to provide a non-performance based cash component to their compensation, and provides performance based and retention oriented compensation through bonuses and long term equity grants.

The base salaries for our other named executive officers are determined by the Chief Executive Officer and the Chairman of the Executive Committee and are viewed in light of historical precedent within the firm, competitive factors, the limits of § 162(m), and the desire to provide a non-performance based cash component of compensation.

Bonuses

We use annual bonuses as our primary tool for encouraging executives to maximize short-term productivity and profitability. Annual incentive awards provide executives with an incentive to focus on aspects of Company performance that we believe are key to its success. Accordingly, we have determined bonuses for our CEO, Chairman of the Executive Committee and General Counsel in whole or in part by reference to earnings per share, return on equity, and pre-tax profit margin. These financial measures are calculated using our consolidated financial results, adjusted to add back the negative effect of extraordinary transactions (e.g. mergers, acquisitions, or divestitures), if any.

To take these factors into account, the Compensation Committee generally establishes formulas for payment of annual bonuses to the CEO, Chairman of the Executive Committee and General Counsel by a date early in the calendar year, so that the performance goals and potential rewards can positively influence the executives during the year and meet the requirements of Code Section 162(m). Section 162(m) generally disallows a public company s tax deduction for the named executive officers in excess of $1 million in any tax year. Under Section 162(m), compensation that qualifies as performance-based compensation is excluded from the $1 million deductibility cap, and therefore remains fully deductible even though the executive s total direct compensation may exceed $1 million in a given year. We seek to preserve the tax deductibility of the compensation we pay to executive officers, to the extent we can do so without impairing the operation and effectiveness of our compensation policies and programs.

The Committee followed this approach in 2010 and established 2010 formulas and targets at its meeting on January 19, 2010. These formulas, which were part of Mr. Handler, Mr. Friedman and Mr. Feller s compensation packages in 2010, provided for no annual bonus if threshold levels of performance were not achieved, a targeted amount of annual bonus for achievement of target performance, and greater- or less-than target payouts for performance that exceeded or fell short of the specified target levels, up to a specified maximum payout. The 2010 formulas were dependent on our earnings per share, return on equity and pre-tax profit margin. These financial measures were calculated using consolidated after-tax earnings from our continuing operations (as reported in our financial statements). All financial results were subject to adjustment to add back the negative effect of extraordinary transactions (e.g. mergers, acquisitions, divestitures), if any, occurring during fiscal 2010. No adjustments were made in fiscal 2010.

The Committee established six tiered performance measures for each of the three performance criteria as follows:

Level	**Performance vs. Prior Year**
Threshold	25% below Target
Below Target	10% below Target
Target	Target
Above Target	10% above Target
Superior	20% above Target
Superior+	30% above Target

The Committee then assigned a weight to each of the performance criteria (earnings per share, return on equity and pre-tax profit margin), and used that weighting, together with the threshold category achieved to determine what portion of the executive s target bonus the individual would be entitled to receive, as follows:

Earnings per Share	55%
Return on Equity	40%
Pre-tax Profit Margin	5%
	100%

The Committee interpolates the amount of bonus between the set thresholds of performance when our performance falls between the set thresholds, and reserves the right to exercise negative discretion to reduce amounts or to take into consideration additional performance measures in determining whether to reduce calculated bonus awards, but does not have discretion to increase the bonus awards.

For 2010, the Committee established targets for Earnings per Share, Return on Equity and Pre-tax Profit Margin at $1.38, 11.5% and 24.2% respectively. As described above, the intermediate levels of performance (Below Target, Above Target and Superior) and corresponding payouts were designated; for performance between designated levels, the payout level would be determined through straight-line interpolation. Our actual 2010 performance fell above the Threshold amount but below the Below Target amount in all three categories, resulting in an annual Performance Based Bonus amount of $2,730,833 for Mr. Handler and $2,048,125 for Mr. Friedman. Due to our change in fiscal year, 11/12ths of each amount was attributed to fiscal 2010 compensation, resulting in a 2010 Performance Based Bonus of $2,503,264 for Mr. Handler and $1,877,448 for Mr. Friedman. The Committee did not seek to exercise its negative discretion for fiscal 2010, but upon Mr. Handler and Mr. Friedman s request, the Committee agreed to reduce their performance bonuses by 50%, resulting in a cash award of $1,251,632 for Mr. Handler and $938,724 for Mr. Friedman.

We believe the targets we set were substantially uncertain at the time they were established and were set at levels that would make target performance attainable only with continued high level performance, and above target payouts attainable only through significant effort and exemplary performance. These performance goals were intended to motivate and reward our executives for achieving pre-determined goals with respect to earnings per share, return on equity and pre-tax profit margin, and to provide equity-based compensation that would closely align their interests with those of shareholders.

We have traditionally preserved the right for the Committee to grant stock awards in lieu of annual cash bonus amounts. The Committee did not issue any stock awards in lieu of cash bonuses during fiscal 2010.

We have also adopted programs permitting deferrals of compensation, so that potentially non-deductible compensation will be paid following termination of an executive s service, at a time when payment of such compensation will not be subject to limits on deductibility under Section 162(m). None of our named executive officers deferred income during fiscal 2010. We retain the flexibility to enter into arrangements that may result in non-deductible compensation to executive officers, which may include non-qualifying awards under the 2003 Plan.

We continue to recognize that Mr. Handler s compensation also reflects his significant direct contributions to the operating results of the Company, particularly with respect to the High Yield Division, equity trading, investment banking, and management of Jefferies High Yield Trading, LLC (discussed in Transactions with Related Persons below), in addition to his duties as CEO. Mr. Handler does not receive compensation for these services apart from his compensation from us generally as described in the Summary Compensation Table and other tables below. Since he assumed the duties of CEO, we have tied his bonus compensation solely to performance of the Company as a whole, and sought to focus his efforts on creating long-term shareholder value through an emphasis on restricted stock awards.

Similarly, we established Mr. Friedman s compensation opportunities in a manner we believed would motivate him toward maximizing firm wide results and long term value creation. We based Mr. Friedman s compensation opportunity on the performance of the Company as a whole, but we considered his responsibilities overseeing our operations and his compensation opportunities as a fund manager, when establishing the level of compensation we would pay him. See the Transactions with Related Persons section below.

For Broadbent and Mr. Hendrickson, we maintained their salaries at prior year levels, which continue to remain in line with each of their originally negotiated terms of employment.

For Mr. Sharp, the terms of his compensation were governed by his employment agreement during 2010. His employment agreement requires payment of a fixed bonus and Mr. Sharp also remains eligible for a performance based bonus using the formulas above, as described in detail below in the narrative discussion following the table entitled Grants of Plan Based Awards 2010.

Mr. Feller s salary and bonus structure was maintained at prior year levels through his retirement at the end of fiscal 2010.

For all of the named executive officers, our commitment to long-term equity compensation encourages ownership of a significant equity stake in the Company, which we believe is important to promoting a culture of entrepreneurship. Consistent with this, we have implemented a program permitting employees and executive officers to defer settlement of equity awards, including restricted stock units. Deferrals of restricted stock units enable the employee to specify that shares will be delivered in settlement at a date later than the date the risk of forfeiture will lapse. The cost of such a program to the Company results mainly from deferring the time at which tax deductions for the equity compensation may be claimed.

Long-Term Awards

Long-term equity-based awards serve both to align the interests of executive officers with those of shareholders and to promote retention and long-term service to the Company. These awards provide increasing rewards to executives if the value of the Company s stock rises during the life of the award, thus encouraging a long-term focus and aligning the interests of executive officers with the interests of shareholders. Since he assumed the duties of CEO, the Compensation Committee has tied Mr. Handler s performance based compensation to performance of the Company as a whole, and has provided an incentive for him to focus on creating long-term shareholder value through an emphasis on stock awards.

In fiscal 2010 the Committee continued its pattern of granting shares that generally vested annually over four years. We believe a four year vesting cycle accomplishes the objective of preserving long term loyalty to the Company while remaining sensitive to the needs of employees, many of whom have received a large component of their recent compensation in the form of long-term restricted equity grants.

Grants of RSUs or restricted stock to our executive officers were based on a review by our Compensation Committee of trends in the compensation of executives in the securities industry in early 2010, and its subjective judgment as to the appropriate level of total compensation for the executive officer. The Committee s determination of the number of equity grants and their vesting terms is highly subjective and generally follows a negotiation with our CEO. The Committee intends these grants to be more focused on long-term employee retention rather than current year performance metrics. With respect to our Chief Executive Officer and Chairman of the Executive Committee, a significant factor in our Compensation Committee s determination of the amount of equity-based awards granted is the fact that such producer-executives have forgone other internal and external opportunities for increasing their personal earnings that would have arisen if they had focused solely on their production capabilities, but have instead agreed to serve in management roles in addition to producing responsibilities. We believe that the long-term equity-based component of such executives overall compensation allows us to retain such talented individuals, while also aligning their interests with those of our other shareholders. Equity awards provide compensation linked to the performance of our stock, with a strong inducement to long-term service.

In 2002, our Compensation Committee began using multi-year grants to establish the compensation of our CEO, and continued this pattern in 2010. Since the Company does not generally have employment contracts with any of the executive officers once their initial employment contracts have expired, the long term grants to the CEO and Chairman of the Executive Committee help ensure that they will stay committed to the Company s success. In early 2010, the Compensation Committee granted the CEO and Chairman of the Executive Committee shares intended to serve as long-term compensation for 2010, 2011 and 2012, and which vest based on our performance in those years. Through these grants, we sought to provide a substantial component of compensation that would focus the CEO and Chairman of the Executive Committee on long-term growth in the value of the Company s stock.

We also granted shares to Mr. Sharp in accordance with his employment agreement which vest ratably over four years, the distribution of which is deferred for five years.

The number of shares or units awarded is determined through a highly subjective process designed to encourage long term retention more than short term performance. In late 2009, the Committee engaged Mercer to assist in establishing the compensation for the CEO and Chairman of the Executive Committee. We used a peer group of companies to provide context for our 2010 compensation decisions, but the determination of the amounts granted is the result of a negotiation and is not formulaic.

Other Benefits

The Company provides medical, dental, life insurance, disability and other similar benefits to executives and other employees that are not part of what we consider direct compensation. We intend these benefits to be generally competitive, in order to help in our efforts to recruit and retain talented executives. We have not implemented severance arrangements with our executive officers; however, the Company has adopted a firm wide severance policy which generally limits severance payments to no more than six months salary for seasoned senior employees. We do not provide significant enhancements to compensation in connection with a change in control. We believe that the substantial equity stake of our executives provides alignment with the interests of shareholders, so that the executives can be expected to consider potential strategic transactions that might affect the control of Jefferies consistent with their interests as shareholders and consistent with their fiduciary duties. We do not provide for payment of gross-ups to offset golden parachute excise taxes. Executives who worked for us in periods before April 1, 1997 are also entitled to benefits under our pension plan. In the aggregate, we believe our severance, change-in-control and pension benefits are quite modest compared to general business practices for companies of comparable size and character. We have considered this fact in setting the levels of total direct compensation for senior executives.

We provide the CEO with a driver for his increased business transit, including his commute to several of our different offices, and provide fuel and maintenance for the vehicle the CEO purchased in exchange for the availability of the vehicle for other business purposes when not needed by the CEO.

How Our Compensation Decisions Fit our Overall Objectives

Role of Individual Performance

Rather than focus executive compensation on performance of the business units within an executive officer s specific area of expertise, the Compensation Committee views overall firm performance as the best indicator of individual performance of our named executive officers and has therefore tied their individual compensation to firm wide performance as a whole. The Compensation Committee believes this focus creates a greater enhancement to firm-wide profitability and teamwork, a key goal of our compensation policies, rather than a more segmented approach which rewards individual productivity.

The Committee considers individual performance and initiative when determining the amount of long-term equity compensation it will award each year. The Committee s impressions of each named executive s past performance are a factor taken into account when considering the desirability of the employee s long-term retention and therefore the amount of shares awarded in long-term equity grants. As a result, exceptional individual initiative or performance may generate larger long-term equity grants, but typically will not affect base salary. In typical years, individual initiative will affect the amount of bonus paid only to the extent such individual performance resulted in achieving firm wide performance required in our targets for a particular year, although it may impact future compensation opportunities.

Culture of Long-Term Stock Ownership

Except for donations to charitable foundations and trusts, our CEO has never sold any of the equity interests granted to him as part of his compensation. Other than similar donations and shares surrendered in connection with option exercises and payment of related taxes, the Chairman of the Executive Committee also has never sold any of the equity interests granted to him as part of his compensation or which he otherwise has acquired. We believe their retention of shares preserves their incentive to act in the Company s long-term interests. To date, our CEO has generally elected to defer equity awards under our deferral programs, including restricted stock, restricted stock units, and stock units representing the gain from exercises of stock options. Our Chairman of the Executive Committee has similarly deferred most of his equity awards. These arrangements provide them the advantages of tax deferral, but provide no enhancement by the Company of the net value of their restricted stock or restricted stock units. In this type of deferral arrangement, the Company s tax deduction is delayed until the year in which the executive recognizes income, and is generally based on the value of shares delivered at the time of settlement of the deferral arrangement. Our insider trading policy precludes short sales, purchases or sales of options and other derivatives, and other transactions that offset or hedge the risk of ownership of our stock.

We have established our DCP and permit the deferral of restricted stock units, option gains and other awards under our Amended and Restated 2003 Incentive Compensation Plan (the Plan) as a method for providing our employees advantages of tax deferral and also encouraging long-term retention of equity positions. We believe these policies serve to align the interests of executives with shareholder interests in return on equity and appreciation over time. In this type of deferral arrangement, the Company s tax deduction is delayed until the year in which the executive recognizes income, and is generally based on the value of shares delivered at the time of settlement of the deferral arrangement.

We do not consider gains or losses from equity awards in setting other elements of compensation but the Compensation Committee may consider the effect of the vesting of prior compensation on employee retention.

Compatible Investment Opportunities

In addition, we have established investment entities and permitted executive officers and others to acquire interests in these entities, and have permitted deferred bonus amounts to be deemed invested in those entities. Some of these investment entities are funds we manage, some hold equity and derivative securities in companies for which we have provided investment banking and other services, and others that share in the profitability of Jefferies High Yield Division, which now operates as Jefferies High Yield Trading, LLC. See Transactions with Related Persons. We believe that an executive s participation in these investments helps to further align the executive s interests with our long term success and profitability. Our offering these kinds of opportunities also helps us compete for executive talent in the financial services industry, in which our competitors, particularly non-public companies, offer wealth-building investment opportunities as a way to attract and retain executives and producers.

Disparities in Executive Compensation

We view the disparities in compensation between our named executive officers as a result of the relative market for each individual employee, our anticipated replacement cost for the employee, and the applicable competitive environment. With respect to our Chief Executive Officer and Chairman of the Executive Committee, a significant factor in our Compensation Committee s determination of the amount of equity-based awards granted is the fact that these executives have forgone other internal and external opportunities for increasing their personal earnings that would have arisen if they had focused solely on their production capabilities, but have instead agreed to serve in management roles in addition to producing responsibilities. We recognize the significant compensation these individuals have earned in the past when focusing on their specific business units and understand that our competitors will also consider these production opportunities. As a result, we continue to consider the compensation potential of these two individuals in particular when setting targets and long-term equity compensation that is intended to encourage long-term retention, including the continuing opportunity for the Chairman of the Executive Committee to earn compensation directly from his ownership interest in Jefferies Capital Partners. See Transactions with Related Persons Private Equity Funds. This is the primary reason for the disparity between the compensation of the CEO and Chairman of the Executive Committee.

With respect to Mr. Broadbent, his compensation was negotiated at the time of his hiring and is also not based entirely on the Company s financial performance. Mr. Hendrickson s compensation is not tied directly to firm performance in recognition of the fact that he answers directly to Mr. Broadbent, and that his scope of duties does not permit him to influence firm policy and decision making outside his area of direct responsibility in the same manner as the other named executive officers. Mr. Sharp s compensation was negotiated at the time of his hiring and his bonus is fixed with respect to 2010 performance and variable on a going forward basis. Compensation for all our named executive officers is impacted by competitive considerations, including the Company s understanding of the cost of replacing these executives with similarly experienced and skilled individuals; in other words, the compensation is impacted by the market for such individuals.

Relationship of Compensation Policies and Practices to Risk Management

The Board has reviewed our compensation programs and discussed whether our compensation policies are reasonably likely to have a material adverse effect on our results. The Board noted that, consistent with our Wall Street performance-based model, many of our employees receive a significant portion of their compensation through commission-based, net-revenue-based, profit-based or discretionary compensation tied to their individual or business unit performance, or a combination thereof. The Company generally uses a netting approach, which nets losses against their individual or group revenues. As a result, management believes that employees and business units are appropriately motivated to seek the maximum revenue-enhancing opportunities, while managing the firm s (and their individual or group s) exposure to risk. The Board noted that an immaterial portion of the Company s revenues are derived from proprietary trading businesses and that a significant portion of many employees compensation is provided in the form of equity linked compensation that vests over time, which has the effect of tying the individual employee s long term financial interest to the firm s overall success. The Board believes that this helps mitigate the risks inherent in our business models.

The Board noted that our risk management team continuously monitors our various business groups, the level of risk they are taking and the efficacy of potential risk mitigation strategies. Senior management also monitors risk and the Board is provided with data relating to risk at each of its regularly scheduled meetings. The Chief Risk Officer meets with the Board at each of those meetings to present his views and to respond to questions.

Consideration of Say-On-Pay Votes

We have not previously conducted advisory shareholder votes on executive compensation. We expect the Compensation Committee to consider the results of this year s vote when establishing next year s executive compensation arrangements, but note that the shareholder vote is non-binding and the Compensation Committee and Board may choose whether or not to take the results of the vote into account. If the Compensation Committee changes the way it compensates our named executive officers as a result of this shareholder vote, we will inform you of the nature of the changes.

Summary Compensation Table 2010

Shown below is information concerning the compensation we paid to those persons who were, during fiscal 2010, our (a) Principal Executive Officer, (b) Principal Financial Officer, (c) the other three most highly compensated executive officers as specified by SEC rules, and (d) our former Executive Vice President and General Counsel, who would have been one of the other three most highly compensated executive officers but for the fact that he was not serving as an executive officer on November 30, 2010.

In 2010, the Committee granted two equity awards to Mr. Handler and two equity awards to Mr. Friedman, all on January 19, 2010. The first award for Mr. Handler was a grant of restricted stock units with a grant-date fair value of $6 million, which was intended to relate to 2009 compensation and vest one third each year for three years. For 2009, the total performance bonus for Mr. Handler was $12 million, one half in cash and reflected in the 2009

Bonus column below, and one half in stock that was granted in 2010, and therefore appears in the 2010 Stock Awards column below. The second award for Mr. Handler, with a value in the table of $38,999,995, reflects Long-Term Performance-Linked Restricted Stock Units awarded as long-term equity grants intended to apply across the three-year period from 2010-2012 and appears as 2010 compensation in the Non-Equity Incentive Plan Compensation column below.

Mr. Friedman s first award, with a grant date fair value of $9 million, was a grant of restricted stock units intended to relate to 2009 compensation and vest one third each year for three years. This $9 million grant reflected Mr. Friedman s entire 2009 performance bonus. Because the award was not granted until 2010, it appears in the 2010 Stock Awards column in the table below. The second award, with a value in the table of $29,249,995 for Mr. Friedman, reflects Long-Term Performance-Linked Restricted Stock Units awarded as long-term equity grants intended to apply across the three-year period from 2010-2012, and appears as 2010 compensation in the Non-Equity Incentive Plan Compensation column below.

For both equity awards relating to 2010-2012 compensation, one-third of the aggregate grant is subject to performance criteria for each of 2010, 2011 and 2012, such that failure of the Company to attain the specified performance objective for that year will result in forfeiture of that portion of the award. In addition, the aggregate grants are subject to cliff vesting three years from grant date.

Year(1) (b)	**Salary ($) (c)**	**Bonus ($) (d)**	**Stock Awards ($)(2) (e)**	**Non-Equity Incentive Plan Compensation**		**Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (h)**	**All Other Compensation ($) (i)**	
2010 (11 mo)	916,667	1,251,632	5,999,999		38,999,995	43,671(3)	137,158(4)	
			(2009	**Consisting of:**				**Includ**
			related)	2010 related	12,999,981			2009 r
				2011 related	13,000,007			2010 r
				2012 related	13,000,007			2011 r
				Total	38,999,995			2012 r
								Total
2009	1,000,000	6,000,000					145,270	
2008	1,000,000						367,422	
2010 (11 mo)	662,500	938,724	8,999,999		29,249,995		4,242	
			(2009	**Consisting of:**				**Includ**
			related)	2010 related	9,749,998			2009 r
				2011 related	9,749,998			2010 r
				2012 related	9,749,998			2011 r

				Total	29,249,995		2012 r
							Total
2009	500,000					4,987	
2008	500,000					7,752	
2010 (11 mo)	916,667	900,000	474,990			4,642	
2009	1,000,000	1,312,500	687,500			4,515	
2008	1,000,000	1,300,000	699,991			5,527	
2010 (3 mo)	235,256	550,000	499,994				
2010 (11 mo)	229,167	488,374	102,486			117	
2009	250,000	542,500	107,488			1,279	
2008	250,000	352,500	172,488			7,752	
2010 (11 mo)	825,000	781,224				4,242	
2009	900,000	1,000,000	999,995			6,224	
2008	900,000					20,252	

(1) Due to the change in 2010 in the company s fiscal year from a calendar year to a November 30 close, amounts for 2010 shown above reflect only the portion of compensation earned on or before November 30, 2010. Because bonuses are typically paid on an annual basis, we attributed 11/12ths of the compensation paid during calendar 2010 to the new 2010 fiscal year, which contained only eleven months.

(2) In accordance with revised disclosure rules, historical 2008 information has been restated to show the fair market value of stock awards in the years they were granted rather than the amount accrued as accounting expense with respect to those years as was previously required.

(3) The actuarial present value of the accumulated pension benefit increased by the stated amount under the terms of our Pension Plan, as more fully described in the Pension Benefits Table.

(4) Includes $132,916 related to a driver we provide to Mr. Handler to facilitate his transportation to and from meetings, between our offices and for his personal use.

Grants of Plan Based Awards 2010

The following table describes grants issued by the Compensation Committee during fiscal 2010 (January 1 through November 30, 2010) in which it (a) established the ranges of possible compensation for certain of the named executives, and (b) granted shares of restricted stock or restricted stock units as long term compensation.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards ($)
Name (a)	**Grant Date (b)**	**Threshold ($) (c)**	**Target ($) (d)**	**Maximum ($) (e)**	**Target Shares (#) (g)**	**(i)**	**(l)**
Richard B Handler	1/19/2010	0	6,000,000	12,000,000			
Richard B. Handler	1/19/2010					1,509,872(1)	$ 38,999,994
Brian P. Friedman	1/19/2010	0	4,500,000	9,000,000			
Brian P. Friedman	1/19/2010					1,132,404(1)	$ 29,249,995
Peregrine C. Broadbent	11/29/2010					19,563(2)	$ 474,990
Michael J. Sharp	7/12/2010		550,000				
Michael J. Sharp	9/7/2010					21,349(3)	$ 499,994
Charles J. Hendrickson	1/19/2010					4,221(2)	$ 102,485.88
Lloyd Feller	1/19/2010	0	1,000,000	1,300,000			

(1)

Shares granted on January 19, 2010 were of RSUs valued at $25.83 per share, the closing price of our common stock on the grant date. One-third of the aggregate grant is subject to performance criteria for each of 2010, 2011 and 2012 and between 0 and 503,290 restricted stock units are subject to forfeiture for each performance year depending on the Company s performance for that year.

(2) Shares granted on November 29, 2010 were of restricted stock shares valued at $24.28 per share, the closing price of our common stock on the grant date, and will vest ratably over four years.

(3) Shares granted on September 7, 2010 were of RSUs valued at $23.42 per share, the closing price of our common stock on the grant date, and will vest ratably over four years.

(4) Compensation relates to 2011 performance and was established in advance through Mr. Sharp s employment agreement on the terms described below.

The following provides background information to give a better understanding of the compensation amounts shown in the Summary Compensation Table and Grants of Plan-Based Awards Table above. Due to our change in fiscal year, we did not pay our executives the full amounts listed above in every case. When the grants were intended to cover 12 months of employment, the bonus amount was determined using 12 months of performance, but the executive was paid only 11/12ths of the amount otherwise payable. The tables below show actual amounts paid with respect to the 11 months of fiscal 2010.

Summary of Equity and Non-Equity Incentive Plan Grants

Richard Handler Fiscal 2010 Compensation

In early 2010, the Committee established a 2010 Pay for Performance program for Mr. Handler that included a Base Salary, Cash Bonus and Long-Term Equity Incentive. According to the Pay for Performance program for Mr. Handler, his bonus would have been $2,730,833 for calendar 2010, $2,503,264 for the 11 month fiscal 2010, but

Mr. Handler requested that the Committee exercise its negative discretion to reduce this award by 50%, resulting in the cash bonus of $1,251,632 set forth in the table below. As a result, for the 11 month 2010 fiscal year, Mr. Handler was compensated as follows:

Base Salary	Cash Bonus		Long-Term Equity Incentive
$916,667	Formula Bonus	$ 2,503,264	$13 million
	Voluntary Reduction	(1,251,632)	
	Final Bonus	$ 1,251,632	

The Long-Term Equity Incentive was granted in the form of a single grant intended to cover the 2010, 2011 and 2012 compensation years. An aggregate of 1,509,872 Long-Term Performance-Linked Restricted Stock Units were granted on January 19, 2010 representing part of the executive s 2010, 2011 and 2012 compensation. One-third of the aggregate grant is subject to performance criteria for each of 2010, 2011 and 2012 and between 0 and 503,290 restricted stock units are subject to forfeiture for each performance year depending on the Company s performance for that year. In addition, the aggregate grant is subject to annual vesting over a 3 year period from grant date.

The restricted stock unit agreements contain a provision that provides that the RSUs will vest if Mr. Handler s employment is terminated by reason of his death or disability. The agreements also contain a provision that provides that the RSUs will continue to vest if we terminate his employment without Cause (as defined in the agreement) and he does not compete with the Company. Unlike the standard grant given as part of our year-end compensation process, if he terminates his employment other than by death or disability, the unvested restricted stock and restricted stock units will be forfeited.

Brian Friedman 2010 Compensation

In early 2010, the Committee established a 2010 Pay for Performance program for Mr. Friedman that included a Base Salary, Cash Bonus and Long-Term Equity Incentive. According to the Pay for Performance program for Mr. Friedman, his bonus would have been $2,048,125 for calendar 2010, or $1,877,448 for the eleven month fiscal 2010, but Mr. Friedman requested that the Committee exercise its negative discretion to reduce his award by 50%, resulting in the cash bonus of $938,724 set forth in the table below. As a result, for the 11 month 2010 fiscal year, Mr. Friedman was compensated as follows:

Base Salary	Cash Bonus		Long-Term Equity Incentive
$662,500	Formula Bonus	$ 1,877,448	$9,750,000
	Voluntary Reduction	(938,724)	
	Final Bonus	$ 938,724	

The Long-Term Equity Incentive was granted in the form of a single grant intended to cover the 2010, 2011 and 2012 compensation years. An aggregate of 1,132,404 Long-Term Performance-Linked Restricted Stock Units were granted on January 19, 2010. One-third of the aggregate grant is subject to performance criteria for each of 2010, 2011 and 2012 and between 0 and 377,468 restricted stock units are subject to forfeiture for each performance year depending on the Company s performance for that year. In addition, the aggregate grant is subject to annual vesting over a 3 year period from grant date.

The restricted stock unit agreement contains a provision that provides that the RSUs will vest if Mr. Friedman s employment is terminated by reason of his death or disability. The agreement also contains a provision that provides that the RSUs will continue to vest if we terminate his employment without Cause (as defined in the agreement) and he does not compete with the Company. Unlike the standard grant given as part of our year-end compensation process, if he terminates his employment other than by death or disability, the unvested restricted stock and restricted stock units will be forfeited.

Peregrine C. Broadbent 2010 Compensation

The compensation arrangement for Mr. Broadbent for fiscal 2010 was as follows:

Base Salary	Cash Bonus	Stock Bonus	Long-Term Equity Incentive
$916,667	$900,000	$474,990	$0

The stock bonus described above was paid in the form of 19,563 shares of restricted stock in February 2010 and will vest ratably over four years.

Michael J. Sharp 2010 Compensation

Mr. Sharp joined us in July of 2010 and the terms of his compensation will be governed by his employment agreement through December 2011. Mr. Sharp s compensation for the 11 month 2010 fiscal year included:

Base Salary	Cash Signing Bonus	Equity Signing Bonus
$235,256	$550,000	$500,000

The stock bonus referred to above was paid in the form of 21,349 restricted stock units granted on September 7, 2010, which will vest ratably over four years.

Charles J. Hendrickson 2010 Compensation

For the eleven month 2010 fiscal year, Mr. Hendrickson s compensation arrangement was as follows:

Base Salary	Cash Bonus	Stock Bonus
$229,167	$488,374	$102,486

The stock bonus referred to above was paid in the form of 4,221 shares of restricted stock granted on September 7, 2010, which will vest ratably over four years.

Lloyd Feller 2010 Compensation

Mr. Feller s compensation for the 11 month 2010 fiscal year was as follows:

Base Salary	Cash Bonus
$825,000	$781,224

Mr. Feller did not receive a stock bonus or long-term equity incentive in 2010.

No Ongoing Employment Agreements

We generally do not enter into employment agreements with our named executive officers after the initial employment agreement negotiated when they are hired and we presently have no employment agreements with our named executive officers. Presently, Mr. Sharp is the only named executive officer with an employment agreement, which will remain in effect until December 2011.

Other Terms of Restricted Stock and Restricted Stock Units

All of the incentive plans and arrangements described above that result in the issuance of restricted stock and restricted stock units have been adopted pursuant to our Amended and Restated 2003 Incentive Compensation Plan (the Plan) as approved by our shareholders. We pay dividends on restricted stock and credit dividend equivalents on restricted stock units. We have implemented a program under the Plan permitting employees and executive officers to defer equity awards, including restricted stock units. Deferrals of restricted stock units enable the employee to specify that shares will be delivered in settlement at a date later than the date the risk of forfeiture will lapse. This program encourages long-term ownership of a significant equity stake in the Company, which we believe is important to promoting a culture of entrepreneurship. Prior to settlement, the restricted stock units carry no voting or dividend rights, but dividend equivalents are accrued if a cash dividend is paid on our common stock.

Dividend equivalents are converted to additional restricted stock units at the end of the quarter in which the dividend equivalent is credited based on the price of a share of our common stock on the last trading day of the quarter. On the settlement date for the stock units (which are no longer restricted once the risk of forfeiture lapses), we deliver to the executive one share of common stock for each stock unit being settled, including the stock units resulting from the credited dividend equivalents. Executives are not permitted to switch stock units into some other form of investment prior to settlement.

Options

We have not granted options to our executive officers since January 2003 and although our 2003 Plan still permits us to grant options, at the present time, we do not view options as a desirable method of compensation. None of our named executive officers had any options outstanding as of November 30, 2010.

Outstanding Equity Awards at Fiscal Year-End 2010

	Stock Awards			
Name (a)	**Number of Shares or Units of Stock That Have Not Vested (#) (g)**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (h)**	**Equity Incentive Plan Awards: Number Of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)**	**Equity Incentive Plan Awards: Market or Payout Value Of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)**
Richard B. Handler	2,059,467(1)	$ 49,736,128		
Brian Friedman	1,673,385(2)	$ 40,412,248		
Peregrine C. Broadbent	192,983(3)	$ 4,660,539		
Michael J. Sharp	21,349(4)	$ 515,578		
Charles Hendrickson	20,912(5)	$ 505,025		
Lloyd H. Feller	55,202(6)	$ 1,333,128		

(1) Of these stock awards, 41,950 vested on December 29, 2010; 3,531 vested on December 15, 2010; 216,036 will vest on August 25, 2011; 27,894 vested on January 17, 2011; 27,894 will vest on January 17, 2012; 77,429 vested on January 19, 2011; 77,429 will vest on January 19 of each of 2012 and 2013; and 1,509,872 will vest on January 19, 2013.

(2) Of these stock awards, 20,975 vested on December 29, 2010; 7,766 shares vested on December 15, 2010; 108,020 shares will vest on August 25, 2011; 27,894 vested February 15, 2011; 27,894 shares will vest on February 15, 2012; 116,144 vested on January 19, 2011; 116,144 will vest on each of 2012 and 2013; and

1,132,404 will vest on January 19, 2013.

(3) Of these RSU awards, 53,227 will vest on each of November 19, 2011 and 2012; 12,681 shares vested on January 31, 2011; 12,681 will vest on each of January 31, 2012 and 2013; 7,230 vested on January 31, 2011; 7,231 will vest on January 31 of each of 2012, 2013 and 2014; 4,890 will vest on January 31, 2012; and 4,891 will vest on January 31 of each of 2013, 2014 and 2015.

(4) Of these RSU awards, 5,337 will vest on September 7 on each of 2011, 2012, 2013 and 2014.

(5) Of these RSU awards, 4,670 will vest on July 17, 2011; 1,186 vested on February 15, 2011, 1,186 will vest on February 15, 2012, and 1,187 will vest on February 15, 2013; 1,313 vested on January 31, 2011, 1,313 will vest on January 31, 2012; 1,314 will vest on December 30, 2013; 1,130 vested on January 31, 2011, and will vest on January 31, 2013; and 1,131 will vest on January 31 of each of 2012 and 2014; 1,055 will vest on November 29 of each of 2012 through 2014 and 1056 will vest on January 31, 2015.

(6) Of these RSU awards, 7,309 vested on December 15, 2010; and 47,893 will vest on February 26, 2011.

Option Exercises and Stock Vested   2010

The table below reflects the restricted stock or RSUs which became non-forfeitable (vested) during fiscal 2010 for each of the named executive officers. Shares are valued on the day they became vested.

	Option Awards		Stock Awards	
Name (a)	**Number of Shares Acquired on Exercise (#) (b)**	**Value Realized on Exercise ($) (c)**	**Number of Shares Acquired on Vesting (#) (d)**	**Value Realized on Vesting ($) (e)**
Richard B. Handler			247,461(1)	$ 5,996,877
Brian Friedman			135,912(2)	$ 3,310,317
Peregrine Broadbent			65,908(3)	$ 1,626,646
Michael J. Sharp				
Charles Hendrickson			7,168(4)	$ 172,242
Lloyd H. Feller			55,200(5)	$ 1,379,661

(1) Includes 3,531 RSUs the settlement of which has been deferred until April 30, 2011; 216,036 RSUs the settlement of which has been deferred until October 25, 2011; and RSUs acquired as a result of dividend reinvestments which are deferred to the same extent as the underlying grants generating those dividends are deferred.

(2) Includes 27,894 RSUs the settlement of which has been deferred until February 15, 2012; 108,018 RSUs the settlement of which has been deferred until October 25, 2016; and RSUs acquired as a result of dividend reinvestments which are deferred to the same extent as the underlying grants generating those dividends are deferred.

(3) Includes 53,227 RSUs the settlement of which has been deferred until November 19, 2012.

(4) Includes 4,669 RSUs the settlement of which has been deferred until August 17, 2011; and 1,186 RSUs the settlement of which has been deferred until February 15, 2013.

(5) Includes 7,308 RSUs the settlement of which has been deferred until April 30, 2011.

Pension Benefits   2010

	Number of Years Credited	Present Value of Accumulated	Payments During Last

Name (a)	Plan Name (b)	Service (#) (c)	Benefit ($) (d)	Fiscal Year ($) (e)
Richard B. Handler	Jefferies Group, Inc. Employees Pension Plan	16	$ 157,953	$ 0

To calculate the values in the table above, we needed to make certain assumptions about the employees, their retirement age, interest rates and discount rates, as follows:

Benefit commencement is at age 65, our Pension Plan s normal retirement age

Benefit is paid as a lump sum

GATT actuarial basis as of November 30, 2010 was used to determine the lump sum amount at age 65, including an interest rate of 5.25%

The benefit is discounted to the employee s age at November 30, 2010 using a discount rate of 5.25%.

No pre-retirement decrements (other than discount rate) have been assumed in determining the Present Value of Accumulated Benefits

We first adopted our pension plan in 1964 and stopped admitting new participants into the plan on April 1, 1997. Effective December 31, 2005, benefits under the Pension Plan were frozen. All persons who were our employees prior to April 1, 1997, who are citizens or residents of the United States, who are 21 years of age, and who have completed one year of service are covered by our pension plan. The plan is a defined benefit plan, and is funded through our ongoing contributions and through earnings on existing plan assets. The amount an employee will receive as a plan benefit depends on the person s covered compensation during specific plan years. An employee retiring at age 65 with fifteen years of service will receive 1% of the employee s covered compensation from January 1, 1987, until termination of employment plus 20% of the first $4,800 and 50% of amounts exceeding $4,800 of annual average covered compensation for 1985 and 1986. If the employee was employed less than 15 years on the date of termination, the amount of benefit will be reduced proportionately. Benefits under the plan are payable for the remaining life of the participant, and are not subject to deduction for Social Security benefits or other offsets.

The amount of covered compensation used to calculate the benefit earned in a given year includes salaries, bonuses and commissions, but is capped each year. Since 2004, the amount of covered compensation has been capped at $210,000 per year. An employee who retires upon normal retirement at age 65 with at least four years of service will receive a full vested benefit. An employee who retires at age 55 with at least four years of service will receive the normal retirement benefit reduced by 1/2% for each month benefit payments commence before age 65. Employees who terminate employment with us for reasons other than death or retirement will be entitled to the vested portion of their benefits at their normal or early retirement age. Benefits vest at the rate of 0% for the first year of service, 33% for each of the next two years of service, and 34% for the fourth year of service. The retirement benefits payable at age 65 for those employees with service prior to January 1, 1987, will be composed of two items: (1) a benefit for service up to December 31, 1986, in accordance with the original Pension Plan formula recognizing pay as the average of 1985 and 1986 compensation up to $100,000, and (2) a benefit for service commencing on January 1, 1987, equal to 1% of covered compensation through the date of termination.

Nonqualified Deferred Compensation 2010

Name (a)	**Executive Contributions In Last FY ($)** (b)	**Registrant Contributions In Last FY ($)(1)** (c)	**Aggregate Earnings In Last FY ($)** (d)	**Aggregate Withdrawals/ Distributions ($)**	**Aggregate Balance At Last FYE ($)(2)** (f)
Richard B. Handler		$ 5,282,233	$ 7,761,076(3)		$ 224,872,933(4)
Brian Friedman		$ 3,310,317	$ 2,216,437(5)	$ 8,590,309	$ 18,499,675(6)
Peregrine C. Broadbent		$ 1,295,545	$ 121,050(7)		$ 4,037,968(8)
Michael J. Sharp					$ 1,542(9)
Charles Hendrickson		$ 137,959	$ 19,820(7)		$ 544,607(8)
Lloyd H. Feller		$ 188,108	$ 23,879(10)	$ 119,483	$ 795,250(11)

(1) The Registrant Contribution column reflects the value of RSUs which vested but by their terms will not be distributed until a later date. RSUs are subject to a mandatory period following vesting during which they are not distributed. We have chosen to show this mandatory deferral as a Registrant Contribution, but the value of the RSUs at the vesting date is reflected in full in the Options Exercised and Stock Vested table as compensation to the named executive officer.

(2)

Amounts in the table do not reflect compensation granted in any single year but include reported compensation that has been deferred and market returns on investments that deferred amounts were deemed invested in which have accrued over time. Specifically, amounts in the table consist of (i) contributions resulting from compensation which has been disclosed in previous Jefferies proxy statements (to the extent the executive was a named executive officer in the year of deferral and the amount was otherwise required to be disclosed under SEC rules then in effect), plus (ii) earnings on deferred amounts, (iii) less distributions. For purposes of this table, earnings includes gains and losses in value of the investments into which deferred amounts are deemed invested, including the value of stock units resulting from deferrals of vested restricted stock shares, restricted stock units and resulting from option gain deferrals.

(3) Includes $1,067,167 in increased value in Mr. Handler s self-directed deferred compensation account, $216,145 in increased value of investments in our DCP and $6,477,764 in increased value of RSUs and dividend reinvestments on RSUs.

(4) Includes $200,418,402 attributable to RSUs originally awarded from 2000 through 2010 and dividend reinvestments on those RSUs. The value of RSUs represents both compensation originally earned and the appreciation of our common stock. For the 21 year period Mr. Handler has worked at Jefferies, our shares compounded annually at 19.6%. Since joining Jefferies in 1990 and throughout his entire 11 year term as CEO, over 77% of Mr. Handler s compensation has consisted of non-cash equity related securities vesting over three to five years. Also includes $8,267,376 in amounts deferred through our generally available DCP on terms that are the same as other Jefferies employees who participate in the DCP. Includes $16,187,156 in deferred compensation and gains on investments in Mr. Handler s self-directed deferred compensation account which was in place before he became CEO in 2000. The amount reflected is the result of deferring compensation earned while he was Head of the High Yield Division, before implementing our generally applicable DCP and prior to his becoming an executive officer. The last deferral into Mr. Handler s self-directed deferred compensation account was in 2000.

(5) Includes $2,127,944 in increased value of RSUs and dividend reinvestments on RSUs, and $88,492 in increased value of investments in our DCP.

(6) Includes $16,766,829 attributable to RSUs and dividend reinvestments on RSUs, and $1,732,845 in amounts deferred through our DCP.

(7) Reflects the increase in value of RSUs and dividend reinvestments on RSUs.

(8) Reflects the value of RSUs and dividend reinvestments on RSUs.

(9) Reflects the value of dividend reinvestments on RSUs and dividend reinvestments on RSUs.

(10) Includes a loss of $854 in the value of RSUs and $24,733 in increased value of investments in our DCP.

(11) Includes $387,100 as the value of RSUs and $408,150 as the value of investments in our DCP.

The amounts of deferred compensation in the table above reflect compensation that was paid to each named executive officer historically, and reported as compensation at the time to the extent required under SEC rules then in effect, but for which the actual receipt of the compensation has been deferred. A substantial portion of the value listed above was derived from the value of deferred stock or other investments after the compensation was credited to the employee and were not the amounts we actually paid the executive. When an executive s deferred compensation is not denominated in cash, but is deemed invested in a particular fund or security, the executive s deemed investment subjects their earnings to market risk that may produce gain or loss depending on the performance of the investments selected.

Deferred Compensation Plan

We provide an opportunity for executives to defer receipt of cash portions of annual bonus awards, and to have deferred amounts be deemed invested in specified investment vehicles during the period of deferral. The Company has implemented the Jefferies Group, Inc. Deferred Compensation Plan (the DCP), which permits executive officers and other eligible employees to defer cash compensation, some or all of which may be deemed invested in stock units. A portion of the deferrals may also be directed to notional investments in a money market fund or certain of the employee investment opportunities described under the caption Transactions with Related Persons. We believe this discount encourages employee participation in the DCP and accordingly, enhances long term retention of equity interests and alignment of executive interests with those of shareholders. The amounts of fiscal 2010 salary, bonus and non-equity incentive plan compensation deferred by named executive officers are reflected in the Summary Compensation Table without regard to deferral. The portion of the deferrals under the DCP representing the value of the discount on stock units is reflected in the Summary Compensation Table in the column captioned All Other Compensation and in the table above in the column captioned Registrant Contributions in Last FY.

The DCP provides eligible employees with the opportunity to defer receipt of cash compensation for five years, with an optional deferral of an additional five years. Participants choose whether their deferred compensation is allocated to a cash denominated investment subaccount, to an equity subaccount which permits amounts to be deemed to be invested in a combination of stock units or other specified equity investment vehicles. Credits of stock units to a participant s subaccount occur at a predetermined discount of up to 15% of the volume weighted average market price per share of our common stock on the last day of the quarter. The predetermined discount amount for fiscal 2010 was 10%. The discounted portion of any amounts credited, or the additional stock units credited as a result of those discounts, is forfeitable upon termination of employment until the earliest of the time the participant has participated in the DCP for three consecutive years, the participant s age plus the number of years of service equals 65, the participant is still employed 5 years after the deferral or the participant s death or a change in control. All of the named executives have met this vesting requirement by having participated in the DCP for three consecutive years. None of the named executive officers elected to defer additional compensation amounts during fiscal 2010.

Richard Handler Deferred Compensation Plan

We established an individual Deferred Compensation Plan for Mr. Handler while he was Head of the High Yield Division, before implementing our generally applicable Deferred Compensation Plan and prior to his becoming an executive officer. Amounts deferred under this individual plan reflect compensation paid to him as a department head for the High Yield Division and were based on the productivity of that division. The last deferral into Mr. Handler s individual Deferred Compensation Plan was in 2000.

Potential Payments Upon Termination or Change in Control

No Single-Trigger Policies or Agreements

We do not have any single-trigger policies or agreements that would entitle an executive to a payment or enhanced rights solely as a result of a change in control, and the way our named executive officers are treated is generally the same as our other employees are treated in this regard. There are a number of aspects of the relationship with the named executive officers that may result in payments if a change in control occurs and the employee is terminated without cause. Those payments result from the application of generally applicable policies or contractual terms and not from any payment or benefit levels which were determined by independent analysis. To understand when those payments are triggered, we have described below the types of agreements, relationships or investments that may require payments to the named executive officers upon termination of employment. Following these descriptions, we also provide a summary of the amounts that would have been payable to each named executive officer as a specific result of termination if the person s employment had been terminated on November 30, 2010 under various circumstances. We anticipate that all of the payments described in this section will be subject to applicable taxes and withholding requirements and no payments will be made to employees until applicable tax requirements have been met. As a result, the actual amount paid to the employees will be substantially less than the amounts set forth below. We also anticipate that we will receive the positive benefits of a corresponding tax deduction which is also not accounted for in the analysis or tables below.

Description of Agreements, Relationships and Investments

Restricted Stock Agreements

Under the terms of the restricted stock agreements entered into by our named executive officers, the restrictions on restricted stock will lapse and the restricted stock will immediately vest if employment is terminated by the Company without cause following a change in control. Under the terms of the restricted stock unit agreements entered into by our named executive officers, the RSUs will immediately vest and be distributed if employment is terminated by the Company without cause following a change in control. Such distribution may be subject to delay to comply with Code Section 409A. The vesting terms of restricted stock and RSUs no longer provide for forfeiture upon the employee voluntarily quitting, but provide for forfeiture in the event of competition following termination, so the effect of a termination not for cause following a change in control is to cause a lapse of the non-competition obligation.

Except when otherwise decided by the Compensation Committee or required by an employment agreement, our policy applicable to all continuing employees is that equity grants will continue to vest normally following a termination without cause that is not following a change in control.

Deferred Compensation Plan

Amounts that executive officers have deferred through our DCP would continue to be deferred through the expiration of the applicable deferral period and at the conclusion of that period, would result in a payment to the former executive of the deferred amounts. In some cases when deferred amounts have been deemed invested in specific investment vehicles, we may choose to make the required payments through in-kind distributions of securities reflecting those investments. Settlement of certain of those distributions could be delayed for up to six months if subject to Code Section 409A.

The DCP provides that until an employee has been a participant in the DCP for three consecutive years, any discounts on shares purchased are initially unvested and would be forfeitable upon termination. All of the named executive officers who have deferred compensation through the DCP meet the minimum participation requirement and therefore the discounts on shares purchased are immediately vested.

Early withdrawals are generally not permitted except in the event of an unexpected hardship. An employee is permitted to request an unscheduled withdrawal of certain balances resulting from deferrals before 2005, but 10% of the amount withdrawn will be forfeited. If we experience a change in control, deferred amounts will not be automatically distributed and changes in the plan will be prohibited for a period of 24 months. Unscheduled withdrawals permitted for balances resulting from deferrals before 2005 may be made within two years of a change in control at a reduced forfeiture percentage of 5% of the amount withdrawn.

If an employee dies before payment of deferred amounts has begun, all unvested restricted stock shares or options under the DCP will immediately vest and the balance of any deferred amounts will be paid to the designated beneficiary in January following the year of death. If payment of deferred amounts has already begun, the beneficiary will continue to receive payments in the same manner the employee had elected before his or her death.

Richard Handler Deferred Compensation Plan

We established an individual Deferred Compensation Plan for Mr. Handler while he was Head of the High Yield Division, before implementing our generally applicable Deferred Compensation Plan and prior to his becoming an executive officer. Amounts deferred under this individual plan reflect compensation paid to him as a department head for the High Yield Division and were based on the productivity of that division. The last deferrals into Mr. Handler s individual Deferred Compensation Plan were in 2000. With respect to amounts deferred through this plan, we may determine to terminate a portion of his deferred compensation arrangement in the event of a change in control and make a full distribution of the deferred amounts, to the extent permitted under Code Section 409A. The decision to terminate the deferral arrangement must be made by our Board of Directors prior to consummation of the transaction that constitutes a change in control. If a change in control had occurred on November 30, 2010 and the board had elected to make a full distribution, Mr. Handler would have received a payment of $16,187,156 in settlement of his individual Deferred Compensation Plan. This amount would be in addition to any unscheduled payout he is entitled to receive under our DCP as discussed above. Absent a change in control, Mr. Handler s deferrals under this Plan generally will be settled upon his termination of employment, although settlement may be delayed for up to six months if subject to Code Section 409A.

High Yield Trading Desk Investments

Our employees have the opportunity to invest in the continuing operations of our high yield trading desk through Jefferies Employees Special Opportunity Partners, LLC (JESOP). Investors in JESOP, would have the right to redeem their investment should Mr. Handler cease actively managing the high yield trading desk. If an executive officer other than Mr. Handler is terminated, we anticipate that we would repurchase that person s interest in JESOP at his or her current capital account balance.

Mr. Handler s investments in JESOP are in the form of deferred compensation arrangements which follow the performance of JESOP. As a result, a liquidation of the fund would not result in a cash payout to Mr. Handler unless the circumstances also resulted in a payout of his deferred compensation as described above.

Severance Policy

We have adopted a firm-wide severance policy that applies to employees, including our named executive officers, if they are laid off. It is not paid to employees who resign voluntarily or are terminated for cause. Employees are eligible for two weeks of severance for each year of service, up to a maximum of six months pay. If each of the named executive officers had been terminated on November 30, 2010 , in addition to vacation pay for any unused portion of earned vacation time, they would have received the following amounts in severance pay:

Severance Policy Payments

Richard B. Handler	$ 500,000
Brian Friedman	$ 284,462
Peregrine C. Broadbent	$ 128,472
Lloyd H. Feller	$ 303,125
Charles Hendrickson	$ 46,875

The amounts the named executive officers would be paid under our severance policy are calculated in exactly the same way severance would be calculated for any of our other employees. Our general severance policy will not become applicable to Mr. Sharp until after his employment agreement expires on November 30, 2011.

Insurance Benefits

We provide benefits to all our employees, including our named executive officers, that may result in payments to employees or their estates after their death, retirement or termination of employment. These benefits include our medical and dental plans, long term disability plan, life insurance and business travel insurance.

Our medical and dental plans provide that following the death or termination of an employee, the employee or his or her dependents may continue coverage in our medical and dental plans on a month to month basis for 18 to 36 months. To remain in the plans during this period, the person would be required to pay the same premium we had previously been paying for the coverage, plus a 2% charge for administrative expenses. Following retirement, a former employee who meets age and service criteria may continue in the Jefferies medical plan at a retiree premium rate.

If an executive becomes permanently disabled, the individual will be entitled to participate in our Long-Term Disability insurance program. Our basic program entitles a disabled employee to receive 60% of his or her aggregate earnings up to a maximum of $10,000 per month until reaching the later of age 65 or Social Security normal retirement age. Employees are also eligible to purchase additional coverage through our negotiated rates at their own cost.

We provide life insurance to our employees which would result in a payment to an employee s designee upon death. Our basic insurance policy would cover each employee for the amount of his or her annual compensation up to $200,000 through age 65. Once an employee reaches age 65, the basic life insurance benefit will be reduced to 65% of the coverage amount. Employees are also eligible to purchase additional coverage through our negotiated rates at their own cost. Retirees who meet certain eligibility requirements and who choose to participate in our retiree medical policy have a life insurance benefit of $10,000. Employees who are terminated may elect to continue coverage after employment for both the basic coverage and any additional coverage they have purchased at their own expense.

We also provide business travel accident insurance to all our employees with a benefit of $250,000 in the event of an employee s death as the result of an accident while traveling. For our named executive officers and executive committee, the benefit would result in a payment of $1 million in the event of an employee s death as the result of an accident while traveling.

Summary of Payments on Termination After a Change in Control

As described above, certain of our policies or agreements would result in payments to a named executive officer or enhancement of rights if the person is terminated without cause following a change in control, but we do not have any single-trigger policies or agreements that would entitle an executive to a payment or enhanced rights solely as a result of a change in control and we treat our named executive officers generally the same way we treat other employees in this regard. The table below shows the estimated value of the enhancements to payments and rights a named executive officer would have been entitled to receive if the executive s employment had been terminated on November 30, 2010. For purposes of valuing these amounts, we made the following assumptions:

If an executive has received a restricted stock unit or share of restricted stock which has fully vested and is non-forfeitable, or holds vested and deferred stock units that are similarly non-forfeitable, the executive would retain that interest following termination and we therefore do not view the retention of those interests as resulting in a payment or enhancement of rights on termination.

Shares of restricted stock or restricted stock units which immediately vest if the executive is terminated following a change in control are valued at $24.15 per share, the closing price of our common stock on November 30, 2010.

The value of restricted stock units that remain unvested and do not accelerate is not included in the totals below but will continue to vest according to their terms. For the purposes of the table below we have also assumed that the executive complies with any post-termination non-competition and similar obligations under the continued vesting provisions described above.

Amounts an employee has deferred through our DCP will continue to be deferred and therefore will not result in a payment upon termination in the table below.

Each employee agreed to sign our standard settlement and release agreement as required under his or her restricted stock or restricted stock unit agreements.

No payment to a named executive officer would need to be reduced so that the executive and Jefferies would avoid adverse tax consequences under Code Sections 4999 and 280G. As discussed above, some of our stock awards contain a cut-back provision of this type. We have no obligation to any named executive officer to pay a gross-up to offset golden parachute excise taxes under Code Section 4999 or to reimburse the executive for related taxes.

Any withdrawals from an employee s profit sharing plan or ESOP account, or the decision of an employee to transfer balances into another qualified account are entirely within the discretion of the employee, will not result in a payment by us, and are not included in the table below.

Except as otherwise indicated all amounts reflected in the table would be paid on a lump sum basis.

The named executive officers have satisfied all applicable requirements for receiving severance payments in accordance with our generally applicable severance practices.

Summary of Payments on Termination or Change in Control

Involuntary

	Retirement or Voluntary Termination by Employee	Involuntary Termination	Termination following a Change in Control
Richard B. Handler		$ 500,000	$ 21,710,100(1)
Brian Friedman		$ 284,462	$ 13,495,309(2)
Peregrine C. Broadbent		$ 128,472	$ 3,984,768(3)
Michael Sharp		$ 3,065,578	$ 3,065,578(4)
Charles C. Hendrickson		$ 46,875	$ 555,184(5)
Lloyd H. Feller		$ 303,125	$ 1,009,102(6)

(1) Consists of $21,210,100 in restricted stock units which would immediately become vested and $500,000 as a payment under our Severance Policy.

(2) Consists of $13,210,847 in restricted stock units which would immediately become vested and $284,462 as a payment under our Severance Policy.

(3) Consists of $3,856,296 in RSUs which would immediately become vested and $128,472 as a payment under our Severance Policy.

(4) Consists of $515,578 in restricted stock units which would immediately become vested and $2,550,000 as payments called for by his employment agreement.

(5) Consists of $508,309 in restricted stock units which would immediately become vested and $46,875 as a payment under our Severance Policy.

(6) Consists of $705,977 in restricted stock units which would immediately become vested and $303,125 as a payment under our Severance Policy.

Director Compensation 2010

Name (a)	**Fees Earned or Paid in Cash ($) (b)**	**Stock Awards ($)(1) (c)**	**All Other Compensation ($)(2) (g)**	**Total ($) (h)**
W. Patrick Campbell	$ 85,000	$ 100,000(3)		$ 185,000
Ian M. Cumming	$ 65,000	$ 87,175(4)		$ 152,175
Richard G. Dooley	$ 75,000(5)	$ 92,998(6)	$ 2,500	$ 170,498
Robert E. Joyal	$ 75,000	$ 90,542(7)	$ 500	$ 166,042
Michael T. O Kane	$ 72,500	$ 99,088(8)		$ 171,588
Joseph S. Steinberg	$ 65,000	$ 100,000(9)		$ 165,000

(1) Amounts reflect the grant date fair value of equity awards computed in accordance with FASB ASC Topic 718. The amounts reflect the single equity award with a market value of $100,000 in the form of either restricted stock or deferred shares granted on May 17, 2010 to each Director upon his re-election to our Board at last year s annual meeting of shareholders. A discussion of the computation of grant date fair value pursuant to FASB ASC Topic 718 may be found in Note 13 Compensation Plans of the Notes to Consolidated Financial Statements contained in our Interim Report on Form 10-K for the fiscal year ended November 30, 2010.

(2) Amounts shown in the All Other Compensation column are the amounts we contributed in 2010 to charities designated by the named persons as part of our Charitable Gifts Matching Program described below.

(3) At November 30, 2010, Mr. Campbell held 5,801 shares of unvested restricted stock, 3,355 unvested deferred shares, and 9,428 vested stock options.

(4) At November 30, 2010, Mr. Cumming held 1,827 shares of unvested restricted stock, and 7,329 unvested deferred shares.

(5) Amounts were credited as deferred shares under our DSCP.

(6) At November 30, 2010, Mr. Dooley held 9,156 unvested deferred shares.

(7) At November 30, 2010, Mr. Joyal held 9,156 unvested deferred shares.

(8) At November 30, 2010, Mr. O Kane held 9,156 unvested deferred shares.

(9) At November 30, 2010, Mr. Steinberg held 9,156 shares of unvested restricted stock.

Each member of our Board who is also a non-employee is entitled to receive the following compensation as approved by the Board pursuant to the terms of the Jefferies Group, Inc. 1999 Directors Stock Compensation Plan, as amended and restated January 1, 2009 (the DSCP):

an annual retainer of $50,000;

an annual grant of $100,000 in our restricted common stock or deferred shares;

an annual retainer of $7,500 for each non-Chair committee membership;

an annual retainer of $20,000 to the Chairman of the Audit Committee; and

an annual retainer of $10,000 to the Chairman of the Compensation Committee and the Chairman of the Governance and Nominating Committee.

Annual retainers are paid quarterly in equal installments. Under our DSCP, each non-employee Director may elect to receive annual retainer fees in the form of cash, deferred cash or deferred shares. If deferred cash is elected, the Director s account is credited with interest on deferred cash at the prime interest rate in effect at the date of each annual meeting of shareholders. None of our directors have elected to receive deferred cash. If deferred shares are elected, the Director s account is credited with the number of deferred shares having a market value equal to the deferred fees and, when dividends are declared and paid on our common stock, with dividend equivalents on deferred shares which are then deemed reinvested as additional deferred shares. At settlement, deferred shares are settled in shares of our common stock.

Directors who are also our employees are not paid directors fees and are not granted restricted stock or deferred shares for serving as directors.

We offer a program to all employees to encourage charitable giving, and each director is also permitted to participate in our Charitable Gifts Matching Program. Under the program, we will match 50% of allowable charitable contributions made by an employee or director, up to a maximum matching contribution of $3,000 per person per year.

The children of directors may also participate (along with the children of all our employees) in the Jefferies Family Scholarship program which provides scholarship awards for secondary and post-secondary education based on factors such as financial need, academic merit and personal statements. The grants are made by an independent scholarship committee, none of whose members are affiliated with us.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, requires our directors and executive officers, and persons who beneficially own more than 10% of our outstanding Common Stock, to file with the SEC, by a specified date, initial reports of beneficial ownership and reports of changes in beneficial ownership of our Common Stock and other equity securities on Forms 3, 4 and 5. Directors, executive officers, and greater-than-10% shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, or the Securities Exchange Act of 1934, that might incorporate future filings, including this Proxy Statement, in whole or in part, the following Report Of The Compensation Committee and Report Of The Audit Committee shall not be incorporated by reference into any such filings.

* * *

Report of the Compensation Committee

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based on our review and discussions, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

The Compensation Committee of the Board of Directors, the members of which in 2010 were Messrs. Campbell, Dooley, Joyal, Steinberg, Cumming and O Kane, has furnished this report.

Richard G. Dooley, Chairman, W. Patrick Campbell, Robert E. Joyal
Joseph S. Steinberg, Ian M. Cumming and Michael T. O Kane

* * *

Report of the Audit Committee

The Audit Committee has reviewed and discussed the audited financial statements with management to ensure that the financial statements were prepared in accordance with generally accepted accounting principles and accurately reflect our financial position. The Audit Committee has discussed with our independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, and has received written disclosures and a required letter from the independent registered public accounting firm regarding their independence. Based upon its discussions with management, review of the independent registered public accounting firm s letter, discussions with the independent registered public accounting firm and other appropriate investigation, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K. The Audit Committee has reviewed the non-audit fees described below and has concluded that the amount and nature of those fees is compatible with maintaining the independent registered public accounting firm s independence.

The foregoing report has been furnished by:

W. Patrick Campbell, Chairman, Richard G. Dooley,
Robert E. Joyal and Michael T. O Kane

* * *

Ratification of Appointment of Independent Registered Public Accounting Firm

Deloitte & Touche LLP was our independent registered public accounting firm for fiscal 2010 and the Audit Committee has recommended the use of Deloitte again for fiscal 2011. In 2009, KPMG served as our independent registered public accounting firm. We ask that you the shareholders ratify our selection of Deloitte & Touche. We paid the following fees for services rendered for the 2009 and 2010 audits and other services.

	2009	2010
Audit Fees	$ 5,801,757	$ 4,943,620
Audit-Related Fees	$ 361,233	$ 937,425
Tax Fees	$ 300,014	$ 542,140
All Other Fees	$ 0	$ 0

Total All Fees	$ 6,463,005	$ 6,423,185

Audit Fees The Audit Fees reported above reflect what Deloitte billed us for 2010, and what KPMG billed us for 2009. These amounts include fees for professional services rendered as our principal accountant for the audit of our consolidated financial statements included in the Company s Annual Report on Form 10-K, the audits of various affiliates and investment funds managed by Jefferies or its affiliates, the audit of internal controls over financial reporting required by Section 404 of Sarbanes-Oxley, reviews of the interim consolidated financial statements included in our quarterly reports on Form 10-Q, the issuance of comfort letters, consents and other services related to SEC and other regulatory filings, and for other services that are normally provided in connection with statutory and regulatory filings or engagements. The Audit Committee preapproves all auditing services and permitted non-audit services to be performed for us by our independent registered public accounting firm, which are approved by the Audit Committee prior to the completion of the audit. In 2010, the Audit Committee preapproved all auditing services performed for us by the independent registered public accounting firm.

Audit-Related Fees The Audit-Related Fees reported above reflect what Deloitte billed us with respect to fiscal 2010, and what KPMG billed us with respect to 2009. These amounts include fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees above. Specifically, the Audit-Related services included performing agreed upon procedures related to specific matters at our request, the audits of our employee benefit plans, assessment and testing of internal controls and risk management processes beyond the level required as part of the consolidated audit, accounting consultations, and other services that are normally provided in connection with statutory and regulatory filings or engagements.

Tax Fees Tax Fees includes fees for tax compliance, tax advice and tax planning.

All Other Fees All Other Fees would have included billing during 2009 and 2010 for other services that did not fall within the above categories.

Transactions with Related Persons

Regular Margin Accounts

Through Jefferies, our wholly owned broker-dealer subsidiary, we have extended credit to Mr. Handler in margin accounts in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to Jefferies and did not involve more than the normal risk of collectibility or present other unfavorable features.

Jefferies High Yield Funds

We continue to operate our high yield secondary market business through Jefferies High Yield Trading, LLC (Jefferies High Yield Trading). We and a subsidiary of Leucadia National Corporation (Leucadia) each own 50% of the voting securities of Jefferies High Yield Holdings, LLC (Holdings), which owns Jefferies High Yield Trading. We and Leucadia each have the right to nominate two of a total of four directors to Holding s board of directors. Leucadia s nominees to our board of directors, Messrs. Cumming and Steinberg, are two of the directors of Holdings. Leucadia has invested $350,000,000 in Holdings and is currently committed to an additional investment of $250,000,000, subject to our prior request. Pursuant to the Agreements, any request to Leucadia for additional capital investment in JHYH will require the unanimous consent of our board of directors (including the consent of Leucadia s designees to our board of directors).

In exchange for Jefferies transferring its high yield secondary market trading business to Jefferies High Yield Trading, Jefferies received securities entitling it to an additional 20% of the profits, and will provide services to Jefferies High Yield Trading for a fee equal to 1.5% of contributed capital. Jefferies will receive a placement fee of 0.25% for the equity capital raised. Jefferies expects that it will receive a management fee of 0.50%, in addition to the 1.5% fee for services described above, for a total fee of 2%. Jefferies High Yield Trading continues to be overseen by Richard Handler. We have offered our qualified employees the option to invest in the operations of Jefferies High Yield Trading through investments in Jefferies Employees Special Opportunity Partners, LLC (JESOP). As of November 30, 2010, Mr. Handler held an economic interest through his individual deferred compensation plan and the DCP with a value of 21.3% of JESOP. Mr. Handler s interest in JESOP is calculated on the same basis, and charged the same fees, as any other third party investor in JESOP.

Private Equity Funds

We have also invested in three private equity funds managed by companies controlled by Mr. Friedman, one of our directors, Chairman of the Executive Committee and a nominee, and have acquired interests in the profit participation earned by two management companies that manage these three funds and another company that manages a fourth private equity fund and is controlled by Mr. Friedman. These three management companies (the Fund Managers) serve as the managers of four private equity funds (the Private Equity Funds) and have varying profit participations and other interests in those funds. Mr. Friedman founded the business of the Fund Managers before he became associated with us. As of December 31, 2010, we had committed an aggregate of approximately $146.8 million to three of these funds, and had funded approximately $53.3 million of these commitments. As a result of those investments, commitments and profit participations, in 2010 we received distributions from the Private Equity Funds of approximately $0.2 million and profit participations from the Fund Managers in the amount of $0.1 million. Included in the $1.463 billion in total equity committed to funds over which Mr. Friedman has control are individual investments of certain of our named executive officers. As a result of their individual cash commitments, as of December 31, 2010, Mr. Handler, had an aggregate interest in the total committed capital in such funds of 0.10% and Mr. Friedman had an aggregate interest of 3.9%. In addition, Mr. Friedman has substantial investments in the Private Equity Funds, and a substantial economic interest in the Fund Managers and, directly and indirectly, in the carried interest paid by the Private Equity Funds.

On August 11, 2008, we entered into a Credit Agreement (the Credit Facility) with JCP Fund V Bridge Partners, LLC, a Delaware limited liability company (the Borrower), pursuant to which we agreed to make loans to the Borrower in an aggregate principal amount of up to $60.0 million. The Borrower is owned by the Fund Manager of Jefferies Capital Partners V L.P. (Fund V), Mr. Friedman and one other party. The loans may be used by the Borrower to bridge investments for Fund V until its final capitalization by third party investors. The interest rate on any loans made under the Credit Facility was the Prime Rate (as defined in the Credit Facility) plus 200 basis points, payable at the final maturity date, or upon repayment of any principal amounts, as applicable. The obligations of the Borrower under the Credit Facility were secured by its interests in each investment. In August 2010, the Borrower repaid all outstanding loans and accrued interest of $4.35 million.

On September 30, 2010, we became the lender to Jefferies Employee Partners IV LLC, one of the Private Equity Funds managed by companies controlled by Mr. Friedman, under a Credit Agreement assumed from Bank of America (the JEP Credit Facility). The JEP Credit Facility has aggregate commitment of $54 million and matures on December 31, 2013. The interest rate is the greater of the Prime Rate (as defined in the Credit Facility) plus 400 basis points or 7%, payable quarterly in arrears. As of November 30, 2010, loans in the aggregate principal amount of approximately $38.8 million were outstanding under the JEP Credit Facility and recorded on our consolidated statements of financial condition.

Through our subsidiaries, we have performed investment banking and other services for companies in which the Private Equity Funds have invested. In some cases, the Private Equity Funds control those companies in which they have invested. In fiscal 2010, we received $5.5 million in fee income for investment banking and other services performed for companies in which the Private Equity Funds and other funds overseen by Mr. Friedman have investments. During fiscal 2010, $6,332,342 million was paid to Jefferies Finance, LLC, an entity in which we have a 50% ownership interest and share control with an independent third party, with respect to loans to companies in which the Private Equity Funds and other funds overseen by Mr. Friedman have investments. As of February 28, 2011, the aggregate principal amount of those loans was $21,665,168.

We employ and provide office space for all the Fund Managers employees under an arrangement we entered into with Mr. Friedman and Jefferies Capital Partners in 2005 and previously under an agreement entered into in 2001. Jefferies Capital Partners reimburses us on an annual basis for our direct employee costs, office space costs and other direct costs. In 2010, we billed and received approximately $5.7 million in cash for such expenses.

Leucadia National Corporation

On April 20, 2008, we entered into an Investment Agreement and Standstill Agreement (the Agreements) with Leucadia National Corporation (Leucadia). On April 21, 2008, we purchased from Leucadia 10,000,000 common shares of Leucadia in exchange for our issuance of 26,585,310 shares of our common stock, representing 16.7% of our outstanding shares (after giving effect to the Transaction), and a payment to Leucadia of $100,021,353 in cash. We completed our sale of the 10,000,000 shares of Leucadia for aggregate proceeds of $535.2 million.

Pursuant to the Agreements, we increased the size of our board of directors by two and elected two designees selected by Leucadia to fill the new directorships. Leucadia designated Ian M. Cumming, Leucadia s Chairman, and Joseph S. Steinberg, a director of Leucadia and its President, to fill the two newly created vacancies on our board. Our board elected Messrs. Cumming and Steinberg to our board on April 21, 2008, and our shareholders re-elected Messrs. Cumming and Steinberg on May 19, 2008, May 18, 2009 and May 17, 2010. Leucadia had the right to appoint two directors until April 21, 2010 so long as Leucadia maintained at least 15% beneficial ownership of our outstanding shares. For the same period, Leucadia had agreed, subject to certain exceptions (i) not to sell any of our shares acquired in the transaction, (ii) not to acquire additional shares of our voting securities if such acquisition would result in Leucadia beneficially owning more than 30% of our outstanding shares, and (iii) to vote its shares of our common stock in favor of the slate of directors nominated by our board of directors. Our board has nominated Messrs. Cumming and Steinberg to continue to serve as directors.

On February 19, 2010, we purchased 30 million common shares of Fortescue Metals Group Ltd., an Australian Stock Exchange listed company, from Baldwin Enterprises, a wholly-owned subsidiary of Phlcorp, which is a wholly-owned subsidiary of Leucadia. Leucadia beneficially owns 28.3% of our outstanding common stock. Mr. Cumming and Mr. Steinberg, two of our directors, may be viewed as having an indirect financial interest in the transaction by virtue of their ownership of Leucadia shares and their positions as the Chairman of the Board and President of Leucadia. Mr. Cumming and Mr. Steinberg are also directors of Fortescue. We purchased the shares for $123 million, or US$4.10 per share. The closing price on the Australian Stock Exchange on February 19, 2010, when converted to US dollars at then current exchange rates, was US$4.56 per share. We realized a profit on the disposition of the shares.

We also continue to provide various services to Leucadia in the ordinary course of our business. Through Jefferies High Yield Trading, we purchase and sell Leucadia s debt securities from time to time in unsolicited transactions, selling to independent third parties through Rule 144. During fiscal 2010, we received $17,020 in commissions and commission equivalents for conducting brokerage services on behalf of Leucadia affiliates. These transactions took place in the ordinary course of our business on substantially the same terms as those prevailing at the time for comparable transactions with persons not related to Jefferies and did not involve more than the normal market risk.

At March 1, 2011, we had commitments to purchase $153,242,943 in agency commercial mortgage-backed securities from Berkadia Commercial Mortgage, LLC, which is partially owned by Leucadia.

Director of Marketing

We have employed Thomas E. Tarrant, the brother-in-law of our Chief Executive Officer, as our Director of Marketing since 1997, three years before Mr. Handler was appointed CEO. For his services during fiscal 2010, Mr. Tarrant was paid $311,667 in a combination of cash and restricted stock.

Review, Approval or Ratification of Related Person Transactions

We have adopted a written Code of Ethics which is available both on our public website and on our corporate intranet. The Code of Ethics governs the behavior of all our employees, officers and directors, including our named executive officers. Our Code of Ethics provides that no employee shall engage in any transaction involving the Company if the employee or a member of his or her immediate family has a substantial interest in the transaction or can benefit directly or indirectly from the transaction (other than through the employee s normal compensation), unless the transaction or potential benefit and the interest have been disclosed to and approved by the Company.

If one of our executive officers has the opportunity to invest or otherwise participate in such a transaction, our policy requires that the executive prepare a memorandum describing the proposed transaction. The memo must be submitted to the Global Head of Compliance or the General Counsel or his designee, and a copy of the memorandum will be provided to the Chairman of the Corporate Governance and Nominating Committee of the Board of Directors, or any other member designated by the Committee, for consideration and action by that committee. After consideration of the matter, the Corporate Governance and Nominating Committee will provide written notice to the executive of the action taken.

Our Code of Ethics has been adopted by the Board of Directors and any exceptions to the policies set forth therein must be requested in writing addressed to the Corporate Governance and Nominating Committee of the Board of Directors. If an executive officer requests an exception, the request must be delivered to the General Counsel and no exceptions shall be effective unless approved by the Corporate Governance and Nominating Committee.

Shareholder Proposals

Shareholder proposals for inclusion in the proxy material relating to our 2012 Annual Meeting of Shareholders should be sent to our principal executive offices at 520 Madison Avenue, New York, New York, 10022, Attention: Michael J. Sharp. To be considered timely under federal securities laws, any proposals must be received no later than November 28, 2011, to be included in next year s proxy statement and proxy card, and no later than March 9, 2012, if to be presented at the meeting but not included in the proxy statement or proxy card. Though we will consider all proposals, we are not required to include any shareholder proposal in our proxy materials relating to next year s annual meeting unless it meets all of the requirements for inclusion established by the SEC and our By-Laws.

For the Board of Directors,

Michael J. Sharp, Secretary

March 25, 2011

ANNUAL MEETING OF SHAREHOLDERS OF JEFFERIES GROUP, INC. May 9, 2011 NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL: The Notice of Meeting, proxy statement and proxy card are available at www.jefferies.com/proxy Please sign, date and mail your proxy card in the envelope provided as soon as possible. Please detach along perforated line and mail in the envelope provided. 20830004003000000000 3 050911 THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS AND FOR THE RATIFICATION OF THE AUDITORS. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x 1. Election of Directors. 2. Advisory vote on executive compensation. NOMINEES: FOR ALL NOMINEES O Richard B. Handler O Brian P. Friedman O W. Patrick Campbell FOR ALL NOMINEES O Ian M. Cumming O Richard G. Dooley WITHHOLD AUTHORITY The Board recommends a vote FOR this resolution. Every Every Every 3 years 2 years year ABSTAIN (See instructions below) FOR ALL EXCEPT O Robert E. Joyal O Michael T. O Kane 3. Advisory vote on frequency of vote on executive O Joseph S. Steinberg compensation. The Shareholder advisory vote on the compensation of executives should occur: The Board recommends voting for EVERY THREE YEARS. FOR AGAINST ABSTAIN 4. Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm. INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark FOR ALL EXCEPT and fill in the circle next to each nominee you wish to withhold, as shown here: 5. In their discretion, upon such other business as may properly come before the meeting, or at any adjournment thereof. TO INCLUDE ANY COMMENTS, USE THE COMMENTS BOX ON THE REVERSE SIDE OF THIS CARD. FOR AGAINST ABSTAIN To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. Signature of Shareholder Date: Signature of Shareholder Date: Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

Fellow Shareholder: You are cordially invited to attend the Annual Meeting of Shareholders of Jefferies Group, Inc. The meeting will be held at our offices at 520 Madison Avenue, 10th Floor, New York, New York 10022, on Monday, May 9, 2011, at 9:30 a.m. Enclosed you will find a copy of our Proxy Statement, 2010 Annual Report on Form 10-K, with letter to shareholders, and your Proxy Voting Card. We urge you to exercise your right as a shareholder of Jefferies and part of our Firm to vote your shares, regardless of how many you own. Sincerely, Richard B. Handler Brian P. Friedman Chairman and CEO Chairman of the Executive Committee 1 PROXY JEFFERIES GROUP, INC. Proxy for the Annual Meeting of Shareholders May 9, 2011 Solicited on Behalf of the Board of Directors of the Company The undersigned holder(s) of common shares of JEFFERIES GROUP, INC., a Delaware corporation (the Company), hereby appoints Richard B. Handler and Brian P. Friedman, and each of them, attorneys of the undersigned, with power of substitution, to vote all shares of the common shares that the undersigned is entitled to vote at the Annual Meeting of Shareholders of the Company to be held on Monday, May 9, 2011, at 9:30 a.m. local time, and at any adjournment thereof, as directed on the reverse hereof, hereby revoking all prior proxies granted by the undersigned. (Continued and to be signed on the reverse side) COMMENTS: 14475