

**CHARTER OF THE COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF JEFFERIES GROUP, INC.**

**Purpose of Committee**

The purpose of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Jefferies Group, Inc. (the “Company”) is to advise senior management on the administration of the Company’s compensation programs, review and approve the compensation of the Executive Officers of the Company that are subject to Section 162(m) of the Internal Revenue Code, including the Chief Executive Officer (“CEO”), the Chief Operating Officer and the Chief Financial Officer of the Company (the “Executives”) and prepare any report on executive compensation required by the rules and regulations of the Securities and Exchange Commission (the “SEC”).

***Committee Membership***

The Committee shall consist solely of three or more members of the Board each of whom is, in the business judgment of the Board, “independent” under the rules of the New York Stock Exchange, Inc.

Members shall be appointed by the Board based on nominations recommended by the Company’s Corporate Governance and Nominating Committee and shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

***Committee Structure and Operations***

The Board shall designate one member of the Committee as its chairperson. In the event of a tie vote on any issue, the chairperson’s vote shall decide the issue. The Committee shall meet in person or telephonically at least two times each year at a time and place determined by the Committee chairperson, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its chairperson.

The Committee may invite such members of management to its meetings as it may deem desirable or appropriate, consistent with the maintenance of the confidentiality of compensation discussions. The Company’s Executives should not attend any meeting where his/her performance or compensation is discussed, unless specifically invited by the Committee.

**Committee Duties and Responsibilities**

The following are the duties and responsibilities of the Committee:

1. Assist senior management in establishing the Company’s general compensation, philosophy, and oversee the development and implementation of compensation programs.
2. Review and approve corporate goals and objectives relevant to the compensation of the Executives, evaluate the performance of the Executives in light of those goals and objectives, and set the Executives’ compensation level based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee shall consider, among other factors, the Company’s performance and relative shareholder return, the value of similar incentive awards to

chief executive officers at comparable companies, the awards given to the CEO in past years, and any other factors the Committee or its independent advisor deems appropriate.

3. Assist the CEO in formulating compensation programs applicable to the senior management of the Company.
4. Make recommendations to the Board with respect to the Company's incentive compensation plans and equity-based plans, including the Employee Stock Ownership Plan ("ESOP"), the Employee Stock Purchase Plan ("ESPP"), the Deferred Compensation Plan, the 1999 Incentive Compensation Plan and the Pay-For-Performance Program, and discharge any responsibilities imposed on the Committee by any of these plans.
5. Assist senior management and the Administrative Committee appointed by the Board to act as the Plan Administrator of the ESOP, with regulatory compliance with respect to compensation matters, including overseeing the Company's policies on structuring compensation programs to preserve tax deductibility, and, as and when required, establishing performance goals and certifying that performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code.
6. Prepare and issue the evaluations and reports required under "Committee Reports" below.
7. Any other duties and responsibilities expressly delegated to the Committee by the Board from time to time relating to the Company's compensation programs.

#### ***Delegation to Subcommittee***

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee. In particular, the Committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the Committee who are (i) "Non-Employee Directors" for the purposes of Rule 16b-3 of the Securities Exchange Act of 1934, as in effect from time to time, and (ii) "outside directors" for the purposes of Section 162(m) of the Internal Revenue Code, as in effect from time to time.

#### ***Committee Reports***

The Committee shall produce the following reports and provide them to the Board:

1. An Annual Report of the Compensation Committee on Executive Compensation for inclusion in the Company's annual proxy statement in accordance with applicable SEC rules and regulations.
2. An annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of this charter and set forth the goals and objectives of the Committee for the upcoming year. The performance evaluation should also recommend to the Board any improvements to this charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such a manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.

#### ***Resources and Authority of the Committee***

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to retain counsel and other experts or consultants. The Committee shall have the sole authority to select, retain and terminate a compensation consultant and to approve the consultant's fees and other retention terms.