

JEFFERIES GROUP INC /DE/

Form 11-K

May 31, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 11-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the fiscal year ended November 30, 2010**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number**

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

JEFFERIES GROUP, INC. EMPLOYEES PROFIT SHARING PLAN (the Plan )

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

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

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FINANCIAL STATEMENTS AND EXHIBITS

- (a) Financial Statements and Supplemental Schedule (With Reports of Independent Registered Public Accounting Firms Thereon)
- (b) Exhibit 1 Consent of Independent Registered Public Accounting Firm
- (c) Exhibit 2 Consent of Independent Registered Public Accounting Firm

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrative Committee, administrator of the Plan, has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

JEFFERIES GROUP, INC. EMPLOYEES  
PROFIT SHARING PLAN

By: Administrative Committee

Date: May 31, 2011

By: /s/ Roland T. Kelly  
Roland T. Kelly  
Authorized Person

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**JEFFERIES GROUP, INC.**

**EMPLOYEES PROFIT SHARING PLAN**

Financial Statements as of November 30, 2010 and 2009, and for the Year Ended November 30, 2010, Supplemental Schedule as of November 30, 2010, and Reports of Independent Registered Public Accounting Firms

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**JEFFERIES GROUP, INC.**  
**EMPLOYEES PROFIT SHARING PLAN**  
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| <u>Notes to Financial Statements as of November 30, 2010 and 2009, and for the Year Ended November 30, 2010</u>  | 5    |
| SUPPLEMENTAL SCHEDULE:   |      |
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| EXHIBITS   |      |
| Consent of Deloitte & Touche LLP   |      |
| Consent of KPMG LLP  |      |
| NOTE: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable. |      |

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Administrative Committee of  
Jefferies Group, Inc. Employees Profit Sharing Plan

We have audited the accompanying statement of net assets available for benefits of the Jefferies Group, Inc. Employees Profit Sharing Plan (the Plan ) as of November 30, 2010, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting.

Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at November 30, 2010, and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of November 30, 2010, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2010 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP  
New York, New York  
May 31, 2011

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**Report of Independent Registered Public Accounting Firm**

The Administrative Committee

The Jefferies Group, Inc.

Employees Profit Sharing Plan:

We have audited the accompanying statement of net assets available for benefits of the Jefferies Group, Inc.

Employees Profit Sharing Plan (the Plan) as of November 30, 2009. The financial statement is the responsibility of the Plan's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of November 30, 2009 in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York

May 27, 2010

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**JEFFERIES GROUP, INC.**  
**EMPLOYEES PROFIT SHARING PLAN**  
 Statements of Net Assets Available for Benefits  
 As of November 30, 2010 and 2009

|  | <b>2010</b>           | <b>2009</b>           |
|--|-----------------------|-----------------------|
| <b>ASSETS:</b>                                   |                       |                       |
| Participant-directed Investments, at fair value: |                       |                       |
| Cash equivalents                                 | \$ 1,218,570          | \$ 1,472,011          |
| Common stock                                     | 35,815,160            | 54,107,238            |
| Mutual funds                                     | 170,348,466           | 130,141,044           |
| Participant loans                                | 3,624,292             | 3,184,668             |
| <b>Total investments</b>                         | <b>211,006,488</b>    | <b>188,904,961</b>    |
| Non-interest bearing cash                        | 2,545                 | 3,891                 |
| Prepaid expenses                                 |                       | 13,253                |
| <b>Receivables:</b>                              |                       |                       |
| Accrued dividends on common stock                |                       | 39,057                |
| Accrued employer contributions                   | 6,686                 | 3,448                 |
| Due from trustee for pending trades              |                       | 40,669                |
| <b>Total receivables</b>                         | <b>6,686</b>          | <b>83,174</b>         |
| <b>Total assets</b>                              | <b>211,015,719</b>    | <b>189,005,279</b>    |
| <b>LIABILITIES:</b>                              |                       |                       |
| Excess contribution payable                      | 23,509                |                       |
| Accrued expenses                                 | 65,268                | 73,648                |
| <b>Total liabilities</b>                         | <b>88,777</b>         | <b>73,648</b>         |
| <b>Net assets available for benefits</b>         | <b>\$ 210,926,942</b> | <b>\$ 188,931,631</b> |

See accompanying notes to financial statements.

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**JEFFERIES GROUP, INC.**  
**EMPLOYEES PROFIT SHARING PLAN**

Statement of Changes in Net Assets Available for Benefits  
Year ended November 30, 2010

**ADDITIONS:****Contributions:**

|                                    |               |
|------------------------------------|---------------|
| Participant contributions          | \$ 22,301,328 |
| Participant rollover contributions | 4,435,682     |
| Employer contributions             | 5,191,483     |

|                     |            |
|---------------------|------------|
| Total contributions | 31,928,493 |
|---------------------|------------|

**Investment income:**

|   |            |
|---|------------|
| Net appreciation in fair value of investments | 15,318,025 |
| Interest and dividends                        | 2,585,634  |

|                       |            |
|-----------------------|------------|
| Net investment income | 17,903,659 |
|-----------------------|------------|

|                 |            |
|-----------------|------------|
| Total additions | 49,832,152 |
|-----------------|------------|

**DEDUCTIONS:**

|                               |            |
|-------------------------------|------------|
| Benefits paid to participants | 29,588,418 |
| Administrative expenses       | 211,007    |

|                  |            |
|------------------|------------|
| Total deductions | 29,799,425 |
|------------------|------------|

|   |            |
|---|------------|
| Net increase before net transfers from related plan | 20,032,727 |
|---|------------|

|                                 |           |
|---------------------------------|-----------|
| Net transfers from related plan | 1,962,584 |
|---------------------------------|-----------|

|  |            |
|--|------------|
| Net increase after net transfers from related plan | 21,995,311 |
|--|------------|

**Net assets available for benefits:**

|                   |             |
|-------------------|-------------|
| Beginning of year | 188,931,631 |
|-------------------|-------------|

|             |                |
|-------------|----------------|
| End of year | \$ 210,926,942 |
|-------------|----------------|

See accompanying notes to financial statements.

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**JEFFERIES GROUP, INC. EMPLOYEES PROFIT SHARING PLAN NOTES TO FINANCIAL STATEMENTS AS OF NOVEMBER 30, 2010 AND 2009, AND FOR THE YEAR ENDED NOVEMBER 30, 2010**

**1. DESCRIPTION OF THE PLAN**

The following description of the Jefferies Group, Inc. Employees Profit Sharing Plan (the Plan ) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

**General** The Plan is a defined contribution plan sponsored by Jefferies Group, Inc. and subsidiaries (the Company ) covering all US based employees of the Company and employees who have US source income who have completed 3 full months of service. The Administrative Committee controls and manages the operation and administration of the Plan. Fidelity Investments serves as the trustee of the Plan. The Plan became effective in December 1964 and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

**Contributions** Each year, participants may voluntarily contribute pretax and /or Roth contributions as a percentage of up to 15% annual compensation or a flat dollar amount, as defined in the Plan, subject to certain Internal Revenue Code (IRC) limitations. Participants may also make voluntary after-tax contributions up to \$20,000 (changed from \$12,000 as of February 1, 2010). Participants may also contribute amounts representing distributions from other qualified defined benefit plans, defined contribution plans, or Individual Retirement Accounts (IRAs) that held contributions under a previous employer's tax-qualified plan or contributory IRAs. The Company provides a fixed matching contribution for each dollar contributed by the employee on a pretax and Roth basis. In 2010 the rate of match was 25%. The Plan also enables employees to share in the profits of the Company by means of the Company's discretionary contributions that can only be made out of profits and are allocated on the basis of their compensation as defined in the Plan. Additional discretionary matching contributions are allocated to participant accounts based on the level of employee contributions made to the Plan. Contributions are subject to certain limitations. The Company did not authorize a discretionary contribution during 2010.

**Participant Accounts** Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contribution, the Company's matching contribution and allocations of the Company's contributions and Plan earnings, and charged with withdrawals, an allocation of Plan losses and an allocation of administrative expenses, if not paid from the forfeiture account. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Investments** Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers 1 equity investment, 27 mutual funds, 2 money market funds, and a self-directed brokerage account (that primarily invests in interest-bearing cash accounts and income oriented and growth-oriented mutual funds), as investment options for participants. The equity investment is the Jefferies Company Stock Fund, which holds the common stock of Jefferies Group, Inc. Effective February 5, 2010, the Investment Technology Group, Inc. (ITG) stock was discontinued as an investment option for participants. However, participants may continue to hold ITG stock but once sold, additional shares cannot be purchased.

**Table of Contents****JEFFERIES GROUP, INC. EMPLOYEES PROFIT SHARING PLAN NOTES TO FINANCIAL STATEMENTS AS OF NOVEMBER 30, 2010 AND 2009, AND FOR THE YEAR ENDED NOVEMBER 30, 2010**

**Vesting** Participants are vested immediately in their contributions plus actual earnings thereon. Vesting in the Company's contribution portion of their accounts is based on years of continuous service as follows:

| Years of vesting service | Vested percentage |
|--------------------------|-------------------|
| Fewer than two years     | %                 |
| Two years                | 33                |
| Three years              | 67                |
| Four years               | 100               |

**Participant Loans** Participants may borrow from their fund accounts up to a maximum equal to the lesser of (1) \$50,000 less the highest outstanding loan balance for the participant during the prior 12-month period or (2) 50% of their account balance. The loans are secured by the balance in the participant's account and bear interest at rates commensurate with local prevailing rates at the time funds are borrowed. The interest rate remains unchanged for the duration of the loan. The term of the loan may not exceed five years except for loans for the purchase of a primary residence, in which case the repayment period is over ten years. Principal and interest are paid ratably through semi-monthly payroll deductions or terminated participants who elect to continue their loan terms may elect to remit payments directly to the trustee.

**Payment of Benefits** On termination of service for any reason, a participant with an account balance greater than \$1,000 may elect to (1) receive a lump-sum distribution in an amount equal to the value of the participant's vested interest in his or her account, (2) elect a rollover distribution to an eligible retirement plan or eligible individual retirement account in an amount equal to the value of the participant's vested interest in his or her account, or (3) elect to retain the amount of the vested balance in the Plan until the attainment of age 65. To the extent that a participant's account is less than \$1,000, the Company will distribute the vested interest in the participant's account to the participant in the form of a lump-sum payment and if invested in Company stock the distribution will be made in the form of whole shares of Company stock or cash. The Plan allows for in-service withdrawals for hardship purposes as defined in the Plan document. The Plan also allows in service withdrawals to employees to withdraw vested balances starting at age 59 1/2 and for all employees to withdraw their voluntary after-tax and rollover contributions at any time.

**Forfeited Accounts** At November 30, 2010 and 2009, forfeited non-vested accounts totaled \$454,847 and \$231,277, respectively. These accounts will be used to reduce employer contributions and pay administrative expenses of the Plan. During the year ended November 30, 2010 employer contributions were reduced by \$74,405 and \$204,855 was used to pay administrative expenses from forfeited non-vested accounts.

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**JEFFERIES GROUP, INC. EMPLOYEES PROFIT SHARING PLAN NOTES TO FINANCIAL STATEMENTS AS OF NOVEMBER 30, 2010 AND 2009, AND FOR THE YEAR ENDED NOVEMBER 30, 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Use of Estimates** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Risks and Uncertainties** The Plan utilizes various investment instruments, including mutual funds, common stock, and a self-directed brokerage account. The equity security investment option consists of the common stock of Jefferies Group, Inc. Investment securities, in general, are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, Plan Management believes it reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amount reported in the financial statements.

**Concentration of Investments** Investment in common stock of the Company comprises approximately 16% and 20% of the Plan's investments as of November 30, 2010 and 2009, respectively.

**Investment Valuation and Income Recognition** The Plan's investments are stated at fair value. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's common stock is valued at the closing price reported on the New York Stock Exchange on the last business day of the Plan year. Money market funds are stated at amortized cost, which approximates fair value. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year-end. Participant loans are valued at their outstanding balance, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Management fees and operating expenses charged to the Plan for investments in the mutual funds are deducted from the income earned on a daily basis and are not separately reflected. Consequently, management fees and operation expenses are reflected as a reduction of the investment return for such investment.

**Administrative Expenses** All reasonable expenses of administering the Plan are either charged to participants and paid out of Plan assets or paid from Plan forfeitures. If the expenses are charged to each participant's account, they are charged on a pro rata basis based upon account balances of participants.

**Payment of Benefits** Benefit payments to participants are recorded upon distribution. There are no amounts allocated to participants who have withdrawn their funds but have not been paid as of November 30, 2010 or 2009.

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**JEFFERIES GROUP, INC. EMPLOYEES PROFIT SHARING PLAN NOTES TO FINANCIAL STATEMENTS AS OF NOVEMBER 30, 2010 AND 2009, AND FOR THE YEAR ENDED NOVEMBER 30, 2010**

**Net Transfers from Related Plan** The Company also maintains an Employee Stock Ownership Plan (ESOP). Prior to July 1, 2010, the ESOP had a provision which allowed participants at least 55 years of age who had completed 10 years of service to transfer up to 25% of their ESOP holdings into the Plan. The ESOP was amended, effective July 1, 2010, to allow participants who have completed at least 4 years of service in the ESOP to transfer up to 100% of their ESOP holdings into the Plan. Transfers from the ESOP into the Plan are done through transfers of a money market mutual fund. During the year ended November 30, 2010 \$1,962,584 was transferred from the ESOP to the Plan.

**Excess Contributions Payable** The Plan is required to return contributions received during the Plan year in excess of IRC limits.

**3. ACCOUNTING & REGULATORY DEVELOPMENTS**

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) update 2010-06, *Fair Value Measurements and Disclosures* (Topic 820) *Improving Disclosures about Fair Value Measurements*. This guidance amends Topic 820 which requires reporting entity to disclose additional information on: (i) significant transfers in and out of Level 1 and 2 measurements and reasons for the transfers; (ii) Level 3 gross purchases, sales, issuances and settlements information; (iii) measurement disclosures by classes of assets and liabilities; and (iv) a description of the valuation techniques and inputs used to measure fair value is required for both recurring and nonrecurring fair value measurements. This guidance was effective for reporting periods beginning after December 15, 2009, except for the requirement to provide Level 3 activities which will be effective for fiscal years beginning after December 15, 2010. The adoption of this guidance did not have a material impact on the Plan's financial condition or results of operations. Management does not expect that the adoption of the guidance for Level 3 activities will have a material impact on our financial condition or results of operations.

In September 2010, the FASB issued ASU update 2010-25, *Plan Accounting - Defined Contribution Pension Plans* (Topic 962): *Reporting Loans to Participants by Defined Contribution Plans*. This update clarifies how loans to participants should be classified and measured by defined contribution pension benefit plans. Participant loans are currently classified as investments and presented at fair value as provided in Topic 820, *Fair Value Measurements and Disclosures*. The amendments in the update require that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. The update is effective for fiscal years ending after December 15, 2010. The Plan has not yet adopted this update and management does not expect that the adoption will have a material impact on our financial condition or results of operations.

**4. FAIR VALUE MEASUREMENTS**

ASC 820, *Fair Value Measurements and Disclosures*, provides a single authoritative definition of fair value, set a framework for measuring fair value, and required disclosures about fair value measurements. In accordance with ASC 820, the Plan classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on

**Table of Contents****JEFFERIES GROUP, INC. EMPLOYEES PROFIT SHARING PLAN NOTES TO FINANCIAL STATEMENTS AS OF NOVEMBER 30, 2010 AND 2009, AND FOR THE YEAR ENDED NOVEMBER 30, 2010**

an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Plan's policy is to recognize transfers between levels at the actual date that caused the transfer.

The techniques used to value the Plan's investments are as follows:

Cash Equivalents. Valued at cost which approximates fair value;

Common Stock. We utilize a market approach wherein we use the quoted prices in the active market for identical assets;

Mutual Funds. We utilize a market approach wherein we use the quoted prices in the active market for identical assets. All of the mutual funds are traded in active markets at their net asset value per share. There are no restrictions as to redemption of these investments nor does the Plan have any contractual obligations to further invest in any of the individual mutual funds;

Participant Loans. Reported at the current principal outstanding (amortized cost) as the reporting date. The Company has determined that amortized cost approximates fair value.

The following tables set forth by level within the fair value hierarchy a summary of the Plan's investments measured at fair value on a recurring basis as of November 30, 2010 and 2009:

|                              | Fair value measurements as of November 30, 2010       |  |   |   |
|------------------------------|---|--|---|---|
|                              | Assets measured at fair value as of November 30, 2010 | Quoted prices in active markets for identical assets (Level 1) | Significant Other observable inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash Equivalents             | \$ 1,218,570  | \$ 1,218,570   |   |   |
| Common Stock                 | 35,815,160  | 35,815,160   |   |   |
| Mutual Funds:                |   |  |   |   |
| Domestic Stock Funds         | 85,153,639  | 85,153,639   |   |   |
| Balanced Funds               | 17,418,314  | 17,418,314   |   |   |
| Fixed Income Funds           | 21,597,532  | 21,597,532   |   |   |
| International Stock Funds    | 17,637,697  | 17,637,697   |   |   |
| Money Market Funds           | 25,673,991  | 25,673,991   |   |   |
| Brokerage Link               | 2,867,293   | 2,867,293  |   |   |
| Participant loans receivable | 3,624,292   |  |   | \$ 3,624,292                              |
|                              | \$ 211,006,488  | \$ 207,382,196   |   | \$ 3,624,292                              |

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|                              | Fair value measurements as of November 30, 2009 |                |             |              |
|------------------------------|---|----------------|-------------|--------------|
|                              | Assets  | Quoted prices  | Significant | Significant  |
|                              | measured at                                     | in active      | Other       | Unobservable |
|                              | fair value as                                   | markets for    | observable  |              |
|                              | of  | identical      | inputs      | Inputs       |
|                              | November  | assets         | (Level      | (Level 3)    |
|                              | 30, 2009  | (Level 1)      | 2)          |              |
| Cash Equivalents             | \$ 1,472,011                                    | \$ 1,472,011   |             |              |
| Common Stock                 | 54,107,238                                      | 54,107,238     |             |              |
| Mutual Funds:                |   |                |             |              |
| Domestic Stock Funds         | 59,101,388                                      | 59,101,388     |             |              |
| Balanced Funds               | 12,938,749                                      | 12,938,749     |             |              |
| Fixed Income Funds           | 16,653,883                                      | 16,653,883     |             |              |
| International Stock Funds    | 15,377,925                                      | 15,377,925     |             |              |
| Money Market Funds           | 23,460,285                                      | 23,460,285     |             |              |
| Brokerage Link               | 2,608,814                                       | 2,608,804      |             |              |
| Participant loans receivable | 3,184,668                                       |                |             | \$ 3,184,668 |
|                              | \$ 188,904,961                                  | \$ 185,720,293 |             | \$ 3,184,668 |

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The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for the year end November 30, 2010:

|  | <b>Fair Value<br/>Measurements<br/>Using<br/>Significant<br/>Unobservable<br/>Inputs (Level 3)</b> |
|--|--|
| Beginning balance as of December 1, 2009 | \$ 3,184,668   |
| Principal repayments                     | (1,576,245)  |
| Loan withdrawals                         | 2,382,696  |
| Benefit payments                         | (366,827)  |
| <br>                                     |  |
| Ending balance as of November 30, 2010   | \$ 3,624,292   |

**5. INVESTMENTS**

The following presents investments, that represent 5% or more of the Plan's net assets available for benefits as of November 30, 2010 and 2009:

|   | <b>2010</b>   | <b>2009</b>   |
|---|---------------|---------------|
| Common stock:                           |               |               |
| Jefferies Group, Inc.                   | \$ 34,018,552 | \$ 37,200,928 |
| Mutual funds:                           |               |               |
| Fidelity Small Cap Stock Fund           | 10,893,485    | **            |
| Fidelity Magellan K Fund                | *             | 13,496,985    |
| Fidelity OTC Portfolio K Fund           | 38,961,562    | 10,904,833    |
| Fidelity International Discovery K Fund | 17,637,697    | 13,540,626    |
| Fidelity Retirement Money Market Fund   | 18,500,172    | 16,631,632    |
| Fidelity Spartan U.S. Equity Index Fund | 24,723,650    | 21,651,615    |

\* The investment was not part of the Plan as of November 30, 2010.

\*\* This investment did not represent 5% or more of plan assets as of November 30, 2009

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During the year ended November 30, 2010, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by investment type, as follows:

|                           | <b>2010</b>   |
|---------------------------|---------------|
| Common stock              | \$ 377,286    |
| Mutual funds              |               |
| Domestic Stock Funds      | \$ 11,560,985 |
| Balanced Funds            | 1,387,320     |
| Fixed Income Funds        | 945,429       |
| International Stock Funds | 713,295       |
| Brokerage Link            | 333,710       |
|                           | \$ 15,318,025 |

**6. EXEMPT PARTY-IN-INTEREST TRANSACTIONS**

Certain plan investments are shares of mutual funds managed by Fidelity Management Trust Company. Fidelity Management Trust Company is the trustee of the Plan and these transactions qualify as exempt party-in-interest transactions. Fees paid by the Plan for investment management services were \$167,289 for the year ended November 30, 2010.

Fees paid indirectly by the Plan for investment management services are described in the mutual fund prospectus of the designated investment options and are included as a reduction of the return earned on such fund.

As of November 30, 2010 and 2009, the Plan held 1,408,636 and 1,586,393 shares respectively, of the Jefferies Company Stock Fund, which holds the common stock of the sponsoring employer, with a cost basis of \$22,053,797 and \$21,191,007, respectively. During the year ended November 30, 2010, the Plan recorded dividend income of \$389,406 related to the Jefferies Common Stock Fund.

Certain employees and officers of the Company, who may also be participants in the Plan, perform administrative services to the Plan at no cost to the Plan.

**7. PLAN TERMINATION**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event of Plan termination, participants would become 100% vested in their employer contributions and their accounts would be distributed in accordance with the Plan document.

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**JEFFERIES GROUP, INC. EMPLOYEES PROFIT SHARING PLAN NOTES TO FINANCIAL STATEMENTS AS OF NOVEMBER 30, 2010 AND 2009, AND FOR THE YEAR ENDED NOVEMBER 30, 2010**

**8. TAX STATUS**

The Internal Revenue Service (IRS) has determined and informed the Company by a letter dated September 11, 2008 that the Plan and related trust were designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. The Plan administrator and the Plan's tax counsel believe that the Plan is designed and operated in compliance with the applicable requirements of the IRC, and the Plan and related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of November 30, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan year ended November 30, 2005 is the earliest year that remains open to examination by the IRS.

**9. SUBSEQUENT EVENT**

In January 2011 the Company submitted an application to the IRS for an updated determination letter.

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**JEFFERIES GROUP, INC.**  
**EMPLOYEES PROFIT SHARING PLAN EIN: 95-4719745 Plan No. 001**  
Schedule H, Line 4i Schedule of Assets (Held at End of Year)  
November 30, 2010

| (a) | (b) Identity<br>of<br>issuer       | (c) Description of investment  | (d)<br>Cost** | (e) Current<br>value    |
|-----|------------------------------------|--|---------------|-------------------------|
|     |                                    | Cash equivalents:  |               |                         |
| *   | Fidelity Management Trust Company  | Brokeragelink Fund (1,218,569 shares)  |               | \$ 1,218,570            |
|     |                                    | Common Stock:  |               |                         |
| *   | Jefferies Group, Inc.<br>ITG, Inc. | Jefferies Group, Inc. (1,408,636 shares)<br>ITG, Inc. (122,218 shares)           |               | 34,018,552<br>1,796,608 |
|     |                                    | Mutual funds:  |               |                         |
|     | Neuberger Berman                   | NB High Income Bond Inv (495,247 shares)   |               | 4,585,992               |
|     | Loomis Sayles<br>PIMCO             | Loomis Value Y Fund (202,122 shares)<br>PIMCO Total Return Fund (863,823 shares) |               | 3,520,966<br>9,925,329  |
|     | Columbia Small Cap                 | Columbia Small Cap Value I Fund (5,341 shares)                                   |               | 225,187                 |
|     | Trust Company of the West          | TCW Small Capt Growth I (13,582 shares)  |               | 373,902                 |
|     | Baron                              | Baron Small Cap Inst (23,646 shares)   |               | 533,222                 |
| *   | Fidelity Management Trust Company  | Fidelity OTC Portfolio K Fund (754,776 shares)                                   |               | 38,961,562              |
| *   | Fidelity Management Trust Company  | Fidelity International Discovery K Fund (565,855 shares)                         |               | 17,637,697              |
| *   | Fidelity Management Trust Company  | Fidelity Low Price K Fund (164,126 shares)                                       |               | 5,921,665               |
| *   | Fidelity Management Trust Company  | Fidelity Small Capital Stock Fund (602,183 shares)                               |               | 10,893,485              |
| *   | Fidelity Management Trust Company  | Fidelity Strategic Income Fund (601,585 shares)                                  |               | 6,803,924               |

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**JEFFERIES GROUP, INC.**  
**EMPLOYEES PROFIT SHARING PLAN EIN: 95-4719745 Plan No. 001**  
Schedule H, Line 4i Schedule of Assets (Held at End of Year)  
November 30, 2010

| (a) | (b) Identity<br>of<br>issuer         | (c) Description of investment  | (d)<br>Cost** | (e) Current<br>value |
|-----|--------------------------------------|--|---------------|----------------------|
| *   | Fidelity Management Trust<br>Company | Fidelity High Income Fund (31,753<br>shares)                           |               | 282,287              |
| *   | Fidelity Management Trust<br>Company | Fidelity Freedom K Income Fund<br>(21,664 shares)                      |               | 247,185              |
| *   | Fidelity Management Trust<br>Company | Fidelity Freedom Fund K 2000 (4,323<br>shares)                         |               | 50,144               |
| *   | Fidelity Management Trust<br>Company | Fidelity Freedom Fund K 2005 (2,831<br>shares)                         |               | 34,741               |
| *   | Fidelity Management Trust<br>Company | Fidelity Freedom Fund K 2010 (23,426<br>shares)                        |               | 291,423              |
| *   | Fidelity Management Trust<br>Company | Fidelity Freedom Fund K 2015 (31,867<br>shares)                        |               | 397,386              |
| *   | Fidelity Management Trust<br>Company | Fidelity Freedom Fund K 2020 (180,467<br>shares)                       |               | 2,315,395            |
| *   | Fidelity Management Trust<br>Company | Fidelity Freedom Fund K 2025 (166,081<br>shares)                       |               | 2,152,416            |
| *   | Fidelity Management Trust<br>Company | Fidelity Freedom Fund K 2030 (239,965<br>shares)                       |               | 3,143,545            |
| *   | Fidelity Management Trust<br>Company | Fidelity Freedom Fund K 2035 (235,898<br>shares)                       |               | 3,109,142            |
| *   | Fidelity Management Trust<br>Company | Fidelity Freedom Fund K 2040 (206,841<br>shares)                       |               | 2,738,571            |
| *   | Fidelity Management Trust<br>Company | Fidelity Freedom Fund K 2045 (136,266<br>shares)                       |               | 1,813,696            |
| *   | Fidelity Management Trust<br>Company | Fidelity Freedom Fund K 2050 (84,435<br>shares)                        |               | 1,124,670            |
| *   | Fidelity Management Trust<br>Company | Fidelity Retirement Money Market Fund<br>(18,500,172 shares)           |               | 18,500,172           |
| *   | Fidelity Management Trust<br>Company | Fidelity Retirement Government Money<br>Market Fund (7,173,819 shares) |               | 7,173,819            |
| *   | Fidelity Management Trust<br>Company | Fidelity Spartan U.S. Equity Index Fund<br>(589,500 shares)            |               | 24,723,650           |
| *   | Fidelity Management Trust<br>Company | Brokeragelink Fund (2,753,468 shares)                                  |               | 2,867,293            |

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**JEFFERIES GROUP, INC.**  
**EMPLOYEES PROFIT SHARING PLAN EIN: 95-4719745 Plan No. 001**  
 Schedule H, Line 4i Schedule of Assets (Held at End of Year)  
 November 30, 2010

| (a) | (b) Identity<br>of<br>issuer | (c) Description of investment   | (d)<br>Cost** | (e) Current<br>value |
|-----|------------------------------|---|---------------|----------------------|
|     |                              | Participant loans:  |               |                      |
| *   | Participant loans            | maturities 2010-2020 at interest rates<br>ranging from 3.75% to 8.00% |               | 3,624,292            |
|     | Totals                       |   |               | \$ 211,006,488       |

\* Party-in-interest investment.

\*\* Cost information is not required for participant directed investments and therefore is not included  
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