

Audit Committee Charter

I. PURPOSE

The Audit Committee (the “Committee”) shall assist the Board of Directors (the “Board”) of Jefferies Financial Group Inc. (the “Company”) in fulfilling its responsibility to oversee management regarding: (i) the conduct of the Company’s financial reporting process, including by overseeing the integrity of the financial reports and other financial information provided by the Company to any governmental or regulatory body, the public or other users thereof; (ii) the performance of the Company’s accounting, internal control over financial reporting and audit functions; (iii) the performance of the Company’s outside auditors, including their qualifications and independence, and the annual independent audit of the Company’s financial statements; (iv) the preparation of the audit committee report required by the Securities & Exchange Commission (“SEC”) rules to be included in the Company’s annual proxy statement; (v) the Company’s legal and regulatory compliance; and (vi) the Company’s code of ethics as established by management and the Board.

In discharging its role, the Committee is empowered to investigate any matter brought to its attention with access to all books, records, facilities and personnel of the Company. The Committee has the authority to retain outside counsel, auditors or other experts, and seek any information it requires from employees, officers and directors. The Company will provide appropriate funding for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. The Committee shall have the sole authority to retain, compensate, terminate and oversee the outside auditor, who shall be accountable ultimately to the Committee.

II. COMMITTEE MEMBERSHIP

The Committee shall be comprised of not less than three members of the Board, each of whom shall be determined by the Board to be “independent” in accordance with applicable rules of the SEC and the New York Stock Exchange. All members shall meet the financial literacy requirements of the New York Stock Exchange and at least one member shall be an “audit committee financial expert” as such term is defined under applicable SEC rules. No member of the Committee may serve on the audit committee of more than three public companies, including the Company, unless the Board of Directors has determined that such simultaneous service would not impair the ability of such member to effectively serve on the Committee. Such determination shall be disclosed in the annual proxy statement.

Each member shall be appointed by the Board and shall be subject to removal by the Board in accordance with the By-Laws of the Company. The Board shall also designate one member of the Committee to serve as the Committee Chair. The Committee may form and delegate authority to subcommittees.

III. COMMITTEE MEETINGS

The Committee shall have regular meetings on a quarterly basis, or more frequently as circumstances dictate. The Committee chairperson will approve the agenda for the Committee's meetings and any Board member may suggest items for consideration. Meeting materials will be provided to the Committee as far in advance of the meetings as practicable. The Committee shall meet at least quarterly with the internal auditor and the outside auditor in separate executive sessions to provide the opportunity for full and frank discussion without members of senior management present.

IV. KEY RESPONSIBILITIES

The Committee's role is one of oversight. The Company's management is responsible for preparing the Company's financial statements and the outside auditors are responsible for auditing those financial statements. The Committee recognizes that Company management, including the internal audit staff and the outside auditors, have more time, knowledge and detailed information about the Company than do Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the outside auditor's work.

The following responsibilities are set forth as a guide, with the understanding that the Committee may diverge as appropriate given the circumstances. The Committee is authorized to carry out these and such other responsibilities assigned by the Board from time to time, and take any actions reasonably related to the mandate of this Charter.

To fulfill its purpose, the Committee shall:

A. General and Continuous Activities

1. Appoint, evaluate, compensate and oversee the work of the outside auditor and, where appropriate, dismiss the outside auditor; resolve any disagreements between management and the outside auditor regarding financial reporting. The outside auditor shall report directly to the Committee.
2. Consider and pre-approve, as appropriate, all auditing and non-auditing services provided by the Company's outside auditors. The authority to grant preapprovals may be delegated to one or more designated members of the Committee, whose decisions will be presented to the full Committee at its next regularly scheduled meeting.
3. Consider and review with management and the outside auditor: (i) the adequacy of the Company's disclosure controls and procedures and internal controls, including computerized information system disclosure controls and procedures and security; (ii) any significant deficiencies in the design or operation of the Company's internal controls which could adversely affect the Company's ability to record, process,

- summarize and report financial data; (iii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and (iv) related findings and recommendations of the outside auditors together with management's responses.
4. Consider and review with management, including the Chief Financial Officer, the outside auditor and the internal auditor: (i) the outside auditor's review of internal control over financial reporting; (ii) significant findings during the year, including the status of previous audit recommendations; (iii) any audit problems or difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information; (iv) any significant disagreements with management, together with management's response; (v) any changes required in the planned scope of the audit plan; (vi) the responsibilities, budget and staffing of both the outside and internal auditors; and (vii) the coordination of audit efforts in order to monitor completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
 5. Consider and review with management, including the Chief Financial Officer, and the outside auditor any significant risks or exposures and assess the steps management has taken to minimize such risks. Discuss with management, including the Chief Financial Officer, and the outside auditor and oversee the Company's underlying policies with respect to risk assessment and risk management.
 6. Establish and maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
 7. Review and concur in the appointment, reassignment, replacement, compensation or dismissal of the Chief Financial Officer.
 8. Inquire as to outside auditor's view of the accounting treatment related to significant new transactions or other significant matters or events not in the ordinary course of business.
 9. Review periodically with General Counsel legal and regulatory matters that may have a material impact on the Company's financial statement compliance policies and programs.
 10. Review periodically with management the provisions of any code of business conduct and ethics (including the Company's policies and procedures with regard to trading by Company personnel in securities of the Company and use in trading of proprietary or confidential information) applicable to members of the Board and senior officers (including financial officers), including any waivers provided under such code since the last annual review; any such waiver shall be reported by the Committee to the Board and approval of the Board shall also be required for any such waiver applicable to any officer who is a member of the Board.

B. Specific Reporting Policies and Scheduled Activities

1. Review and discuss with management and the outside auditor the accounting policies that may be viewed as critical, and review and discuss any significant changes in the Company's selection or application of accounting principles and any regulatory, accounting and financial reporting proposals that may have a significant impact on the Company's financial reports. These discussions should address alternative treatments under GAAP, if any, for material items discussed with management, supported by analysis as appropriate, of the effects of the alternative treatment on the financial statements, as well as the treatment preferred by the outside auditor. Inquire as to the outside auditor's views about whether management's choices of accounting principles are conservative, moderate, or aggressive from the perspective of income, asset, and liability recognition, and whether those principles are common practices or are minority practices. Review any major issues as to the adequacy of the Company's internal controls and any special audit steps performed in relation to any material control deficiencies.
2. Review and discuss with management and the outside auditor any material financial or non-financial arrangements of the Company that do not appear on the financial statements of the Company. The Committee shall review, discuss with management and the outside auditor and approve any transactions or courses of dealing with related parties (e.g., including significant shareholders of the Company, directors, officers or other members of senior management or their family members) that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties. The Committee shall review and, if appropriate, approve or ratify any related person transactions in accordance with the Company's Related Person Transaction Policy.
3. Review with the outside auditor: (i) any significant findings during the year, including the status of previous audit recommendations; (ii) any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise); (iii) any significant disagreements with management, together with management's response; (iv) any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement; and (v) any "management" or "internal control" letter issued, or proposed to be issued, by the outside auditors to the Company.
4. Review the Company's financial statements, including: (i) prior to public release, reviewing with management and the outside auditor the Company's annual and quarterly financial statements to be filed with the SEC, including (a) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," (b) any certifications regarding the financial statements or the

Company's internal accounting and financial controls and procedures and disclosure controls or procedures filed with SEC by the Company's senior executive and financial officers, and (c) discussing with the outside auditors the matters required to be discussed under the standards of the Public Company Accounting Oversight Board; (ii) with respect to the outside auditor's annual audit report and certification, before release of the annual audited financial statements, meeting separately with the outside auditor without any management member present and discussing the adequacy of the Company's system of internal accounting and financial controls and the appropriateness of the accounting principles used in and the judgments made in the preparation of the Company's audited financial statements and the quality of the Company's financial reports; (iii) meeting separately, periodically, with management, with internal auditors (or other personnel responsible for the internal audit function) and with the outside auditor; (iv) making a recommendation to the Board of Directors regarding the inclusion of the audited annual financial statements in the Company's Annual Report on Form 10-K to be filed with the SEC; and (v) prior to submission of any financial statements of the Company that differ from the financial statements filed by the Company with the SEC, reviewing such financial statements and any report, certification or opinion thereon provided by the outside auditor.

5. At least annually, obtain and review a report by the outside auditor describing: (i) the firm's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) all relationships between the outside auditor and the Company (to be set out in the formal written statement described below).
6. On an annual basis, request from the outside auditor a formal written statement delineating all relationships between the outside auditor and the Company. The Committee shall actively engage in a dialogue with the outside auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the outside auditor. The Committee shall evaluate the outside auditor's qualifications, performance, and independence, taking into account the opinions of management and internal audit, and present its conclusions to the full Board. The Committee shall also (i) consider whether, in the interest of assuring continuing independence of the outside auditor, the Company should regularly rotate its outside auditor; and (ii) set clear hiring policies for employees or former employees of the outside auditors.
7. Prepare a report to be included in the Company's annual proxy statement stating whether or not the Committee: (i) has reviewed and discussed the audited financial statements with management; (ii) has discussed with the outside auditors the matters required to be discussed by Auditing Standard 1301: Communications with Audit Committees; (iii) has

received the written disclosure and letter from the outside accountants (delineating all relationships they have with the Company) and has discussed with them their independence; and (iv) based on the review and discussions referred to above, the members of the Committee recommended to the Board that the audited financials be included in the Company's Annual Report on Form 10-K for filing with the SEC.

8. Discuss with management and the independent auditor, as appropriate, earnings press releases and financial information and earnings guidance provided to analysts and to rating agencies.
9. Conduct an annual self-evaluation of the performance of the Committee, including its effectiveness and compliance with this Charter.
10. Review and reassess the adequacy of this Charter annually, and amend as the Committee deems appropriate.
11. Report regularly to the Board on Committee findings and recommendations (including on any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the outside auditors or the performance of the internal audit function) and any other matters the Committee deems appropriate or the Board requests, and maintain minutes or other records of Committee meetings and activities.