

Jefferies Smallcap Share Repurchase IndexSM

Summary Methodology

Eligibility Criteria

(all criteria must be satisfied as of the Reconstitution Reference Date / Reference Period in order to be included in the index)

- Eligible Companies and Securities: All U.S. Incorporated companies listed on the NYSE, AMEX or the Nasdaq except:
 - o Excluded Companies/Entities: Real estate investment trusts, close-ended funds, unit investment trusts and limited partnerships
 - o Excluded Securities: Preferred and convertible preferred stock, ADRs, redeemable shares, participating preferred stock, warrants and rights, trust receipts, bulletin board, pink sheets, and OTC-traded securities

- Market Cap Rule: Full market capitalization must fall between \$300m and \$2b USD

- Liquidity Rule: Must have:
 - o 12-month value traded: > USD\$50m; and
 - o Shares traded over the past 12 months divided by free float shares outstanding: >.3

For companies without 12 months of trading history as of reconstitution, the Liquidity Rule will apply to the annualized value-traded and share turnover amounts, provided that the companies have at least 1 month of trading history as of the reconstitution. Companies with <1 month of trading history will be excluded from the index.

- Buyback Yield Rule: Must be among the 25 companies with the highest Buyback Yield that also satisfy all other Eligibility Criteria herein. "Buyback Yield" is defined as total common share repurchase dollars as a percent of free float market cap, with free float market cap calculated using shares as the average of the quarter-beginning and quarter-end values for the Reference Period (as defined below).

- Shares Outstanding Rule: Must decrease total shares outstanding over the Reference Period.

Index Construction - Weightings: Equal-Weighted, as calculated according to S&P's standard methodology.¹

- Calculation: Calculated according to S&P's standard methodology for U.S. indices.²

Index Maintenance - Reconstitution: Quarterly, on the last day of each calendar quarter, using [data as of a Reference Date that is the last day of the preceding quarter] [the most recent data available] and a Reference Period that is the calendar quarter ending on the Reference Date.

o Retention Rule: Index constituents remain in the index until nine months following the reconstitution at which they no longer satisfy all inclusion rules, including the Buyback Yield Rule.

- Rebalancing: Quarterly, simultaneous with the Reconstitution.

- Adjustment for Corporate Actions: Corporate actions are applied to index membership according to S&P's standard methodology for U.S. indices.³

Index Data - Base Date / Value: The base date is 12/31/2002, with a base value of 100.

- Calculation Frequency: Index values are calculated daily.

- Publication: Index values are published on Jefferies' website (www.jefferies.com) and on Bloomberg under the identifiers JEFISMBP (index price) and JEFISMBT (total return).

- Series Provided: Price Return and Total Return index series are provided, and are calculated according to S&P's standard methodology for U.S. indices.⁴ Total Return values include ordinary and special dividends.

¹ www.sandp.com/indices, section "Index Methodology," documents "Free Float Methodology" and "Index Mathematics"

² www.sandp.com/indices, section "Index Methodology," documents "S&P U.S. Indices Methodology" and "Index Mathematics"

³ Ibid.

⁴ Ibid.