SWISS HELVETIA FUND, INC.
Form PRE 14A
April 20, 2018

SCHEDULE 14A

(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE

SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO. __)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

THE SWISS HELVETIA FUND, INC.

(Name of Registrant as Specified in Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee previously paid with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

THE SWISS HELVETIA FUND, INC.

7 Bryant Park

New York, New York 10018

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

June 19, 2018

To Our Stockholders:

Notice is hereby given that the Annual Meeting of Stockholders (the Meeting) of The Swiss Helvetia Fund, Inc. (the Fund) will be held at 9:30 a.m., on Tuesday, June 19, 2018, at the offices of Proskauer Rose LLP, Eleven Times Square, 27th Floor, New York, New York 10036, for the following purposes:

1. To elect two Class III Directors to serve for a two-year term.

2. To ratify the selection by the Fund s Board of Directors of Tait, Weller & Baker, LLP as the Fund s independent registered public accounting firm for the year ending December 31, 2018.

3. If properly presented, voting on the non-binding stockholder proposal recommending that the Fund s Board of Directors reduce the ownership threshold required for stockholders to call a special meeting of stockholders.

4. If properly presented, voting on the non-binding stockholder proposal recommending that the Fund s Board of Directors authorize a self-tender offer for at least 50% of the outstanding common stock of the Fund.

5. To consider and act upon any other business as may properly come before the Meeting or any adjournment thereof.

The Fund s Board of Directors has fixed the close of business on April 24, 2018 as the record date for the determination of stockholders entitled to notice of and to vote at the Meeting or any adjournments or postponements thereof.

YOUR VOTE HAS ALWAYS BEEN VERY IMPORTANT TO US. THIS YEAR, YOUR VOTE HAS ADDITIONAL IMPORTANCE. The Fund expects that Bulldog Investors, LLC will solicit proxies on behalf of its affiliated persons, including Full Value Partners, L.P. (Full Value Partners and together with Bulldog Investors, LLC, Bulldog), for (i) the election of two of its own nominees as Directors of the Fund, and (ii) a non-binding proposal recommending that the Fund s Board of Directors authorize a self-tender offer for at least 50% of the outstanding common stock of the Fund (Proposal 4 in the Proxy Statement).

A majority of the Fund s Board of Directors, including all of the Directors who are not interested persons (as defined in the Investment Company Act of 1940, as amended) of the Fund (the Non-Interested Directors), believe that Bulldog has submitted these proposals in its self-interest and not in the best interest of the Fund and all of its stockholders. **THE ELECTION OF BULLDOG S NOMINEES WHICH WOULD GIVE BULLDOG CONTROL OF THE FUND S BOARD AND APPROVAL OF PROPOSAL 4 COULD ADVERSELY AFFECT THE FUND S INVESTMENT OPERATIONS AND PERFORMANCE, AND COULD ULTIMATELY RESULT IN A LIQUIDATION OF THE FUND, TO THE DETRIMENT OF LONG-TERM STOCKHOLDERS.** The Non-Interested Directors, who constitute 80% of the Fund s Board of Directors, also believe that the Board s Director nominees are better qualified and will better serve the interests of all of the Fund s stockholders.

Please read carefully the discussion of the Board s Director nominees and its opposition to Proposal 4 before completing and returning your WHITE Proxy.

You are cordially invited to attend the Meeting. Whether or not you intend to attend the Meeting, **WE URGE YOU TO VOTE BY COMPLETING, SIGNING AND DATING THE ENCLOSED WHITE PROXY AND RETURNING IT AT YOUR EARLIEST CONVENIENCE OR BY CONTACTING GEORGESON LLC TOLL-FREE AT 1-800-905-7281.**

Please see the enclosed WHITE Proxy for additional instructions on how to vote by telephone or through the Internet. The enclosed WHITE Proxy is being solicited by the Board of Directors of the Fund.

PLEASE DO NOT RETURN ANY GREEN OR OTHER PROXY SOLICITED BY OR ON BEHALF OF BULLDOG INVESTORS, LLC, FULL VALUE PARTNERS, L.P. OR ANY OF THEIR AFFILIATES. IT COULD NULLIFY YOUR VOTES FOR PROPOSALS 1 AND 4.

By Order of the Board of Directors,

Reid B. Adams
Secretary

Dated: [________], 2018

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

The Notice, Proxy Statement and Form of WHITE Proxy for the Fund also are available to you on the Fund s website at www.swzfund.com. You are encouraged to review all of the information contained in the Proxy materials before voting. For directions to the Meeting, please call the Fund at 1-800-730-2932 or Georgeson LLC at 1-800-905-7281.

THE SWISS HELVETIA FUND, INC.

7 Bryant Park

New York, New York 10018

ANNUAL MEETING OF STOCKHOLDERS

June 19, 2018

PROXY STATEMENT

INTRODUCTION

This Proxy Statement is furnished by the Board of Directors of The Swiss Helvetia Fund, Inc. (the Fund) in connection with the solicitation of Proxies for use at the Annual Meeting of Stockholders (the Meeting), to be held at 9:30 a.m., on Tuesday, June 19, 2018, at the offices of Proskauer Rose LLP, Eleven Times Square, 27th Floor, New York, New York 10036. The purpose of the Meeting and the matters to be acted upon are set forth in the accompanying Notice of Annual Meeting of Stockholders. It is expected that the Notice of Annual Meeting of Stockholders, Proxy Statement and form of WHITE Proxy will first be mailed to stockholders of record on or about [________], 2018.

THIS IS A VERY IMPORTANT ANNUAL MEETING OF STOCKHOLDERS OF THE FUND. Notwithstanding the continued strong performance of the Fund, and the Board s ongoing commitment to independent oversight, accountability and good corporate governance, the Fund expects that Bulldog Investors, LLC will solicit proxies on behalf of its affiliated persons, including Full Value Partners, L.P. (Full Value Partners and together with Bulldog Investors, LLC, Bulldog), for (i) the election of two of its own nominees as Directors of the Fund, and (ii) a non-binding proposal recommending that the Fund s Board of Directors authorize a self-tender offer for at least 50% of the outstanding common stock of the Fund (Proposal 4 in this Proxy Statement).

THE ELECTION OF BULLDOG S NOMINEES WHICH WOULD GIVE BULLDOG CONTROL OF THE FUND S BOARD AND APPROVAL OF PROPOSAL 4 COULD ADVERSELY AFFECT THE FUND S INVESTMENT OPERATIONS AND PERFORMANCE, AND COULD ULTIMATELY RESULT IN A LIQUIDATION OF THE FUND, TO THE DETRIMENT OF LONG-TERM STOCKHOLDERS.

A majority of the Fund s Board of Directors, including all of the Directors who are not interested persons (as defined in the Investment Company Act of 1940, as amended (the 1940 Act)) of the Fund (the Non-Interested Directors), believe that, based on their qualifications and experience, the Board s nominees Brian A. Berris and Jean E. Hoysradt are better qualified and will better serve the interests of all of the Fund s stockholders than either of Bulldog s nominees. In particular, you should be aware that:

Phillip Goldstein, one of Bulldog s Director nominees, is a co-founder and principal of Bulldog, which refers to and markets itself as an activist investor. By his own estimate provided several years ago, Mr. Goldstein s actions have been a factor in the termination of 10 funds. In addition, Mr. Goldstein exercises control over Full Value Partners, which on April 19, 2017 filed a lawsuit against the Fund and its then-current Directors of the Fund (*Full Value Partners, L.P. v. The Swiss Helvetia Fund, Inc., et al.*, C.A. No. 2017-0303-AGB). Please see [pages 23-24] for additional information.

Gerald Hellerman, Bulldog s other Director nominee, currently serves as a director and the chief compliance officer of the funds for which Mr. Goldstein serves as a director, and previously served with Mr. Goldstein on the boards of certain registered investment companies that have liquidated or are in the process of liquidating. Mr. Hellerman would not be an eligible Director nominee under the Board s age limitation set forth in the Fund s Governance and Nominating Committee Charter, which is attached as Exhibit A to the Proxy Statement. Pursuant to the Charter, no Director nominee of the Board regardless of whether the nominee was identified by the Fund s Board of Directors or a stockholder of the Fund who has attained the age of 75 (previously 80) at the time of nomination shall be eligible to be nominated and

recommended for election by the Fund s Board of Directors. This limitation applies only to Director nominees recommended by the Fund s Board of Directors, and the Board is not recommending Mr. Hellerman as a nominee for election at the Meeting; therefore, Mr. Hellerman is eligible to stand for election to the Board despite the fact that he was 80 years old at the time Bulldog submitted his nomination to the Fund.

The Non-Interested Directors, who constitute 80% of the Fund s Board of Directors, believe that Bulldog s proposals are not in the best interest of the Fund and all of its stockholders. A vote FOR the aforementioned proposals would serve to support the destabilizing and self-interested motives of Bulldog.

Please do not return any green or other proxy solicited by or on behalf of Bulldog Investors, LLC, Full Value Partners, L.P. or any of their affiliates. It could nullify your vote FOR the Board s nominees for Director (Proposal 1) and your votes AGAINST Bulldog s non-binding tender offer proposal (Proposal 4).

About the Fund

The Fund s investment adviser and sub-investment adviser are Schroder Investment Management North America Inc. (SIMNA) and Schroder Investment Management North America Ltd. (SIMNA Ltd. and together with SIMNA, Schroders), respectively. The executive offices of the Fund and SIMNA are located at 7 Bryant Park, New York, New York 10018. The executive offices of SIMNA Ltd. are located at 31 Gresham Street, London, EC2V 7QA, United Kingdom. The Fund s administrator is JPMorgan Chase Bank, N.A. (JPM), and its executive offices are located at One Beacon Street, Boston, Massachusetts 02108.

Voting Information

If the accompanying WHITE Proxy is executed properly and returned, the shares represented by it will be voted at the Meeting in accordance with the instructions on the WHITE Proxy. However, if no instructions are specified, the shares will be voted FOR the election of the Board s nominees for Director, FOR the ratification of the Fund s independent registered public accounting firm, AGAINST Proposal 3 and AGAINST Proposal 4. A Proxy may be revoked at any time before it is voted by written notice to the Secretary of the Fund revoking it, by submitting a properly executed Proxy bearing a later date, or by attending the Meeting and voting in person. Attending the Meeting will not automatically revoke a previously executed Proxy.

In an uncontested election, the Fund intends to treat properly executed Proxies that are marked abstain or withhold , as well as any broker non-votes , as present for purposes of determining the existence of a quorum for the transaction of business at the Meeting. A broker non-vote occurs when a broker submits a Proxy for the Meeting with respect to the election of Directors (Proposal 1) or the ratification of the Fund s independent registered public accounting firm (Proposal 2), but does not vote on any non-routine matters because the beneficial owner of the Fund s shares did not provide voting instructions on those matters. Under the rules of the New York Stock Exchange, Inc. (the NYSE rules), non-routine matters include Proposals 3 and 4 (non-binding stockholder proposals).

In the event Bulldog delivers a competing set of proxy materials to brokers, the NYSE rules governing brokers discretionary authority will not permit such brokers to exercise discretionary authority regarding any of the proposals to be voted on at the Meeting, whether routine or not. As a result, brokers that receive competing sets of proxy materials will not be entitled to vote on any matter at the Meeting for those shares held on behalf of beneficial owners that fail to provide instructions, and, therefore, such shares will not be treated as present for purposes of determining the existence of a quorum. This may make it more difficult for the Fund to convene the Meeting.

Brokers that do not receive competing sets of proxy materials from Bulldog will be able to exercise discretionary authority regarding routine matters that is, the election of Directors (Proposal 1) and the ratification of the Fund s independent registered public accounting firm (Proposal 2).

A quorum of stockholders is constituted by the presence in person or represented by Proxy of the holders of the Fund s outstanding shares of common stock entitled to cast a majority of the votes entitled to be cast at the Meeting. Whether or not a quorum is present at the Meeting, one or more adjournments of the Meeting may be proposed, including to permit further solicitation of Proxies. Any such adjournment will require the affirmative vote of the holders of a majority of the Fund s shares present in person or represented by Proxy and entitled to vote at the Meeting. If an adjournment is proposed, the persons named as Proxies will vote thereon according to their best judgment in the interest of the Fund.

If a stockholder owns shares of the Fund in violation of applicable law, including the 1940 Act, the Fund may determine that any vote attributable to such shares shall not be counted, or that such shares will not be counted for quorum purposes, or both. Under Section 12(d)(1) of the 1940 Act, the acquisition of more than 3% of the Fund s shares of common stock by another fund (whether registered, private or offshore) is unlawful. The Fund will invalidate votes cast on behalf of any such fund or by any other stockholder whose holdings are unlawful, that are otherwise properly cast, only after it has obtained a decision through appropriate proceedings in a court or other forum of competent jurisdiction that such votes are not valid. The Fund may suspend the final counting of votes pending such a decision.

The Board of Directors has fixed the close of business on April 24, 2018 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Meeting and at any adjournment thereof. On that date, the Fund had [25,313,872] shares of common stock outstanding and entitled to vote. Stockholders are entitled to one vote for each Fund share held and fractional votes for each fractional Fund share held. Stockholders are not entitled to any appraisal rights as the result of any Proposal.

The Fund will furnish, without charge, a copy of its Annual Report for its fiscal year ended December 31, 2017 and its most recent Quarterly Report to any stockholder upon request. Requests for these Reports should be made in writing to The Swiss Helvetia Fund, Inc., 7 Bryant Park, New York, New York 10018, or by calling the Fund s toll-free telephone number: 1-800-730-2932.

PROPOSAL 1: TO ELECT TWO CLASS III DIRECTORS

The Fund s Certificate of Incorporation provides that, until the election of Directors at the Fund s 2020 Annual Meeting of Stockholders (the 2020 Annual Meeting), the Board of Directors shall be divided into three classes of Directors (each class as nearly equal in number as possible), with the Directors in Class III having a term expiring at the Meeting, the Directors in Class I having a term expiring at the Fund s 2019 Annual Meeting of Stockholders (the 2019 Annual Meeting) and the Director in Class II having a term expiring at the 2020 Annual Meeting. As each class s term expires, the successors to the Directors in that class shall be elected to serve until the 2020 Annual Meeting or until their respective successors are duly elected and qualify. Accordingly, (i) at the Meeting, the Class III Directors shall be elected to serve for a two-year term and (ii) at the 2019 Annual Meeting, the Class I Directors shall be elected to serve for a one-year term. At the 2020 Annual Meeting, the transition to a declassified Board will be complete, as the Class II Director s term will expire and each Director will be subject to annual election to serve until the next annual meeting of stockholders or until his or her respective successor is duly elected and qualifies.

The number of Directors currently is five, composed of two Class I Directors, one Class II Director and two Class III Directors. Stockholders are being asked to elect two Class III Directors to serve for a two-year term.

Board Nominees

The Class III nominees, Brian A. Berris and Jean E. Hoysradt, are the only Board nominees to be considered for election as Class III Directors at the Meeting and, if elected, each will serve a two-year term of office until the 2020 Annual Meeting, or until his or her respective successor is duly elected and qualifies.

At a meeting held on March 20, 2018, each of the Board s Class III nominees was nominated by the Governance/Nominating Committee of the Board of Directors. On the same date, the Board of Directors of the Fund, including all of the Non-Interested Directors, proposed Mr. Berris and Ms. Hoysradt to serve as the Board s Class III nominees for election at this Meeting. The Fund s Interested Director abstained from voting on the Board s nominees. Mr. Berris and Ms. Hoysradt were last elected by stockholders as Class III Directors in 2015 and 2017, respectively, to serve until this Meeting.

Please see pages [7 and 9-10] of this Proxy Statement for additional information concerning the Board s Class III nominees.

Potential Competing Director Nominees

As noted earlier in the Proxy Statement, Bulldog intends to send you a proxy statement and solicit your vote with regard to its proposal to elect two of its own nominees as Directors of the Fund. **The election of Bulldog s nominees would give Bulldog control of the Fund s Board and would permit Bulldog to pursue its agenda which may include measures that could adversely affect the Fund s investment operations and performance, as well as the potential liquidation of the Fund, to the detriment of the Fund s long-term stockholders unchecked by the Fund s other Directors.**

Phillip Goldstein, one of Bulldog s Director nominees, is a co-founder and principal of Bulldog, which refers to and markets itself as an activist investor. By his own estimate provided several years ago, Mr. Goldstein s actions have been a factor in the termination of 10 funds. In addition, Mr. Goldstein, among other roles within the Bulldog organization, exercises control over Full Value Partners, the plaintiff in *Full Value Partners, L.P. v. The Swiss Helvetia Fund, Inc., et al.*, the putative stockholder class action discussed below under Other Matters.

Gerald Hellerman, Bulldog s other Director nominee, currently serves as a director and the chief compliance officer of the funds for which Mr. Goldstein serves as a director, and previously served with Mr. Goldstein on the boards of certain registered investment companies that have liquidated or are in the process of liquidating. Mr. Hellerman would not be an eligible Director nominee under the Board s age limitation set forth in the Fund s Governance and Nominating Committee Charter, which is attached as Exhibit A to the Proxy Statement.

Pursuant to the Charter, no Director nominee of the Board regardless of whether the nominee was identified by the Fund s Board of Directors or a stockholder of the Fund who has attained the age of 75 at the time of nomination shall be eligible to be nominated and recommended for election by the Fund s Board of Directors. This limitation applies only to Director nominees recommended by the Fund s Board of Directors, and the Board is not recommending Mr. Hellerman as a nominee for election at the Meeting; therefore, Mr. Hellerman is eligible to stand for election to the Board despite the fact that he was 80 years old at the time Bulldog submitted his nomination to the Fund. If elected to the Board, however, Mr. Hellerman would be ineligible for re-nomination after the conclusion of his term (unless the age limitation is subsequently removed or waived). Mr. Hellerman also would not have satisfied the age limitation under the previous iteration of the Fund s Governance and Nominating Committee Charter, a copy of which was attached as Exhibit A to the Fund s 2016 proxy statement, which set forth an age limitation of 80. The Governance and Nominating Committee Charter was amended by the unanimous vote of the Fund s current Board on December 4, 2017 and prior to any notice from Bulldog of its nominees.

The Non-Interested Directors who constitute 80% of the Fund s Board of Directors believe that, based on their qualifications and experience, Mr. Berris and Ms. Hoysradt will better serve the interests of all of the Fund s stockholders than either of Bulldog s nominees. Potential involvement by the Bulldog nominees will not, in the opinion of the Non-Interested Directors, in any way compare with the value that Mr. Berris, the Chairman of the Fund s Board, has contributed over the years to the Fund and its stockholders, or the value that both of the Board s nominees are expected to contribute in the future.

Required Vote and the Board s Recommendation

Unless authority is withheld, it is the intention of the persons named in the accompanying form of WHITE Proxy to vote each WHITE Proxy FOR the election of the Class III nominees of the Fund listed above. Each Board nominee has indicated he or she will serve, if elected, but if either such nominee should be unable to serve, Proxies will be voted for an alternate nominee, if any, designated by the Board of Directors. The Board of Directors has no reason to believe that either of the Board s Class III nominees will be unable to serve as a Director. Each of the Board s nominees currently is a member of the Board of Directors.

In accordance with Delaware law and the Fund s Certificate of Incorporation and By-Laws, Directors are elected by a plurality of the votes cast at the Meeting by the stockholders entitled to vote.

THE BOARD OF DIRECTORS OF THE FUND RECOMMENDS A VOTE FOR THE ELECTION OF THE BOARD S TWO NOMINEES AS CLASS III DIRECTORS.

PLEASE DO NOT RETURN ANY GREEN OR OTHER PROXY SOLICITED BY OR ON BEHALF OF BULLDOG INVESTORS, LLC, FULL VALUE PARTNERS, L.P. OR ANY OF THEIR AFFILIATES.

Certain Information Concerning Directors and Executive Officers

The following tables set forth certain information about each person nominated for election as a Director by the Board of Directors of the Fund, each person currently serving and continuing as a Director and each person who currently serves as an Executive Officer of the Fund. All of the information is as of December 31, 2017, unless otherwise noted. The information with respect to the Directors is separately stated for the Non-Interested Directors and the Director whom the Board has deemed to be an interested person of the Fund under the 1940 Act.

As of the record date, the Directors and their immediate family members did not own beneficially or of record any securities in Schroders or any affiliate thereof.

Class I Non-Interested Directors
(Terms Expiring in 2019)

Name, Address[1] & Age	Position(s) with Fund (Since)	Principal Occupation(s) During At Least The Past Five Years	Other Directorships Held By Director During At Least The Past Five Years	Shares and Dollar Range of Common Stock Beneficially Owned[2]
Joseph S. Calhoun, III Age: 62	Director (2016); Member (2016) and Chair (2017) of the Governance/ Nominating Committee; and Member of the Audit Committee (2016)	Chief Financial Officer and Treasurer, Brown University; Treasurer, Carnegie Mellon University from 2009 to 2017; Senior Vice President and Treasurer, The New York Life Insurance Company from 1992 to 2007	Director of the Schroder Mutual Funds (17 portfolios) from 2010 to 2017	550 $1-$10,000
Moritz A. Sell Age: 50	Director (2017); Member and Chair of the Audit Committee (2017); and Member of the Governance/ Nominating Committee (2017)	Principal, Edison Holdings GmbH; Senior Advisor, Markston International LLC; Director, Market Strategist and Head of Proprietary Trading (London Branch), Landesbank Berlin AG and Landesbank Berlin Holding AG (formerly, Bankgesellschaft Berlin AG) from 1996 to 2013	Director of Aberdeen Australia Equity Fund since 2004; Director of Aberdeen Greater China Fund since 2012; Director and Chairman of Aberdeen Singapore Fund since 2011	1,514 $10,001-$50,000

Class III Non-Interested Directors
(Nominees for Terms Expiring in 2020)

Name, Address[1] & Age	Position(s) with Fund (Since)	Principal Occupation(s) During At Least The Past Five Years	Other Directorships Held By Director During At Least The Past Five Years	Shares and Dollar Range of Common Stock Beneficially Owned[2]
Brian A. Berris Age: 73	Director (2012) and Chairman of the Board of Directors (2015); and Member of the Governance/ Nominating Committee (2012)	Partner, Brown Brothers Harriman & Co. since 1991; Member of the Audit Committee of Brown Brothers Harriman & Co. from 2010 to 2016; Member of the Pension Investment Committee of Brown Brothers Harriman & Co. from 2012 to 2016; Director and Member of the Audit Committee of Brown Brothers Harriman Trust Company (Cayman) Limited from 2007 to 2015	None	10,000 Over $100,000
Jean E. Hoysradt Age: 67	Director (2017); Member and Chair of the Pricing Committee (2017); and Member of the Governance/ Nominating Committee and the Audit Committee (2017)	Chief Investment Officer, Mousse Partners Limited from 2001 to 2015; Senior Vice President and Head of Investment and Treasury Departments, New York Life Insurance from 1991 to 2000	Director (since 2006) and Chair of the Audit Committee (since 2015) of Duke University Management Company (DUMAC); Director of W. P. Carey Inc. since 2014	3,100 $10,001-$50,000

Class II Interested Director
(Term Will Expire in 2020)

Name, Address[1] & Age	Position(s) with Fund (Since)	Principal Occupation(s) During At Least The Past Five Years	Other Directorships Held By Director During At Least The Past Five Years	Shares and Dollar Range of Common Stock Beneficially Owned[2]
Andrew Dakos[3] Age: 51	Director (2017)	Member, Bulldog Investors, LLC; Principal of the general partner of several private investment partnerships in the Bulldog Investors group of private funds; Principal of the managing general partner of Bulldog Investors General Partnership	President and Director of Special Opportunities Fund, Inc.; Trustee, Crossroads Liquidating Trust (formerly, Crossroads Capital, Inc.); Director, Brookfield DTLA Fund Office Trust Investor Inc.; Director, Emergent Capital, Inc. from 2012 to 2017; Director, The Mexico Equity and Income Fund, Inc. from 2001 to 2015; Director, Brantley Capital Corporation intermittently from 2005 to 2013	1,343,971 Over $100,000

Executive Officers[4]

Name, Address[1] & Age	Position(s) with Fund (Since)	Principal Occupation(s) During At Least The Past Five Years
Mark A. Hemenetz Age: 61	President and Principal Executive Officer (2014)	Chief Operating Officer Americas, SIMNA; Member of Board of Managers, Schroder Fund Advisors LLC (SFA); President and Principal Executive Officer of Schroder Series Trust, Schroder Global Series Trust and Schroder Capital Funds (Delaware) from 2004 to 2017
David J. Marshall Age: 46	Treasurer and Principal Financial Officer (2017); Assistant Treasurer (2014 to 2017)	Head of Fund Administration, SIMNA; Assistant Treasurer of Schroder Series Trust, Schroder Global Series Trust and Schroder Capital Funds (Delaware) from 2014 to 2017
Shanak Patnaik Age: 50	Chief Compliance Officer (2016)	Chief Compliance Officer, SFA; Senior Compliance Manager, SIMNA; Independent consultant from January 2012 to April 2012
Reid B. Adams Age: 40	Chief Legal Officer and Secretary (2017)	Associate General Counsel, SIMNA since 2013; formerly, Associate, Ropes & Gray LLP; Assistant Secretary of Schroder Series Trust, Schroder Global Series Trust and Schroder Capital Funds (Delaware) from 2014 to 2017
Carin F. Muhlbaum Age: 55	Vice President (2014)	General Counsel, SIMNA; Secretary and General Counsel, SFA; Vice President of Schroder Series Trust, Schroder Global Series Trust and Schroder Capital Funds (Delaware) from 1998 to 2017; formerly, Member of Board of Managers, SFA
William P. Sauer Age: 54	Vice President (2014)	Head of Investor Services, SIMNA; Member of Board of Managers, SFA; Vice President of Schroder Series Trust, Schroder Global Series Trust and Schroder Capital Funds (Delaware) from 2008 to 2017

1 The Address for each Director and Executive Officer, unless otherwise noted, is c/o Schroder Investment Management North America Inc., 7 Bryant Park, New York, New York 10018.

2 As of the record date, all Non-Interested Directors and all Executive Officers as a group (10 persons) beneficially owned 15,164 shares, which constitutes less than 1.00% of the outstanding shares of common stock of the Fund. Mr. Dakos, who is deemed an interested person (as defined in the 1940 Act) of the Fund as a result of his controlling relationship with Bulldog, which directly or indirectly owns, controls or holds with power to vote more than five percent of the Fund s outstanding shares of common stock, was deemed to have indirect beneficial ownership of 1,343,179 shares as of the record date, which constitutes approximately 5.31% of the outstanding shares of common stock of the Fund. As of the record date, Mr. Dakos directly beneficially owned an additional 792 shares. Share numbers in this Proxy Statement have been rounded to the nearest whole share.

3 Mr. Dakos address is c/o Bulldog Investors, LLC, 250 Pehle Avenue, Suite 708, Saddle Brook, New Jersey 07663.

4 Each Executive Officer serves on a year-to-year basis for an indefinite term, until his or her successor is elected and qualifies.

The Fund s Executive Officers are elected annually by the Board of Directors generally at its regular meeting in connection with the Annual Meeting of Stockholders.

Additional Information about the Fund s Board of Directors

Board s Oversight Role in Management. The Board s role in management of the Fund is oversight. The Board of Directors provides oversight with respect to the Fund s governance, operations, performance and stockholder relations. In that capacity the Board, directly and through permanent and ad hoc committees, provides oversight of the Fund s investment adviser, SIMNA, the Fund s sub-investment adviser, SIMNA Ltd., the Fund s independent registered public accounting firm, Tait, Weller & Baker, LLP (Tait Weller), the Fund s administrator and fund accountant, JPM, and Fund management.

As is the case with virtually all investment companies (as distinguished from operating companies), service providers to the Fund have the primary responsibility for the day-to-day management of the Fund, which includes responsibility for risk management (including management of investment performance and investment risk, valuation risk, issuer and counterparty credit risk, compliance risk and operational risk). As part of its oversight, the Board, acting at its scheduled meetings, or the Chairman, acting between Board meetings, regularly interacts with and receives reports from senior personnel of service providers, including SIMNA s Chief Operating Officer, the Fund s and SIMNA s Chief Compliance Officer and portfolio management personnel. The Board s Audit Committee meets during its scheduled meetings, and, between meetings, the

Audit Committee chair maintains contact, with the Fund s independent registered public accounting firm and the Fund s Principal Financial Officer. The Board also receives periodic presentations from senior personnel of Schroders or their affiliates regarding risk management

generally, as well as periodic presentations regarding specific operational, compliance or investment areas. The Board has adopted policies and procedures designed to address certain risks to the Fund. In addition, Schroders and other service providers to the Fund have adopted a variety of policies, procedures and controls designed to address particular risks to the Fund. Different processes, procedures and controls are employed with respect to different types of risks. However, it is not possible to eliminate all of the risks applicable to the Fund. The Board also receives reports from the Fund s Chief Compliance Officer, counsel to the Fund and independent legal counsel to the Non-Interested Directors regarding regulatory compliance and governance matters. The Board s oversight role does not make the Board a guarantor of the Fund s investments or activities.

Board Composition and Leadership Structure. The 1940 Act requires that at least 40% of a fund s board members not be interested persons (as defined in the 1940 Act) of the fund and as such are not affiliated with the fund s investment adviser (Independent Board members). To rely on certain exemptive rules under the 1940 Act, a majority of a fund s board members must be Independent Board members, and for certain important matters, such as the approval of investment advisory agreements or transactions with affiliates, the 1940 Act or the rules thereunder require the approval of a majority of the Independent Board members. Currently, more than 75% of the Board of Directors, including the Chairman of the Board and the chair of each of the Board s permanent committees, is comprised of Non-Interested Directors. The Board has determined that its leadership structure is appropriate in light of the services that Schroders provide to the Fund and potential conflicts of interest that could arise from that relationship.

Information about Each Director s Experience, Qualifications, Attributes or Skills. The Board of Directors believes that the significance of each Director s experience, qualifications, attributes or skills is an individual matter (meaning that experience that is important for one Director may not have the same value for another) and that these factors are best evaluated at the Board level, with no single Director, or particular factor, being indicative of Board effectiveness. However, the Board believes that Directors need to have the ability to critically review, evaluate, question and discuss information provided to them, and to interact effectively with Fund management, service providers and counsel, in order to exercise effective business judgment in the performance of their duties; the Board believes that the Directors satisfy this standard. Experience relevant to having this ability may be achieved through a Director s educational background; business, professional training or practice (*e.g.*, medicine, accounting or law), public service or academic positions; experience from service as a board member (including the Board of the Fund) or as an executive of investment funds, public companies or significant private or not-for-profit entities or other organizations; and/or other life experiences. The Board s Governance and Nominating Committee Charter contains certain other factors considered by the Committee in identifying and evaluating potential Director nominees.

To assist them in evaluating matters under federal and state law, the Non-Interested Directors are counseled by their own independent legal counsel, who participates in Board meetings and interacts with Schroders, and also may benefit from information provided by counsel to the Fund; both counsel to the Non-Interested Directors and counsel to the Fund have significant experience advising funds and fund board members. The Board and its committees have the ability to engage other experts as appropriate. The Board evaluates its performance on an annual basis.

Information about each Director follows (supplementing the information provided in the table above), including some of the specific experiences, qualifications, attributes or skills that each Director possesses which the Board believes has prepared them to be effective Directors. Each Director satisfies the Fund s Director qualification requirements set forth in Article II, Section 2 of the Fund s Amended and Restated By-Laws and in the Governance and Nominating Committee Charter, which is attached as Exhibit A to the Proxy Statement.

Brian A. Berris Mr. Berris, the Chairman of the Board of the Fund, has an extensive business and investment management background. He joined Brown Brothers Harriman & Co. (BBH) in 1973 and has been a Partner at BBH since 1991. Mr. Berris served as Head of BBH s U.S. Wealth Management activities for taxable investors from 1991 to 1998. From 1998 to 2010, he served as Head of BBH s Global Investment Management business for institutional and private investors. During this period, Mr. Berris served on several firm-wide committees, including the Finance Committee and the Steering Committee.

Joseph S. Calhoun, III Mr. Calhoun currently serves as Chief Financial Officer and Treasurer of Brown University, where he is responsible for controllers, treasury, budget and planning, tax, academic financial affairs and strategic sourcing. From 2009 to 2017, Mr. Calhoun served as Carnegie Mellon University s Treasurer, where he was responsible for cash and liquidity management, short-term investment, borrowing and investment support for the University s retirement plans. He served as a board member of the Schroder family of mutual funds advised by SIMNA from 2010 to 2017. Previously, Mr. Calhoun served for nearly 20 years in senior executive capacities for New York Life Insurance Company and New York Life International, which have substantial global asset management platforms, including as President and CEO of New York Life Capital Corporation and Senior Vice President and Treasurer of New York Life Insurance Company and New York Life International. Mr. Calhoun also serves as the Chair of the Fund s Governance and Nominating Committee.

Andrew Dakos Mr. Dakos has over 15 years of investment management experience. He is currently a principal of Bulldog Holdings, LLC, which owns several entities serving as general partner of six private investment partnerships, and is a member of Bulldog, which serves as the investment adviser of such private investment partnerships. Mr. Dakos currently serves as president and a director of Special Opportunities Fund, Inc., as a trustee of Crossroads Liquidating Trust (formerly, Crossroads Capital, Inc.) and as a director of Brookfield DTLA Fund Office Trust Investor Inc. Mr. Dakos previously served as a director of The Mexico Equity and Income Fund, Inc., Emergent Capital, Inc. and Brantley Capital Corporation.

Jean E. Hoysradt Ms. Hoysradt served as Chief Investment Officer of Mousse Partners Limited, a leading private investment office based in New York, from April 2001 to December 2015. She served as Senior Vice President and Head of the Investment and Treasury Departments at New York Life Insurance Company from 1991 to 2000, and previously held positions in investment banking and investment management at Manufacturers Hanover Trust Company, The First Boston Corporation and The Equitable Life Assurance Society of the U.S. Ms. Hoysradt is a member of the board of directors of W. P. Carey Inc., and served as vice chairman of the board s investment committee from June 2015 to January 2017. Ms. Hoysradt also is a member of Duke University Management Company s board of directors, and is chair of its audit committee. Ms. Hoysradt also serves as the Chair of the Fund s Pricing Committee.

Moritz A. Sell Mr. Sell currently serves as Principal of Edison Holdings GMBH, a commercial real estate and venture capital firm, and as Senior Advisor to Markston International LLC, an independent investment manager. From 1996 to 2013, he served as a Director, Market Strategist and Head of Property Trading (London Branch) of Landesbank Berlin AG and its predecessor, Landesbank Berlin Holding AG (formerly named Bankgesellschaft Berlin AG). Mr. Sell currently serves as chairman of the board of directors of Aberdeen Singapore Fund, and as a director of Aberdeen Greater China Fund and Aberdeen Australia Equity Fund. Mr. Sell also serves as the Chair of the Fund s Audit Committee.

Board Committees, Meetings and Compensation

The Board has three standing Committees: the Audit Committee, the Governance and Nominating Committee and the Pricing Committee. Each Committee is composed entirely of Non-Interested Directors. Where deemed appropriate, the Board may constitute ad hoc committees.

Audit Committee. The current members of the Audit Committee of the Board of Directors are Ms. Hoysradt and Messrs. Calhoun and Sell. Mr. Sell serves as Chair of the Audit Committee. Each member of the Committee is independent under the listing standards of the New York Stock Exchange (NYSE).

Pursuant to the Audit Committee Charter adopted by the Fund s Board of Directors, the function of the Audit Committee is to assist Board oversight of (i) the integrity of the Fund s financial statements; (ii) the Fund s compliance with legal and regulatory requirements; and (iii) the independent registered public accounting firm s qualifications, independence and performance. The Audit Committee has direct responsibility to appoint, retain, determine the compensation of, evaluate and terminate the Fund s independent registered public accounting firm, including sole authority to approve all audit engagement fees and terms and, in connection therewith, to review and

evaluate matters potentially affecting the independence and capabilities of the independent registered public accounting firm. The Audit Committee also oversees the accounting and financial reporting processes of the Fund and the audits of the Fund s financial statements as well as the administration of the Fund. The Audit Committee held five meetings during the year ended December 31, 2017. The Fund s Audit Committee Charter is available on the Fund s website at www.swzfund.com.

Governance and Nominating Committee. The Board of Directors has a Governance and Nominating Committee whose current members are all of the Non-Interested Directors, namely, Ms. Hoysradt and Messrs. Berris, Calhoun and Sell. Mr. Calhoun serves as Chair of the Governance and Nominating Committee. Each member of the Committee is independent under the listing standards of the NYSE.

Among other responsibilities, the Governance and Nominating Committee selects and nominates persons for election or appointment by the Board as Directors of the Fund and oversees the annual assessment of the effectiveness of the Board and such other matters of Fund governance as may be delegated to it by the Board or determined by the Governance and Nominating Committee to be appropriate. In evaluating potential nominees, including any nominees recommended by stockholders, the Committee takes into consideration the factors listed in the Governance and Nominating Committee Charter, including character and integrity, experience in business, investment, economic, governmental, political or regulatory matters, and whether the Committee believes the person has the ability to apply sound and independent business judgment and would act in the interest of the Fund and its stockholders. In evaluating potential nominees, the Committee also may consider whether a potential nominee s professional experience, education, skills and other individual qualities and attributes, including gender, race or national origin, would provide beneficial diversity of skills, experience or perspective to the Board s membership and collective attributes. Such considerations will vary based on the Board s existing membership and other factors, such as the strength of a potential nominee s overall qualifications relative to diversity considerations.

The Governance and Nominating Committee will consider nominees recommended by a stockholder if such recommendation is in writing and received by the Fund by the deadline specified below under Stockholder Proposals and otherwise complies with the requirements for such proposals contained in the Governance and Nominating Committee Charter and the Fund s By-Laws. Any such recommendations should be submitted to the Fund s Secretary, The Swiss Helvetia Fund, Inc., 7 Bryant Park, 17th Floor, New York, New York 10018. The Governance and Nominating Committee held three meetings during the year ended December 31, 2017. The Fund does not provide a copy of the Governance and Nominating Committee Charter on its website, but the Fund s current Governance and Nominating Committee Charter is attached as Exhibit A to the Proxy Statement.

Pricing Committee. The Board of Directors has a Pricing Committee whose sole member is Ms. Hoysradt, who serves as Chair of the Pricing Committee. The Pricing Committee oversees the fair valuation of the Fund s portfolio securities for which market prices or quotations are not readily available or are deemed to be unreliable. The Pricing Committee held one meeting during the year ended December 31, 2017.

In November 2016, the Board of Directors reconstituted the Ad Hoc Strategic Planning Committee of the Board to assist the Board in considering certain actions that the Fund could take to enhance stockholder value and address the discount at which the Fund s shares of common stock have traded, and in engaging and communicating with its stockholders. The current members of the Ad Hoc Strategic Planning Committee are Messrs. Berris, Calhoun and Sell.

In April 2017, the Board of Directors established the Ad Hoc Litigation Committee to assist the Board with its responsibilities in connection with *Full Value Partners, L.P. v. The Swiss Helvetia Fund, Inc., et al.*, C.A. No. 2017- 0303-AGB, a putative class action lawsuit filed in April 2017 against the Fund and its then-current Directors, as described below. Please see [pages 23-24] for additional information. The Ad Hoc Litigation Committee is composed of Mr. Berris and at least one other Non-Interested Director.

During the year ended December 31, 2017, the Board of Directors met eight times. Each of Messrs. Berris and Calhoun attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by all Committees of the Board on which he served. Ms. Hoysradt and Messrs. Dakos and Sell were elected by stockholders to the Board of Directors at the 2017 Annual Meeting of Stockholders (the 2017 Annual Meeting), and, with respect to the Board and Committee meetings held since each such Director was duly qualified, have satisfied the foregoing threshold. The Fund has no formal written policy regarding Directors attendance at annual meetings of stockholders. All of the Fund s then-current Directors attended the 2017 Annual Meeting.

During the year ended December 31, 2017, the Fund paid each Non-Interested Director an annual retainer of $42,088, except for the Chairman of the Board to whom the Fund paid $56,158 and for the Chairs of the three standing Committees to each of whom the Fund paid $48,150. In addition, the Fund paid each Non-Interested Director $1,300 for each Board meeting attended, and paid each Non-Interested Director who is a member of a Committee a fee of $750 for each Committee meeting attended. Committee meeting fees are paid for only stand-alone meetings not held as part of another meeting, for example when certain items of Committee business may be addressed as part of the quarterly general Board meetings. Each Non-Interested Director may be compensated for incremental work over and above attending a meeting, including work performed as a member of an ad hoc committee, based upon the value added to the Fund. Finally, the Fund reimburses the Directors for certain out-of-pocket expenses, such as travel expenses, in connection with Board meetings. In accordance with the Fund s By-Laws, Mr. Dakos does not receive any compensation from the Fund for his services as Director, as he is deemed an interested person (as defined in the 1940 Act) of the Fund as a result of his controlling relationship with Bulldog.

During the year ended December 31, 2017, the Non-Interested Directors received from the Fund individual remuneration (exclusive of reimbursed expenses), as follows:

Name of Person and Position	**Aggregate Compensation From the Fund***
Brian A. Berris, Chairman of the Board**	$ 82,133
Joseph S. Calhoun III, Chair of the Governance and Nominating Committee**	$ 62,519
Jean E. Hoysradt, Chair of the Pricing Committee***	$ 33,775
Moritz A. Sell, Chair of the Audit Committee***	$ 33,025
TOTAL REMUNERATION:	$ 211,452

* The Fund is not part of a fund complex or group, and, accordingly, the Directors do not serve on the board of any other registered investment company in a complex or group with the Fund. The Fund pays all of the Non-Interested Directors remuneration. Retirement and/or pension benefits are not offered as part of the compensation for Directors.

** Certain Directors received additional compensation for work in connection with their service on the Ad Hoc Strategic Planning Committee of the Board. This additional compensation is included in the amounts presented in this table. The Board does not expect such level of remuneration to be a recurring expense of the Fund.

*** Ms. Hoysradt and Mr. Sell were elected by stockholders to the Board of Directors at the 2017 Annual Meeting.

During the year ended December 31, 2017, the Fund also paid $171,240 to former Non-Interested Directors who retired from service or whose terms concluded during the year. No Executive Officer of the Fund received any compensation from the Fund for the most recently completed fiscal year. Accordingly, no other persons have been included in the preceding compensation table.

Effective January 1, 2018, the Fund pays each Non-Interested Director an annual retainer of $42,000, except for the Chairman of the Board to whom the Fund pays $56,000 and for the Chairs of the three standing Committees to each of whom the Fund pays $48,000. In addition, the Fund pays each Non-Interested Director $2,000 for each in-person Board meeting attended, and $750 for each telephonic Board meeting attended. The Fund also pays each Non-Interested Director who is a member of a Committee a fee of $750 for each Committee meeting attended.

Section 16(a) Beneficial Ownership Reporting Compliance

Under the securities laws of the United States, the Fund s Directors, its Executive (and certain other) Officers, Schroders and certain affiliated persons of Schroders and any persons beneficially owning more than ten percent of the Fund s common stock are required to report their ownership of the Fund s common stock and any changes in that ownership to the Fund, the Securities and Exchange Commission (the Commission) and the NYSE. Specific due dates for these forms have been established, and the Fund is required to report in this Proxy Statement any failure to file by these dates during 2017. Based solely upon a review of copies of such forms and written representations from certain of such persons, all of these requirements appear to have been satisfied by such persons during the year ended December 31, 2017, except that a Form 4 to report Ms. Hoysradt s acquisition of shares of the Fund s common stock on October 13, 2017 was not filed due to administrative oversight. A Form 5 was timely filed on February 6, 2018 to report this acquisition.

Security Ownership of Certain Beneficial Owners

As of the record date, no stockholder, to the knowledge of the Fund, based on Schedule 13G and 13D filings with the Commission, beneficially owned more than five percent of the Fund s outstanding shares of common stock, except as listed below:

Name of Person	Number of Shares Beneficially Owned	Percent of Shares Beneficially Owned
Wells Fargo & Company[1]	5,219,617	20.62%
1607 Capital Partners, LLC[2]	2,812,496	11.11%
Lazard Asset Management LLC[3]	2,274,574	8.99%
Bulldog Investors, LLC[4]	2,131,302	8.42%

1 Wells Fargo & Company, 420 Montgomery Street, San Francisco, California 94163, on behalf of certain of its subsidiaries and the advisory clients thereof, filed on February 12, 2018 a beneficial ownership report on Schedule 13G/A with the Commission reporting beneficial ownership as of January 31, 2018.

2 1607 Capital Partners, LLC, 13 S. 13th Street, Suite 400, Richmond, Virginia 23219, on behalf of its advisory clients, filed on February 14, 2018 a beneficial ownership report on Schedule 13G/A with the Commission reporting beneficial ownership as of December 31, 2017.

3 Lazard Asset Management LLC, 30 Rockefeller Plaza, New York, New York 10112, on behalf of its advisory clients, filed on February 8, 2018 a beneficial ownership report on Schedule 13G/A with the Commission reporting beneficial ownership as of December 31, 2017.

4 Bulldog Investors, LLC, Phillip Goldstein, Andrew Dakos and Steven Samuels, Park 80 West-Plaza Two, 250 Pehle Avenue, Suite 708, Saddle Brook, New Jersey 07663, on behalf of their advisory clients, filed on March 6, 2018, a beneficial ownership report on Schedule 13D/A with the Commission reporting beneficial ownership as of March 5, 2018.

PROPOSAL 2: SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

At a meeting held on March 19, 2018, the Audit Committee of the Fund s Board of Directors recommended, and the Board of Directors unanimously approved and ratified, Tait, Weller & Baker, LLP to act as the independent registered public accounting firm for the Fund for the year ending December 31, 2018. Based principally on representations from Tait Weller, the Fund knows of no direct financial or material indirect financial interest of Tait Weller in the Fund. Tait Weller has served as the independent registered public accounting firm for the Fund since December 23, 2016. No representative of Tait Weller is expected to be present at the Meeting, but will be available by telephone and will have an opportunity to make a statement (if the representative so desires) and to respond to appropriate questions.

Neither the Fund s Certificate of Incorporation or its By-Laws requires that the stockholders ratify the appointment of Tait Weller as the Fund s independent registered public accounting firm, but the Fund is doing so as a matter of good corporate practice. If the stockholders do not ratify the appointment, the Audit Committee and the Fund s Board of Directors will reconsider whether or not to continue to retain Tait Weller, but may decide to do so. Even if the appointment is ratified, the Audit Committee and the Board of Directors in their discretion may change the appointment at any time during the year if they determine that such change would be in the best interest of the Fund and its stockholders.

Certain Information Concerning Tait, Weller & Baker, LLP

(a) *Audit Fees.* The aggregate fees billed for each of the last two fiscal years (the Reporting Periods) for professional services rendered by Tait Weller for the audit of the Fund s annual financial statements, or services that are normally provided by Tait Weller in connection with the statutory and regulatory filings or engagements for the Reporting Periods, were $50,000 in each of 2016 and 2017.

(b) *Audit-Related Fees.* There were no fees billed in the Reporting Periods for assurance and related services rendered by Tait Weller that are reasonably related to the performance of the audit of the Fund s financial statements and are not reported under paragraph (a) above.

In addition, there were no fees billed by Tait Weller in the Reporting Periods for assurance and related services rendered by Tait Weller to Schroders or any entity controlling, controlled by or under common control with Schroders that provides ongoing services to the Fund (Service Affiliates) which were required to be pre-approved by the Audit Committee as described below.

(c) *Tax Fees.* The aggregate fees billed in the Reporting Periods for professional services rendered by Tait Weller for tax compliance, tax advice and tax planning (Tax Services) were $5,500 in each of 2016 and 2017. These Tax Services consisted of review or preparation of U.S. federal, state, local and excise tax returns.

(d) *All Other Fees.* Tait Weller did not provide any additional products or services to the Fund in the Reporting Periods, other than the services reported in paragraphs (a) through (c) above.

Audit Committee Pre-Approval Policies. The Audit Committee pre-approves Tait Weller s engagements for audit and non-audit services to the Fund, and non-audit services to Schroders and Service Affiliates on a case-by-case basis as required. Pre-approval considerations include whether the proposed services are compatible with maintaining Tait Weller s independence.

Non-Audit Fees. The aggregate non-audit fees billed in the Reporting Periods by Tait Weller for services rendered to the Fund were $5,500 in each of 2016 and 2017. These aggregate non-audit fees include the Tax Services described above. There were no fees billed by Tait Weller in the Reporting Periods for non-audit services rendered by Tait Weller to Schroders or Service Affiliates.

Auditor Independence. The Audit Committee considers whether the provision of any non-audit services rendered to Schroders or Service Affiliates which were not pre-approved (not requiring pre-approval) is compatible with maintaining Tait Weller s independence.

Required Vote and the Board s Recommendation

The selection of the Fund s independent registered public accounting firm will be ratified if approved by a majority of shares present in person or represented by Proxy at the Meeting and entitled to vote thereon.

THE BOARD OF DIRECTORS OF THE FUND RECOMMENDS A VOTE

FOR PROPOSAL 2 TO RATIFY THE SELECTION OF TAIT, WELLER & BAKER, LLP

AS THE FUND S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

FOR THE YEAR ENDING DECEMBER 31, 2018.

REPORT OF AUDIT COMMITTEE

The Audit Committee has exclusive oversight of the Fund s financial reporting process. The Committee operates pursuant to a Charter which has been approved by the Board, a copy of which is available on the Fund s website at www.swzfund.com. As set forth in the Charter, management of the Fund is responsible for the (i) preparation, presentation and integrity of the Fund s financial statements, (ii) maintenance of appropriate accounting and financial reporting principles and policies and (iii) maintenance of internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The Fund s independent registered public accounting firm, Tait Weller, is responsible for auditing the Fund s financial statements and expressing an opinion as to their conformity with generally accepted accounting principles.

In the performance of its oversight function, the Committee considered and discussed the December 31, 2017 audited financial statements with management and with Tait Weller. The Committee also discussed with Tait Weller the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 16, *Communications With Audit Committees*, as currently in effect. Finally, the Committee reviewed the written disclosures and the letter from Tait Weller required by Public Company Accounting Oversight Board Rule 3526, *Communication with Audit Committees Concerning Independence*, as currently in effect, and discussed with Tait Weller the auditors independence.

Stockholders are reminded, however, that the members of the Audit Committee are not professionally engaged in the practice of auditing or accounting. Members of the Committee rely without independent verification on the information provided to them and on the representations made by management and Tait Weller. Accordingly, the Audit Committee s oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee s considerations and discussions referred to above do not assure that the audit of the Fund s 2017 financial statements has been carried out in accordance with generally accepted auditing standards or that the financial statements are presented in accordance with generally accepted accounting principles, nor do they assure Tait Weller s independence. Based upon the reports and discussions described in this report, and subject to the limitations on the role and responsibilities of the Committee referred to above and in the Charter, the Committee determined that the Fund s audited financial statements be included in the Fund s Annual Report to Stockholders for the year ended December 31, 2017, and filed with the Commission.

Moritz A. Sell, Audit Committee Chair

Joseph S. Calhoun, III

Jean E. Hoysradt

Dated: February 21, 2018

PROPOSAL 3: STOCKHOLDER PROPOSAL RECOMMENDING

THAT THE FUND S BOARD OF DIRECTORS REDUCE THE OWNERSHIP THRESHOLD

REQUIRED FOR STOCKHOLDERS TO CALL A SPECIAL MEETING OF STOCKHOLDERS

What is this Proposal?

Mr. Kenneth Steiner, a stockholder of the Fund (the Proponent), is the proponent of the following non-binding proposal. The Proponent s address and the number of shares he owns in the Fund will be furnished by the Fund s Secretary upon request. Mr. Steiner s proposal and his accompanying supporting statement submitted to the Fund read as follows:

Proposal 3 Special Shareholder Meeting Improvement

Resolved, Shareowners ask our board to take the steps necessary (unilaterally if possible) to amend our bylaws and each appropriate governing document to give holders in the aggregate of 10% of our outstanding common stock the power to call a special shareowner meeting (or the closest percentage to 10% according to state law). This proposal does not impact our board s current power to call a special meeting.

Special meetings allow shareowners to vote on important matters, such as electing new directors that can arise between annual meetings. This proposal topic won more than 70%-support at Edwards Lifesciences and SunEdison in 2013.

Please vote to increase management accountability to shareholders:

Special Shareholder Meeting Improvement Proposal 3

Statement of Opposition

The Fund s Board of Directors carefully considered the Proponent s proposal and concluded that the proposal is not in the best interest of the Fund and its stockholders. The Board unanimously recommends you vote AGAINST Proposal 3, and this Statement of Opposition details the reasons therefor.

The Fund s By-Laws Are Favorable to Stockholders. The Fund is organized as a corporation under the laws of the State of Delaware. As such, the rights of the Fund s stockholders are governed by the Delaware General Corporation Law (the DGCL). The DGCL does not provide a corporation s stockholders with an absolute right to call special meetings; rather, Section 211(d) of the DGCL provides only that special meetings may be called by the corporation s board of directors, or by such person(s) as may be authorized by the corporation s Certificate of Incorporation or its By-Laws.

An overwhelming majority over 66% of public Delaware corporations do not permit stockholders to call special meetings (*FactSet Research Systems Inc*., http://www.sharkrepellent.net). In the context of more recent governance practices, 80% of Delaware corporations that have gone public since 2015 do not permit stockholders to call special meetings; and, of the corporations that do permit stockholders to call special meetings, more than 60% set the ownership threshold at 50% or greater of the corporation s outstanding shares (*FactSet Research Systems Inc*.). Contrary to the majority of Delaware corporations, the Fund has always permitted stockholders to call a special meeting. Pursuant to Article I, Section 2 of the Fund s By-Laws, stockholders may call a special meeting of stockholders upon the request of at least 25% of the Fund s outstanding voting securities.

The Fund not only provides its stockholders with a right that they are not entitled to as a matter of Delaware law a right that most other public Delaware corporations do not provide but the Fund s special meeting By-Law is not qualified by any burdensome restrictions or exclusionary or prohibitive language (*e.g.*, mandating that meetings cannot be called within certain timeframes or to consider certain business, or requiring that requesting stockholders pay the costs of preparing and mailing the notice of special meeting). In addition to the right to call special meetings, the Fund s stockholders have the right under the Fund s By-Laws to act by written consent.

Pursuant to Article I, Section 9 of the Fund s By-Laws, any action which may, or is required by law to, be taken at any annual or special meeting of stockholders may, instead, be taken without a meeting, without prior notice and without a vote if a written consent is signed by stockholders having not less than the minimum number of votes that would otherwise have been necessary to authorize or take such action at a meeting. Fund stockholders, therefore, have the right to take action without a meeting of stockholders. Based on this information, the Board concluded that the Fund s special meeting By-Law appears to be more favorable to stockholders than what is granted to stockholders of a significant percentage of other public Delaware corporations, including under current governance practices.

While the Fund is organized under Delaware law, many closed-end investment companies operate as Maryland corporations, including the other closed-end funds in the Miscellaneous Region Morningstar category (to which the Fund belongs). As a result, the Board also looked at the Fund s peer group to evaluate the appropriateness of the current By-Law provision.

Of the 11 other closed-end funds in the Miscellaneous Region Morningstar category, only one fund permits special meetings to be called at the request of stockholders holding, in the aggregate, less than 50% of the fund s outstanding shares. Similar to the Fund, that fund permits special meetings to be held if requested by 25% of its outstanding shares. The other 10 funds permit special meetings to be held only if requested by either 50% or a majority of outstanding shares. The Board, based on this information, concluded the Fund s By-Law provision generally was more permissive than those of the Fund s peers.

Operating Companies Comparisons are Inapposite. General arguments in support of reducing the ownership threshold required for stockholders of operating companies, such as those cited by the Proponent, to call a special meeting of stockholders do not readily translate into supporting the matter as applied to an investment company, such as the Fund. As a general matter, due to the substantial number of outstanding shares of stock of an operating company, proposals seeking to reduce an operating company s special meeting ownership threshold may be a useful tool for stockholders who otherwise would face a significant obstacle in calling a special meeting. Such an impediment does not exist for stockholders of the Fund. The Fund, unlike many publicly-traded operating companies, has a relatively concentrated stockholder base. Nearly 50% of the Fund s outstanding voting securities are held by four record stockholders, with one stockholder holding, with the power to vote, over 20% of the Fund s shares.

The Board believes that special meetings should be extraordinary events that occur only when certain matters cannot wait until the next annual meeting to be addressed, and should be held only if a significant minority of stockholders are in agreement that a special meeting is appropriate. The Board believes that the current 25% ownership threshold strikes the appropriate balance between the right of stockholders to call a special meeting in appropriate circumstances a right the Board views as a governance best practice and the financial and administrative burdens that frequent special meetings could impose on the Fund. Additionally, the Board believes that the Fund s special meeting By-Law provision appropriately limits the ability of a small minority of stockholders, or even a single stockholder, to utilize the mechanism of special meetings to advance their own interests, which may not be shared more broadly by the Fund s stockholders and which may be to the detriment of the interests of other stockholders.

Cost to the Fund and Stockholders. Special stockholder meetings can be expensive and time-consuming in light of the significant legal and other costs associated with preparing, printing, mailing and filing proxy and other solicitation materials, and the time commitment required of Schroders and the Fund s Directors and Executive Officers to prepare for and conduct the meeting. As the Fund s By-Laws do not require the stockholder(s) calling a special meeting to bear the substantial costs of calling and holding such meeting, those costs would be borne by the Fund and, indirectly, by all stockholders.

Since January 2017, the Proponent and certain other frequent sponsors of stockholder proposals have submitted more than 20 substantially identical special meeting proposals to various operating companies. To the Fund s knowledge, however, they have not submitted such proposals to any other closed-end investment companies, such as the Fund. Additionally, of those proposals, only four received sufficient support from stockholders and, notably, in three of the four instances, stockholders did not have the pre-existing right under the respective company s governing documents to call special meetings.

THE BOARD OF DIRECTORS OF THE FUND

RECOMMENDS YOU VOTE AGAINST PROPOSAL 3.

What is the Required Vote and What Would Happen if Proposal 3 is Approved?

If a quorum of the Fund s shares necessary for the transaction of business at the Meeting is present, Proposal 3 will be treated as approved if a majority of shares present in person or represented by Proxy at the Meeting and entitled to vote thereon vote FOR the Proposal. Proposal 3 is not a stockholder vote to approve reducing the ownership threshold required for stockholders to call a special meeting of stockholders, but rather it proposes that the Fund s stockholders ask the Board to take action to effect such a reduction. ***If Proposal 3 passes at the Meeting, the Directors would continue to exercise their fiduciary duty to act in the interest of the Fund s stockholders in investigating further the details and potential benefits and detriments of reducing the ownership threshold required for stockholders to call a special meeting of stockholders, but would not be obligated to amend the Fund s By-Laws or take any other action to effect such a reduction.*** In addition, even if the Board were to conclude that reducing the ownership threshold required for stockholders to call a special meeting was in the best interest of the Fund and its stockholders, it may effect the reduction with terms that are different from those contained in the Proponent s proposal.

PROPOSAL 4: STOCKHOLDER PROPOSAL RECOMMENDING

THAT THE FUND S BOARD OF DIRECTORS AUTHORIZE A SELF-TENDER OFFER

FOR AT LEAST 50% OF THE OUTSTANDING COMMON STOCK OF THE FUND

What is this Proposal?

Full Value Partners (the Proponent) is the proponent of the following non-binding proposal. The Proponent s address and the number of shares owned in the Fund will be furnished by the Fund s Secretary upon request. The Proponent s proposal and accompanying supporting statement submitted to the Fund read as follows:

The shareholders of The Swiss Helvetia Fund (the Fund) request that the Board of Directors authorize a self-tender offer for at least 50% of the outstanding common shares of the Fund at or close to net asset value (NAV).

SUPPORTING STATEMENT OF PROPONENT

We support this proposal and believe it is in the best interest of stockholders because a significant self-tender offer at or close to NAV will afford them an opportunity to realize a price equal or close to NAV rather than selling at a discount to NAV.

Statement of Opposition

The Fund s Board of Directors carefully considered the Proponent s proposal, and a majority of the Board, including all of the Non-Interested Directors, concluded that the proposal is not in the best interest of the Fund and its long-term stockholders. The Board recommends you vote AGAINST Proposal 4, and this Statement of Opposition details the reasons therefor. The Fund s Interested Director voted against this recommendation.

The Board does not believe the tender offer advocated by the Proponent is in the best interests of the Fund or its stockholders. It is inconsistent with the Board s ongoing efforts to enhance stockholder value and provide periodic liquidity without creating a meaningful adverse effect on the Fund s performance, portfolio management or expense ratio. While the relatively modest periodic tender offers undertaken by the Fund over the last seven years were, in part, intended to return to stockholders the increased value of the Fund s assets, the very substantial tender offer advocated by the Proponent would, among other things, result in a major reduction in the Fund s assets. As many of the Fund s costs are fixed, those costs would be spread out over a smaller asset base, resulting in a material increase in the Fund s expense ratio. In addition, the Fund s portfolio management team would have at its disposal far fewer assets for future investment, making it more difficult to continue to achieve the Fund s investment goals.

Furthermore, the Proponent s proposal requests that the Board authorize a tender offer for at least 50% of the Fund s shares. As the Fund does not maintain a significant cash position, carrying out such a tender offer likely would require the Fund to liquidate a significant portion of its portfolio in order to raise cash to pay tendering stockholders, as well as to distribute capital gains realized in connection therewith. The Fund also would incur significant transaction costs in selling portfolio securities to raise cash for such a large tender offer.

Overall, a material reduction in the Fund s assets likely would create various constraints on Schroders ability to manage the Fund according to its investment objective and investment strategies, and could adversely affect a stockholder s experience due to the Fund s increased expense ratio and the Fund s realization of substantial embedded long-term capital gains. Each of these results could adversely affect the Fund s long-term performance and the impact on the Fund s short-term performance also is likely to be significant.

Conducting a tender offer for at least 50% of the Fund s outstanding shares also could lead to the liquidation of the Fund. If a significant number of shares are repurchased, the Fund may be unable to maintain a viable asset base to continue operating efficiently and could be forced to liquidate. Liquidation, which requires stockholder approval, could be a lengthy and costly process. More importantly, however, it would eliminate the Fund as a viable investment option, leaving stockholders with limited alternatives to invest in an important and successful market through a vehicle with a similar investment mandate.

The Proponent references the Fund s trading discount in its supporting statement. The Fund s shares are listed on a stock exchange and are publicly-traded. As a result, the trading price for the Fund s shares is set by the market and can deviate from its net asset value. Trading discounts to net asset value are common in the closed-end fund market, particularly among equity funds, and stockholders transact that is, both purchase and sell shares at the market price. As a result, a fund s trading discount does not necessarily disadvantage its stockholders. Trading discounts can attract opportunistic short-term investors, such as the Proponent, that seek from time to time to exploit discounts for their own short-term financial gain to the detriment of long-term investors. The Board is mindful of the Fund s stated long-term investment objective, and the fact that the Fund is designed primarily as a long-term investment, rather than as a trading vehicle.

2017 Tender Offer Proposal. Last year, Phillip Goldstein of Bulldog, an affiliate of Full Value Partners, and Judy Goldstein submitted a non-binding tender offer proposal (the 2017 Proposal) recommending that the Board authorize a self-tender offer for all of the outstanding common stock of the Fund. Additionally, the 2017 Proposal requested that, were the Fund to conduct the tender offer and were stockholders to submit for tender more than 50% of the Fund s outstanding shares, the Board cancel the tender offer and take the steps necessary to liquidate the Fund or convert the Fund to an exchange traded fund or an open-end mutual fund. The 2017 Proposal was opposed by the Fund s then-Directors and was rejected by the Fund s stockholders, with approximately only 25% of the votes cast in favor of the proposal.

Board Actions Balance Providing Liquidity and Enhancing Stockholder Value. Over the last seven years, the Fund has conducted three tender offers for between 5% and 15% of the Fund s then-outstanding shares, including the April 2017 tender offer in which the Fund repurchased 10% of its shares at 98% of the Fund s net asset value. As the Fund has appreciated in value over the years, the Board previously concluded that it is appropriate for the Fund s stockholders, especially its long-term stockholders, to benefit from those gains either through periodic tender offers or increased distributions instead of through significant tender offers. In approving past tender offers, the Board previously considered other factors, including expressed stockholder interest in opportunities for additional liquidity. The Board also considered the potential impact the offer may have on the asset size and expenses of the Fund, and its potential impact on the Fund s ability to implement its investment strategies and achieve its investment objective. The Board generally has taken the position that the benefits of relatively modest periodic tenders offset their adverse impact on the Fund s asset size and expense ratio.

The Board also supports the Fund s ongoing efforts to buy back its shares. The Fund has a long-standing policy of providing liquidity by repurchasing its shares through publicly announced stock repurchase programs. Over the last 19 years, with the exception of 2014, the Board has authorized an annual stock repurchase program. Since 1999, the Fund has repurchased approximately 8.8 million shares of its common stock through annual stock repurchase programs, which has provided aggregate accretion to the Fund s net asset value of approximately $22 million or $0.83 per share. In addition, since 2006, the Fund has declared and paid to investors over $339 million in dividends and distributions, an amount slightly less than the Fund s current net assets.

Most recently, the Board authorized the Fund to file an application for exemptive relief with the Commission that is necessary to implement a managed distribution plan. The purpose of the plan is to enable the payment of long-term capital gains more frequently than once per year, thereby making it more likely that stockholders receive consistent, level distributions which would include realized earnings as well as potential returns of capital on a regular basis at a rate established by the Board. As with modest periodic tender offers, a managed distribution plan could facilitate stable earnings distributions to the Fund s stockholders without the negative consequences of a significant tender offer, as discussed below.

The Proponent s Tender Offer could have a Significant Negative Impact to the Fund s Long-Term Viability. The Proponent s proposal requests that the Board authorize a tender offer for at least 50% of the Fund s shares. Such a tender offer could result in a substantial reduction in the Fund s net assets. As certain of the Fund s costs are fixed, those costs would be spread out over a smaller asset base, resulting in a material increase in the Fund s expense ratio. As a separate matter, a reduction of assets could result in a higher aggregate management fee rate payable to Schroders, as the Fund would no longer be able to benefit from the higher asset-based breakpoints in

its fee schedule. Furthermore, as the Fund s expense ratio increases, the Fund s discount also could increase, as the attractiveness of investing in the Fund would wane. A higher expense ratio also is likely to negatively impact the Fund s relative performance against Swiss market indexes, such as the Swiss Performance Index, further reducing the attractiveness of the Fund to investors.

Carrying out such a tender offer likely would require the Fund to liquidate a significant portion of its portfolio in order to raise cash to pay tendering stockholders, as well as to distribute capital gains realized in connection therewith. The Fund may be forced to sell portfolio holdings earlier than Schroders otherwise would sell such holdings, or during adverse market conditions, potentially resulting in losses. The untimely sale of portfolio securities may affect the market for those securities, which may, in turn, diminish the Fund s net asset value. In addition, the sale of portfolio securities likely will increase the Fund s portfolio turnover, resulting in additional expense to stockholders. The sale of a significant portion of the Fund s portfolio for cash also would be a complicated and costly process. The Fund would incur significant transaction costs in selling portfolio holdings to pay for tendered shares. These transaction costs would be borne by all stockholders, including those who choose not to tender their shares.

Furthermore, there likely are negative tax consequences to conducting a tender offer for at least 50% of the Fund s shares. As a result of having to sell a significant amount of portfolio securities to raise cash to pay stockholders who tender their shares, the Fund may realize capital gains or losses at times that are disadvantageous to the Fund and its stockholders. For example, the Fund may realize capital gains from the substantial embedded capital gains it has in its portfolio (approximately 39% of net assets as of March 31, 2018). This will result in otherwise unnecessary taxable long-term capital gains distributions to all of the Fund s stockholders, not just the stockholders who redeem their shares in connection with the tender offer. To the extent the Fund sells securities held for less than one year, all of the Fund s stockholders may realize taxable income or short-term capital gains taxed at a higher federal tax rate. In addition to this potential tax liability, to the extent a stockholder redeems the Fund s shares in the tender offer, such redemption likely also would be a taxable transaction for federal income tax purposes. Relatively modest periodic tender offers and managed distribution plans are less likely to have a negative tax impact to stockholders, as less embedded capital gains may be realized by the Fund and there may be available realized capital losses to offset those gains.

The Fund s Discount Has Benefitted Long-Term Stockholders. Because the Fund s shares are listed on a stock exchange and are publicly-traded, the trading price for its shares is set by the market and can deviate from its net asset value. Trading discounts to net asset value are common in the closed-end fund market, particularly among equity funds. The available reported data for closed-end equity funds classified as Developed Market by the Closed-End Fund Association (website: www.cefa.com), showed that as of the week ended April 6, 2018, the average discount for all closed-end funds in that category, which includes the Fund, was -9.6%. Similarly, for the five years ended December 31, 2017, the average discount for funds in that category was -9.2%, -11.7%, -11.9%, -13.1% and -9.8%, respectively.

The Board understands that there may be certain advantages to the Fund s trading discount. A discount enables stockholders to invest additional assets in the Fund at a below-market price for the Fund s underlying assets. Stockholders that reinvest their dividends and capital gains distributions at a discount receive greater returns over the long term, as their reinvested distributions buy more shares than they would if the Fund were trading at its net asset value. The combination of enhanced returns and the Fund s low expense ratio has served well the Fund s long-term stockholders that have reinvested their distributions over the years. The fact that stockholders have been able to invest in the Fund s underlying stocks more cheaply than if they bought the stocks for themselves has meant that the return on their shares generally has been greater than that on the Fund s net asset value. Further, although the Fund s discount fluctuates from time to time, changes in the discount are strongly mean-reverting that is, any change in the discount tends to be reversed in the subsequent period, thus reducing any potential adverse consequences as a result of such fluctuations.

The following table compares the returns on the Fund s shares with the returns on the Fund s portfolio, based on net asset value, from 1990 to the end of March 2018. The first column shows the annualized returns to a stockholder who invested in the Fund s shares at the beginning of each year and held those shares to the end of March 2018 (assuming the stockholder reinvested all distributions in additional shares of the Fund). The second column shows the annualized returns of the Fund s net asset value (*i.e.*, the returns on the Fund s portfolio of Swiss equity securities). For 28 of the 29 periods, the Fund s stockholders have been able to buy Swiss assets (*e.g.*, the Fund s portfolio) at a discount. The ability to buy the Fund s shares at a discount, as a result, has increased the returns earned by the Fund s stockholders.

	Annualized Returns from Start of Year to March 2018(%)*	
	SWZ	SWZ
	Stock	Net Asset Value
1990	7.72	7.84
1991	8.96	8.10
1992	8.86	8.23
1993	9.02	8.30
1994	7.13	6.98
1995	8.01	7.27
1996	7.66	6.45
1997	8.20	6.78
1998	6.73	5.36
1999	5.88	4.47
2000	6.62	4.84
2001	6.11	4.52
2002	8.15	6.68
2003	9.21	7.52
2004	7.21	5.76
2005	6.07	5.03
2006	5.47	4.36
2007	2.98	2.37
2008	3.68	2.31
2009	7.05	5.59
2010	8.09	6.68
2011	6.44	5.10
2012	9.90	8.32
2013	9.10	7.42
2014	4.00	3.21
2015	6.42	4.67
2016	8.87	6.03
2017	16.70	13.66
2018**	(4.00)	(3.90)

* Source: Bloomberg

** Not annualized

Liquidation of the Fund is not Desirable. Conducting a tender offer for at least 50% of the Fund s outstanding shares could lead to the liquidation of the Fund if a significant number of shares are repurchased. The liquidation of the Fund would eliminate the Fund as a viable investment option for all stockholders, leaving stockholders with limited alternatives to invest in a similar investment mandate. The Fund is the only registered closed-end investment company that invests substantially all of its assets in Swiss companies, and the limited universe of mutual fund or ETFs that also focus their investments in Swiss equities do not have the broader investment mandate of the Fund, including more flexibility to invest in small and mid-cap companies or other less liquid securities.

In addition, the liquidation of the Fund could be a lengthy process, involving substantial costs to the Fund and, indirectly, to stockholders, and also raises many of the same disadvantages detailed above relating to a tender offer. Importantly, the Fund s Certificate of Incorporation, as amended to date, requires the affirmative vote of at least 75% of the Fund s outstanding voting securities to approve the Fund s liquidation. As such, the liquidation of the Fund cannot occur without a subsequent vote of the Board of Directors, consistent with their fiduciary duties, followed by a (i) separate mailing of a proxy statement to the Fund s stockholders that explains the details of the proposed liquidation, and (ii) separate vote of the Fund s stockholders approving the proposed liquidation.

THE BOARD OF DIRECTORS OF THE FUND

RECOMMENDS YOU VOTE AGAINST PROPOSAL 4.

What is the Required Vote and What Would Happen if Proposal 4 is Approved?

If a quorum of the Fund s shares necessary for the transaction of business at the Meeting is present, Proposal 4 will be treated as approved if a majority of shares present in person or represented by Proxy at the Meeting and entitled to vote thereon vote FOR the Proposal. Proposal 4 is not a stockholder vote to approve a self-tender offer for at least 50% of the outstanding shares of common stock of the Fund, but rather it proposes that the Fund s stockholders ask the Directors to take action to effect such a tender offer. ***If Proposal 4 passes at the Meeting, the Directors would continue to exercise their fiduciary duty to act in the interest of the Fund s stockholders in investigating further the details and potential benefits and detriments of authorizing a self-tender offer for at least 50% of the Fund s outstanding shares of common stock, but would not be obligated to conduct such a tender offer.*** In addition, even if the Board concluded that a self-tender offer was in the best interest of the Fund and its stockholders, it may authorize a self-tender offer with terms that are different from those contained in the Proponent s proposal.

OTHER MATTERS

It is the intention of the persons named in the enclosed form of WHITE Proxy to exercise their discretion, to the extent permitted by applicable law, to vote AGAINST Bulldog s Director nominees and AGAINST Proposal 4. The rationale for voting on those proposals is outlined in the Introduction to this Proxy Statement. The Fund may send stockholders additional materials providing further detail around the Board s voting recommendations. Stockholders should carefully read this Proxy Statement and any additional Proxy solicitation materials they receive.

No business other than as set forth herein is expected to come before the Meeting. Should any other matter requiring a vote of stockholders properly arise, however, including any question as to an adjournment of the Meeting, the persons named in the enclosed WHITE Proxy will vote thereon according to their best judgment in the interest of the Fund.

Stockholders who wish to communicate with the Directors should send communications to The Swiss Helvetia Fund, Inc., 7 Bryant Park, 17th Floor, New York, New York 10018, to the attention of the Secretary. The Secretary is responsible for determining, in consultation with other officers of the Fund and Fund counsel, which stockholder communications will be directed to the Director or Directors indicated in the communication.

On April 19, 2017, Full Value Partners, an affiliate of Bulldog, filed a putative class action lawsuit in the Court of Chancery for the State of Delaware against the Fund and its then-current Directors (*Full Value Partners, L.P. v. The Swiss Helvetia Fund, Inc., et al.*, C.A. No. 2017-0303-AGB). On April 20, 2017, Full Value Partners filed an amended complaint and an amended motion for expedited proceedings, which, following oral argument, the Court denied in full on May 2, 2017. Defendants filed a motion to dismiss Full Value Partners amended complaint on July 20, 2017, and on September 15, 2017, the Court granted Full Value Partners unopposed motion to dismiss the action as moot. On November 1, 2017, Full Value Partners filed a motion for an award of attorneys fees and expenses. Following additional briefing by the parties, oral argument was held by the Court on March 13, 2017. As of the date hereof, the Court has not rendered a decision on plaintiff s motion.

Mr. Dakos, a Class II Interested Director of the Fund, is a member of Bulldog, and, among other roles within the organization, exercises control over Full Value Partners.

STOCKHOLDER PROPOSALS

In accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, stockholder proposals intended to be presented at the 2019 Annual Meeting must be received by the Fund on or before January 4, 2019 in order to be considered for inclusion in the Fund s Proxy Statement and form of Proxy relating to that meeting. In addition, the Fund s By-Laws provide that if a stockholder of record entitled to vote desires to bring proposals (including Director nominations) before the 2019 Annual Meeting, written notice of such proposals as prescribed in the By-Laws must be received by the Fund s Secretary, The Swiss Helvetia Fund, Inc., 7 Bryant Park, 17th Floor, New York, New York 10018, between February 19, 2019 and March 21, 2019.

For additional requirements, stockholders may refer to the By-Laws, a current copy of which may be obtained without charge upon request from the Fund s Secretary. If the Fund does not receive timely notice pursuant to the By-Laws, the proposal will be excluded from consideration at the meeting.

EXPENSES OF PROXY SOLICITATION

The Fund will bear the cost of soliciting Proxies on behalf of the Board of Directors. In addition to the use of mails, Proxy solicitations may be made by telephone, fax and personal interview by the Fund s Proxy solicitor, Georgeson LLC (Georgeson), the Fund s Directors and officers and officers of Schroders without additional compensation. Brokerage houses, banks and other fiduciaries may be requested to forward Proxy solicitation material to their customers to obtain authorization for the execution of Proxies, and they will be reimbursed by the Fund for out-of-pocket expenses incurred in this connection. If you have any questions concerning this Proxy solicitation, please contact Georgeson, Telephone Number: 1-800-905-7281.

As a result of the potential proxy solicitation by Bulldog, the Fund may incur additional costs in connection with its solicitation of proxies. The Fund has hired Georgeson, 1290 Avenue of the Americas, 9th Floor, New York, New York 10104, to assist us in the solicitation of proxies for a fee of up to $[______] plus out-of-pocket expenses. Georgeson expects that approximately [__] of its employees will assist in the solicitation. Our expenses related to the solicitation of proxies from stockholders this year will significantly exceed those normally spent for an uncontested Annual Meeting. Such costs are expected to aggregate approximately $[______], exclusive of any potential litigation costs in connection with the Meeting, which the Fund does not anticipate as of the date hereof. These additional solicitation costs are expected to include the fee payable to Georgeson; fees of outside counsel and financial and other advisors to advise the Fund in connection with a contested solicitation of proxies; increased mailing costs, such as the costs of additional mailings of solicitation material to stockholders, including printing costs, mailing costs and the reimbursement of reasonable expenses of banks, brokerage houses and other agents incurred in forwarding solicitation materials to beneficial owners of the Fund s shares, as described above; and the costs of retaining an independent inspector of election. To date, the Fund has not incurred any of these solicitation costs.

Authorizations to execute Proxies may be obtained by telephonic transmitted instructions in accordance with procedures designed to authenticate the stockholder s identity. However, brokers will not be entitled to vote Proxies by telephone after receipt by Broadridge Financial Solutions, Inc. of a competing set of proxy materials from Bulldog. In all cases where a telephonic Proxy is solicited, the stockholder will be asked to provide his or her address, social security number (in the case of an individual) or taxpayer identification number (in the case of a non-individual) and the number of shares owned and to confirm that the stockholder has received the Proxy Statement and WHITE Proxy in the mail. Within 72 hours of receiving a stockholder s telephonic transmitted voting instructions, a confirmation will be sent to the stockholder to ensure that the vote has been taken in accordance with the stockholder s instructions and to provide a telephone number to call immediately if the stockholder s instructions are not correctly reflected in the confirmation. Any stockholder giving a Proxy may revoke it at any time before it is exercised by submitting a new Proxy to the Fund or by attending the Meeting and voting in person.

HOUSEHOLDING

Please note that only one Annual Report or most recent Quarterly Report or Proxy Statement may be delivered to two or more stockholders of the Fund who share an address, unless the Fund has received instructions to the contrary. To request a separate copy of an Annual Report or most recent Quarterly Report or Proxy Statement, or for instructions as to how to request a separate copy of such documents or how to request a single copy if multiple copies of such documents are received, stockholders should contact the Fund at the address and phone number set forth above. Pursuant to a request, a separate copy will be delivered promptly.

VOTING RESULTS

The Fund will advise stockholders of the voting results of the matters voted upon at the Meeting in the Semi-Annual Report to Stockholders first following the Meeting.

IMPORTANT

IN ORDER TO AVOID THE ADDITIONAL EXPENSE TO THE FUND OF FURTHER

SOLICITATION, WE ASK FOR YOUR COOPERATION IN SUBMITTING YOUR WHITE PROXY PROMPTLY BY MAIL OR BY VOTING BY TELEPHONE OR THROUGH THE INTERNET IN ACCORDANCE WITH THE INSTRUCTIONS ON THE ENCLOSED WHITE PROXY.

If you have any questions concerning this Proxy solicitation, please contact Georgeson LLC, Telephone Number: 1-800-905-7281.

Reid B. Adams
Secretary

Dated: [______], 2018

EXHIBIT A

GOVERNANCE AND NOMINATING COMMITTEE

CHARTER AND PROCEDURES

The Swiss Helvetia Fund, Inc.

Organization

The Governance and Nominating Committee (the Committee) of the Fund shall be composed solely of Directors (Directors) who are not interested persons of the Fund as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the 1940 Act) (Independent Directors). The Board of Directors of the Fund (the Board) shall select the members of the Committee and shall designate the Chair of the Committee. Among other responsibilities, the Committee shall (i) select and nominate persons for election or appointment by the Board as Directors of the Fund, (ii) oversee the annual assessment of the effectiveness of the Board as set forth below and (iii) oversee such other matters of Fund governance as may be delegated to it by the Board or determined by the Committee to be appropriate, including matters that are required by the 1940 Act to be considered by the Independent Directors acting separately (including those matters described in Appendix A hereto).

Evaluation of Potential Nominees

The Board believes that Directors need to have the ability to critically review, evaluate, question and discuss information provided to them, and to interact effectively with Fund management, service providers and counsel, in order to exercise effective business judgment in the performance of their duties. In evaluating potential Director nominees (including any nominees recommended by stockholders as provided below) in light of this standard, and to address certain legal and other requirements and considerations associated with composition of the Board, the Committee shall consider, among other factors it may deem relevant:

- the character and integrity of the person;
- whether or not the person is qualified under applicable laws and regulations to serve as a Director of the Fund;
- whether or not the person has any relationships that might impair his or her service on the Board;
- whether nomination of the person would be consistent with Fund policy and applicable laws and regulations regarding the number and percentage of Independent Directors on the Board;
- whether or not the person serves on boards of, or is otherwise affiliated with, competing financial service organizations or their related fund complexes;
- whether or not the person is willing to serve and is willing and able to commit the time necessary for the performance of the duties and responsibilities of a Director of the Fund; and
- the educational background; business, professional training or practice (e.g., medicine, accounting or law), public service or academic positions; experience from service as a board member (including the Board) or as an executive of investment funds, public companies or significant private or not-for-profit entities or other organizations; and/or other life experiences.

The Committee also may consider whether a potential nominee s professional experience, education, skills and other individual qualities and attributes, including gender,O CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

The following is a summary of changes in fair value of our financial assets and liabilities that have been classified as Level 3 for the three and six months ended June 30, 2007 (in thousands of dollars):

	Three Months Ended		
	Non-derivative instruments Assets	Non-derivative instruments Liabilities	Investments
Balance, March 31, 2007	$ 160,377	$	$ 97,653
Total gains/ (losses) (realized and unrealized) (1)	260		3,307
Purchases, sales, settlements, and Issuances	77,055	(1,318)	(8,037)
Net transfers in and/or out of Level 3	15,003	(1,517)	
Balance, June 30, 2007	$ 252,695	$ (2,835)	$ 92,923
Change in unrealized gains/ (losses) relating to instruments still held at June 30, 2007 (1)	$ (17,744)	$	3,307

(1) Realized and unrealized gains/ losses are reported in principal transactions in the Consolidated Statements of Earnings.

	Six Months Ended		
	Non-derivative instruments Assets	Non-derivative instruments Liabilities	Investments
Balance, December 31, 2006	$ 205,278	$	$ 97,289
Total gains/ (losses) (realized and unrealized) (1)	(2,783)		8,661
Purchases, sales, settlements, and Issuances	49,633	(1,318)	(13,027)
Net transfers in and/or out of Level 3	567	(1,517)	
Balance, June 30, 2007	$ 252,695	$ (2,835)	$ 92,923
Change in unrealized gains/ (losses) relating to instruments still held at June 30, 2007 (1)	$ (21,364)	$	$ 8,661

(1) Realized and unrealized gains/ losses are reported in

principal transactions in the Consolidated Statements of Earnings.

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Note 5. Short-Term Borrowings

Bank loans represent short-term borrowings that are payable on demand and generally bear interest at a spread over the Fed Funds rate. We had no outstanding secured bank loans as of June 30, 2007 and December 31, 2006. Unsecured bank loans are typically overnight loans used to finance securities owned or clearing related balances. We had $63.8 million and $0 of outstanding unsecured bank loans as of June 30, 2007 and December 31, 2006, respectively. Average daily bank loans for the six month period ended June 30, 2007 and year ended December 31, 2006 were $247.7 million and $12.4 million, respectively.

In addition, the current portion of our long-term debt maturing within one year of the financial statement date is classified with bank loans on the Consolidated Statement of Financial Condition. As of June 30, 2007 and December 31, 2006, the outstanding balance of our 7 1/2% Senior Notes, due in the third quarter of 2007, was $100.0 million and $100.0 million, respectively.

Note 6. Long-Term Debt

The following summarizes long-term debt outstanding at June 30, 2007 and December 31, 2006 (in thousands of dollars):

	June 30, 2007	December 31, 2006
7.75% Senior Notes, due 2012, net of unamortized discount of $4,318 (2007)	324,621	328,003
5.875% Senior Notes, due 2014, net of unamortized discount of $1,857 (2007)	248,143	
5.5% Senior Notes, due 2016, net of unamortized discount of $1,590 (2007)	348,410	348,320
6.45% Senior Debentures, due 2027, net of unamortized discount of $4,176 (2007)	345,824	
6.25% Senior Debentures, due 2036, net of unamortized discount of $7,714 (2007)	492,286	492,239
	$ 1,759,284	$ 1,168,562

We previously entered into a fair value hedge with no ineffectiveness using interest rate swaps in order to convert $200 million aggregate principal amount of unsecured 7 3/4 % senior notes due March 15, 2012 into floating rates based upon LIBOR. The effective interest rate on the $200 million aggregate principal amount of unsecured 7 3/4 % senior notes, after giving effect to the swaps, is 7.5%. The fair value of the swaps was $3.9 million as of June 30, 2007, which was recorded as an increase in the book value of the debt and an increase in other assets.

In January 2006, we sold in a registered public offering $500 million aggregate principal amount of our unsecured 6.25% 30-year senior debentures due January 15, 2036.

In June 2007, we sold in a registered public offering $600 million aggregate principal amount of our senior debt, consisting of $250 million of 5.875% senior notes due June 8, 2014 and $350 million of 6.45% senior debentures due June 8, 2027.

Note 7. Mandatorily Redeemable Convertible Preferred Stock

In February 2006, Massachusetts Mutual Life Insurance Company (MassMutual) purchased in a private placement $125 million of our Series A convertible preferred stock. Our Series A convertible preferred stock has a 3.25% annual, cumulative cash dividend and is currently convertible into 4,066,875 shares of our common stock at an effective conversion price of approximately $30.74 per share. The preferred stock is callable beginning in 2016 and will mature

in 2036. The dividend is recorded as a component of interest expense as the Series A convertible preferred stock is treated as debt in accordance with FASB 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. The dividend is not deductible for tax purposes because the Series A convertible preferred stock is considered equity for tax purposes. As of June 30, 2007, 10,000,000 shares of preferred stock were authorized and 125,000 shares of preferred stock were issued and outstanding.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Note 8. Income Taxes

We adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), as of January 1, 2007. As a result of adoption, we recognized a $0.4 million increase to reserves for uncertain tax positions. This increase was accounted for as an adjustment to the beginning balance of retained earnings on the Consolidated Statement of Financial Condition. As of June 30, 2007 and January 1, 2007, we had approximately $4.2 million and $3.3 million, respectively, of total gross unrecognized tax benefits. These totals also represent the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods.

We are subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. We have concluded all U.S federal income tax matters for the years through 2000. Substantially all material state and local, and foreign income tax matters have been concluded for the years through 1998. New York State and New York City income tax returns for the years 2001 through 2004 and 2000 through 2003, respectively, are currently under examination. The final outcome of these examinations is not yet determinable. However, management anticipates that adjustments to the unrecognized tax benefits, if any, will not result in a material change to the results of operations or financial condition.

We recognize interest accrued related to unrecognized tax benefits in interest expense. Penalties, if any, are recognized in other expenses. As of June 30, 2007 and January 1, 2007, we had accrued interest and penalties related to unrecognized tax benefits of approximately $1.0 million and $1.0 million, respectively.

Note 9. Benefit Plans

The following summarizes the net periodic pension cost for the three-month and six-month periods ended June 30, 2007 and 2006 (in thousands of dollars):

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Net pension cost included the following components:				
Service cost (1)	$ 69	$	$ 138	$
Interest cost on projected benefit obligation	590	638	1,180	1,276
Expected return on plan assets	(628)	(560)	(1,256)	(1,120)
Amortization of prior service cost				
Amortization of net loss	141	255	282	510
Net periodic pension cost	$ 172	$ 333	$ 344	$ 666

(1) Service costs relates to administrative expenses incurred during the three and six month periods.

We have not contributed to our pension plan during 2007. We anticipate contributing between approximately $2.0 million and $4.0 million during the remainder of 2007. Effective December 31, 2005, benefits under the pension

plan have been frozen. There are no further benefit accruals for service after December 31, 2005.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Note 10. Minority Interest

Under FASB No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* (FASB 150), certain minority interests in consolidated entities may meet the standard s definition of a mandatorily redeemable financial instrument and thus require reclassification as liabilities and remeasurement at the estimated amount of cash that would be due and payable to settle such minority interests under the applicable entity s organization agreement, assuming an orderly liquidation of the entity, net of estimated liquidation costs. Our consolidated financial statements include certain minority interests that meet the standard s definition of mandatorily redeemable financial instruments. These mandatorily redeemable minority interests represent interests held by third parties in Jefferies High Yield Holdings, LLC (JHYH). The mandatorily redeemable minority interests are entitled to a pro rata share of the profits of JHYH, as set forth in JHYH s organization agreements, and are scheduled to terminate in 2013, with an option to extend up to three additional one-year periods. The carrying amount of these mandatorily redeemable minority interests are approximately $613.5 million at June 30, 2007, which represents the initial capital and the pro rata share of the profits of JHYH assigned to the holder of the mandatorily redeemable minority interests. A certain portion of these mandatorily redeemable minority interests represent investments from Jefferies Special Opportunities Partners (JSOP) and Jefferies Employees Special Opportunities Partners (JESOP), and are eliminated in consolidation. The carrying amount of these mandatorily redeemable minority interests eliminated in consolidation is approximately $254.6 million at June 30, 2007, resulting in minority interest related to JHYH on a consolidated basis of approximately $358.9 million at June 30, 2007.

Minority interest also includes the minority equity holders proportionate share of the equity of JSOP and JESOP. At June 30, 2007, minority interest related to JSOP and JESOP was approximately $213.2 million and $27.7 million, respectively.

At June 30, 2007, we had other minority interests of approximately $7.4 million primarily related to our start-up asset management funds.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Note 11. Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the three-month and six-month period ended June 30, 2007 and 2006 (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Earnings before cumulative effect of change in accounting principle, net	$ 67,835	$ 45,580	$ 130,094	$ 102,421
Cumulative effect of change in accounting principle, net				1,606
Net earnings	$ 67,835	$ 45,580	$ 130,094	$ 104,027
Add: Convertible preferred stock dividends	1,016	1,016	2,032	1,512
Net earnings for diluted earnings per share	$ 68,851	$ 46,596	$ 132,126	$ 105,539
Shares:				
Average shares used in basic computation	142,092	133,621	141,498	131,993
Unvested restricted stock / restricted stock units	7,577	8,660	7,017	8,885
Stock options	568	1,290	608	1,422
Convertible preferred stock	4,064	4,034	4,060	2,987
Average shares used in diluted computation	154,301	147,605	153,183	145,287
Earnings per share:				
Basic-				
Earnings before cumulative effect of change in accounting principle, net	$ 0.48	$ 0.34	$ 0.92	$ 0.78
Cumulative effect of change in accounting principle, net				0.01
Net earnings	$ 0.48	$ 0.34	$ 0.92	$ 0.79
Diluted-				
Earnings before cumulative effect of change in accounting principle, net	$ 0.45	$ 0.32	$ 0.86	$ 0.72
Cumulative effect of change in accounting principle, net				0.01
Net earnings	$ 0.45	$ 0.32	$ 0.86	$ 0.73

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Note 12. Derivative Financial Instruments

Off-Balance Sheet Risk

We have contractual commitments arising in the ordinary course of business for securities loaned or purchased under agreements to sell, financial instruments sold but not yet purchased, repurchase agreements, future purchases and sales of foreign currencies, securities transactions on a when-issued basis, options contracts, futures index contracts, commodities futures contracts and underwriting. Each of these financial instruments and activities contains varying degrees of off-balance sheet risk whereby the fair values of the securities underlying the financial instruments may be in excess of, or less than, the contract amount. The settlement of these transactions is not expected to have a material effect upon our consolidated financial statements.

Jefferies Financial Products

Jefferies Financial Products, LLC (JFP), a wholly-owned subsidiary of ours, was formed as a limited liability company in November 2003. JFP is a market maker in commodity index products and a trader in commodities futures and options. JFP offers customers exposure to over-the-counter commodity indices and other commodity baskets in the form of fixed-for-floating swaps (swaps) and options, where the return is based on a specific commodity or basket of commodities (e.g., Jefferies Commodity Performance Index (JCPI)). The primary end users in this market are creditworthy institutional investors, such as pension funds, mutual funds, foundations, endowments, and insurance companies. These investors generally seek exposure to commodities in order to diversify their existing stock and bond portfolios. Generally, JFP will enter into swaps whereby JFP receives a stream of fixed cash flows against paying the return of a given commodity or index plus a spread or fee (fee). The fee is meant to compensate JFP for the costs of replicating the commodity or index exposure in the underlying exchange traded futures markets. The floating return can be either the total return on the index (inclusive of implied collateral yield), or the excess return. JFP also enters into swap, forward and option transactions on foreign exchange, individual commodities and commodity indices. Generally, the swap and option contract tenors range from 1 month to 2 years, and in some transactions both parties may settle the changes in the mark-to-market value of the transaction on a monthly basis. Where appropriate, JFP utilizes various credit enhancements, including guarantees, collateral and margin agreements to mitigate the credit exposure relating to these swaps and options. JFP establishes credit limits based on, among other things, the creditworthiness of the counterparties, the transaction s size and tenor, and estimated potential exposure. In addition, swap and option transactions are generally documented under International Swaps and Derivatives Association Master Agreements. We believe that such agreements provide for legally enforceable set-off and close-out netting of exposures to specific counterparties. Under such agreements, in connection with an early termination of a transaction, JFP is permitted to set-off its receivables from a counterparty against its payables to the same counterparty arising out of all included transactions. As a result, the fair value represents the net sum of estimated fair values after the application of such netting. JFP has determined that the fair value of its swaps and options approximated $(58.3) million and $(51.9) million, respectively at June 30, 2007 and $156.1 million and $(125.4) million, respectively at December 31, 2006.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

The following table sets forth the fair value of JFP s outstanding OTC positions and exchange-traded futures and options by remaining contractual maturity as of June 30, 2007:

(in millions)	0 12 Months	1 5 Years	5 10 Years	Total
Swaps	$ (59.0)	$ 0.7	$	$ (58.3)
Options	13.3	(65.2)		(51.9)
FX forwards	(0.4)	0.1		(0.3)
Exchange-traded futures	(27.0)	(3.1)		(30.1)
Total	$ (73.1)	$ (67.5)	$	$ (140.6)

In July 2004, JFP entered into a credit intermediation facility with an AA-rated European bank (the Bank). This facility allows JFP customers that require a counterparty with a high credit rating for commodity index transactions to transact with the Bank. The Bank simultaneously enters into a back-to-back transaction with JFP and receives a fee from JFP for providing credit support. Subject to the terms of the agreement between JFP and the Bank, JFP is generally responsible to the Bank for the performance of JFP s customers. We guarantee the performance of JFP to the Bank under the credit intermediation facility. JFP also provides commodity index pricing to the Bank s customers and JFP earns revenue from the Bank s hedging of its customer transactions with JFP.

At June 30, 2007 and December 31, 2006, the counterparty credit quality with respect to the fair value of commodities and foreign exchange futures, options and swap portfolios were as follows:

	Fair Value	
(in millions)	June 30, 2007	December 31, 2006
Counterparty credit quality:		
A or higher	$ (118.6)	$ 37.5
Exchange-traded futures and options (1)	(22.0)	13.4
Total	$ (140.6)	$ 50.9

(1) Exchange-traded commodities and foreign exchange futures and options are not deemed to have significant credit exposures as the exchanges guarantee that

every contract will be properly settled on a daily basis.

At June 30, 2007 and December 31, 2006 the counterparty breakdown by industry with respect to the fair value of JFP s commodities and foreign exchange futures, options and swap portfolio was as follows:

	Fair Value	
(in millions)	June 30, 2007	December 31, 2006
Foundations, trusts and endowments	$ (48.5)	$ (6.4)
Financial services	(75.5)	4.7
Sovereign entity	25.3	
Collective investment vehicles (including pension plans, mutual funds and other institutional counterparties)	(19.9)	39.2
Exchanges (1)	(22.0)	13.4
Total	$ (140.6)	$ 50.9

(1) Exchange-traded commodities and foreign exchange futures and options are not deemed to have significant credit exposures as the exchanges guarantee that every contract will be properly settled on a daily basis.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Derivative Financial Instruments

Our derivative activities are recorded at fair value in the Consolidated Statement of Financial Condition. Acting in a trading capacity, we may enter into derivative transactions to satisfy the needs of our clients and to manage our own exposure to market and credit risks resulting from our trading activities.

Derivatives are subject to various risks similar to other financial instruments, including market, credit and operational risk. In addition, we may be exposed to legal risks related to derivative activities. The risks of derivatives should not be viewed in isolation, but rather should be considered on an aggregate basis along with our other trading-related activities. We manage the risks associated with derivatives on an aggregate basis along with the risks associated with proprietary trading as part of our firmwide risk management policies.

We record trading derivative contracts at fair value with realized and unrealized gains and losses recognized in principal transactions in the Consolidated Statement of Earnings on a trade date basis and as a component of cash flows from operating activities in the Consolidated Statements of Cash Flows.

We have also entered into a fair value hedge with no ineffectiveness using interest rate swaps in order to convert $200.0 million aggregate principal amount of unsecured 7 3/4% senior notes due March 15, 2012 into floating rates based upon LIBOR. The effective interest rate on the $200.0 million aggregate principal amount of unsecured 7 3/4% senior notes, after giving effect to the swaps, is 7.5%. The fair value of the swaps was positive $3.9 million as of June 30, 2007, which was recorded as an increase in the book value of the debt and an increase in derivative assets classified as part of other assets.

The following table presents the fair value of derivatives at June 30, 2007 and December 31, 2006. The fair value of assets/liabilities related to derivative contracts at June 30, 2007 and December 31, 2006 represent our receivable/payable for derivative financial instruments:

	June 30, 2007		December 31, 2006	
(in thousands)	Assets	Liabilities	Assets	Liabilities
Derivative instruments included in financial instruments owned and financial instruments sold, not yet purchased:				
Exchange traded futures	$ 6,984	$ 30,148	$ 19,724	$ 2,116
Commodity related swaps (1)	12,959	20,825	61,741	
Option contracts	301,005	318,548	152,361	238,115
Foreign exchange forward contracts		260	820	
Total	$ 320,948	$ 369,781	$ 234,646	$ 240,231
Derivative instruments included in other assets:				
Interest rate swaps	$ 3,939		7,690	

(1) Commodity related swaps are recorded net of collateral received and collateral pledged of $43.4 million

and
$93.9 million,
respectively, as
of June 30,
2007.
Commodity
related swaps
are recorded net
of collateral
received and
collateral
pledged of
$112.1 million
and $20.3
million,
respectively, as
of December 31,
2006.

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Note 13. Other Comprehensive Gain (Loss)

The following summarizes other comprehensive gain (loss) and accumulated other comprehensive gain (loss) at June 30, 2007 and for the three months then ended (in thousands of dollars):

	Currency Translation Adjustments	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Gain
Beginning at March 31, 2007	$ 13,430	$ (2,910)	$ 10,520
Change in second quarter of 2007	(2,277)		(2,277)
Ending at June 30, 2007	$ 11,153	$ (2,910)	$ 8,243

The following summarizes other comprehensive gain (loss) and accumulated other comprehensive gain (loss) at June 30, 2006 and for the three months then ended (in thousands of dollars):

	Currency Translation Adjustments	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive (Loss) Gain
Beginning at March 31, 2006	$ 1,415	$ (6,125)	$ (4,710)
Change in second quarter of 2006	5,087		5,087
Ending at June 30, 2006	$ 6,502	$ (6,125)	$ 377

Comprehensive income for the three months ended June 30, 2007 and 2006 was as follows (in thousands of dollars):

	June 30, 2007	June 30, 2006
Net earnings	$ 67,835	$ 45,580
Other comprehensive gain (loss)	(2,277)	5,087
Comprehensive income	$ 65,558	$ 50,667

The following summarizes other comprehensive gain (loss) and accumulated other comprehensive gain (loss) at June 30, 2007 and for the six months then ended (in thousands of dollars):

	Currency Translation Adjustments	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Gain
Beginning at December 31, 2006	$ 9,764	$ (2,910)	$ 6,854
Change in first half of 2007	1,389		1,389
Ending at June 30, 2007	$ 11,153	$ (2,910)	$ 8,243

The following summarizes other comprehensive gain (loss) and accumulated other comprehensive gain (loss) at June 30, 2006 and for the six months then ended (in thousands of dollars):

	Currency Translation Adjustments	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive (Loss) Gain
Beginning at December 31, 2005	$ 962	$ (6,125)	$ (5,163)
Change in first half of 2006	5,540		5,540
Ending at June 30, 2006	$ 6,502	$ (6,125)	$ 377

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Comprehensive income for the six months ended June 30, 2007 and 2006 was as follows (in thousands of dollars):

	June 30, 2007	June 30, 2006
Net earnings	$ 130,094	$ 104,027
Other comprehensive gain (loss)	1,389	5,540
Comprehensive income	$ 131,483	$ 109,567

Note 14. Net Capital Requirements

As registered broker-dealers, Jefferies, Jefferies Execution and Jefferies High Yield Trading are subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. Jefferies, Jefferies Execution and Jefferies High Yield Trading have elected to use the alternative method permitted by the Rule, which requires that they each maintain minimum net capital.

As of June 30, 2007, Jefferies, Jefferies Execution and Jefferies High Yield Trading s net capital and excess net capital were as follows (in thousands of dollars):

	Net Capital	Excess Net Capital
Jefferies	$431,263	$ 411,062
Jefferies Execution	$ 25,441	$ 25,191
Jefferies High Yield Trading	$645,698	$ 645,448

Note 15. Commitments, Contingencies and Guarantees

The following table summarizes other commitments and guarantees at June 30, 2007:

		Maturity Date				
	Notional / Maximum Payout	**2007**	**2008**	**2009 and 2010**	**2011 and 2012**	**2013 and Later**
			(Dollars in Millions)			
Standby letters of credit	$309.1	$284.1	$25.0			
Bank credit	$ 60.1	$ 60.1				
Equity commitments	$504.1				$1.6	$502.5
Derivative contracts	$680.6	$680.6				

Standby Letters of Credit. In the normal course of business, we had letters of credit outstanding aggregating $309.1 million at June 30, 2007, mostly to satisfy various collateral requirements in lieu of depositing cash or securities. These letters of credit have a current carrying amount of $0. As of June 30, 2007, there were no draw downs on these letters of credit.

Bank Credit. As of June 30, 2007, we had outstanding guarantees of $56.0 million relating to bank credit obligations ($46.3 million of which is undrawn) of associated investment vehicles in which we have an interest. Also, we have provided a guarantee to a third-party bank in connection with the bank s extension of 500 million Japanese yen

(approximately $4.1 million) to Jefferies (Japan) Limited.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Equity Commitments. On October 7, 2004, we entered into an agreement with Babson Capital and MassMutual to form Jefferies Finance LLC, a joint venture entity created for the purpose of offering senior loans to middle market and growth companies. In February 2006, we and MassMutual reached an agreement to double our equity commitments to Jefferies Finance LLC. With an incremental $125 million from each partner, the new total committed equity capitalization of Jefferies Finance LLC is $500 million. Loans are originated primarily through the investment banking efforts of Jefferies & Company, Inc. with Babson Capital providing primary credit analytics and portfolio management services. As of June 30, 2007, we have funded $40.0 million of our aggregate $250.0 million commitment leaving $210.0 million unfunded.

As of June 30, 2007, we have an aggregate commitment to invest in Jefferies Capital Partners IV L.P. and its related parallel fund of approximately $32.7 million.

As of June 30, 2007, we have funded approximately $350.0 million of our aggregate commitment in JHYH leaving approximately $250.0 million unfunded (see note 20 of the Notes to Consolidated Financial Statements for more information related to our commitment to invest in JHYH).

As of June 30, 2007, we had other equity commitments to invest up to $11.4 million in various other investments.

Derivative Contracts. In accordance with FASB Interpretation No. 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45), we disclose certain derivative contracts meeting the FIN 45 definition of a guarantee. Such derivative contracts include written equity put options. At June 30, 2007, the maximum payout value of derivative contracts deemed to meet the FIN 45 definition of a guarantee was approximately $680.6 million. For purposes of determining maximum payout, notional values are used; however, we believe the fair value of these contracts is a more relevant measure of these obligations because we believe the notional amounts greatly overstate our expected payout. At June 30, 2007, the fair value of such derivative contracts approximated $10.6 million. In addition, the derivative contracts deemed to meet the FIN 45 definition of a guarantee are before consideration of hedging transactions. We substantially mitigate our risk on these contracts through hedges, such as other derivative contracts and/or cash instruments. We manage risk associated with derivative guarantees consistent with our risk management policies.

High Yield Loan Commitments. From time to time we make commitments to extend credit to investment-banking clients in loan syndication and acquisition-finance transactions. These commitments and any related drawdowns of these facilities typically have fixed maturity dates and are contingent on certain representations, warranties and contractual conditions applicable to the borrower. We define high yield (non-investment grade) as debt securities or loan commitments to companies rated BB+ or lower or equivalent ratings by recognized credit rating agencies, as well as non-rated securities or loans that, in management s opinion, are non-investment grade. We did not have any commitments outstanding to non-investment grade borrowers as of June 30, 2007.

Jefferies Financial Products, LLC. In July 2004, JFP entered into a credit intermediation facility with an AA -rated European bank (the Bank). This facility allows JFP customers that require a counterparty with a high credit rating for commodity index transactions to transact with the Bank. The Bank simultaneously enters into a back-to-back transaction with JFP and receives a fee from JFP for providing credit support. Subject to the terms of the agreement between JFP and the Bank, JFP is responsible to the Bank for the performance of JFP s customers. We guarantee the performance of JFP to the Bank under the credit intermediation facility. JFP will also provide commodity index pricing to the Bank s customers and JFP will earn revenue from the Bank s hedging of its customer transactions with JFP. Also, we guarantee the performance of JFP to its trading counterparties and various banks and other entities, which provide clearing and credit services to JFP.

Other Guarantees. In the normal course of business we provide guarantees to securities clearinghouses and exchanges. These guarantees generally are required under the standard membership agreements, such that members

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

are required to guarantee the performance of other members. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. Our obligations under such guarantees could exceed the collateral amounts posted; however, the potential for us to be required to make payments under such guarantees is deemed remote. Also, we have guaranteed obligations of Jefferies International Limited (JIL) to various banks which provide clearing and credit services to JIL and to counterparties of JIL.

Note 16. Segment Reporting

Beginning in the second quarter of 2007, our international convertible bond funds are included within the results of the Asset Management segment. Previously, operations from our international convertible bond funds were included in the Capital Markets segment. Prior period disclosures have been adjusted to conform to the current quarter s presentation. The above change was made in order to reflect the manner in which these segments are currently managed.

The Capital Markets reportable segment includes our traditional securities brokerage, including the results of our recently reorganized high yield secondary market trading activities and investment banking activities. The Capital Markets reportable segment is managed as a single operating segment that provides the sales, trading and origination effort for various fixed income, equity and advisory products and services. The Capital Markets segment comprises many divisions, with interactions among each. In addition, we choose to voluntarily disclose the Asset Management segment even though it is currently an immaterial non-reportable segment as defined by FASB 131, *Disclosures about Segments of an Enterprise and Related Information*.

Our reportable business segment information is prepared using the following methodologies:

Net revenues and expenses directly associated with each reportable business segment are included in determining earnings before taxes.

Net revenues and expenses not directly associated with specific reportable business segments are allocated based on the most relevant measures applicable, including each reportable business segment s net revenues, headcount and other factors.

Reportable business segment assets include an allocation of indirect corporate assets that have been fully allocated to our reportable business segments, generally based on each reportable business segment s capital utilization.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Our net revenues, expenses, income before income taxes and total assets by segment are summarized below (amounts in millions):

	Capital Markets	Asset Management	Total
Three months ended June 30, 2007			
Net revenues	$ 449.6	$ 15.9	$ 465.5
Expenses	326.6	10.5	337.1
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle	$ 123.0	$ 5.4	$ 128.4
Six months ended June 30, 2007			
Net revenues	$ 851.0	$ 33.3	$ 884.3
Expenses	630.7	21.7	652.4
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle	$ 220.3	$ 11.6	$ 231.9
Segment assets	$ 32,286.0	$ 227.1	$ 32,513.1
Three months ended June 30, 2006			
Net revenues	$ 327.4	$ (0.1)	$ 327.3
Expenses	246.3	0.3	246.6
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle	$ 81.1	$ (0.4)	$ 80.7
Six months ended June 30, 2006			
Net revenues	$ 711.4	$ 31.3	$ 742.7
Expenses	535.5	29.1	564.6
Earnings before income taxes, minority interest and cumulative effect of change in accounting principle	$ 175.9	$ 2.2	$ 178.1
Segment assets	$ 15,160.1	$ 143.3	$ 15,303.4

Note 17. Goodwill

We acquired LongAcre Partners Limited in May 2007 and the Putnam Lovell Investment banking business (Putnam) in July 2007. The Putnam acquisition did not contain any contingencies related to additional consideration and will be

recorded as a business combination during the third quarter of 2007.

The following is a summary of goodwill activity for the period ended June 30, 2007 (in thousands of dollars):

	Six Months Ended June 30, 2007
Balance, at December 31, 2006	$ 257,321
Add: Acquisition(s)	27,983
Add: Accrued contingent consideration	20,020
Balance, at June 30, 2007	$ 305,324

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

The acquisitions of LongAcre Partners Limited, Helix Associates, Randall & Dewey, and Quarterdeck Investment Partners, LLC all contained a five-year contingency for additional consideration to the selling owners, based on future revenues. This additional consideration is paid in cash annually. There is no contractual dollar limit to the potential of additional consideration. During the quarter ended June 30, 2007, the Broadview International LLC contingency for additional consideration was modified and all contingencies have been accrued for as of June 30, 2007. During the six month period ended June 30, 2007, we paid approximately $25.7 million in cash related to contingent consideration that had been earned during the current six month period or prior periods.

None of the acquisitions listed above were considered material based on the small percentage each represents of our total assets, equity, revenues and net earnings.

Note 18. Quarterly Dividends

The only restrictions on our present ability to pay dividends on our common stock are the dividend preference terms of our Series A convertible preferred stock and the governing provisions of the Delaware General Corporation Law.

Dividends per Common Share (declared and paid):

	1st Quarter	2nd Quarter
2007	$0.125	$0.125
2006	$0.075	$0.125

On April 18, 2006, we declared a 2-for-1 stock split of all outstanding shares of common stock. The stock split was paid May 15, 2006 to stockholders of record as of April 28, 2006 and was effected as a stock dividend of one share of common stock for each one share outstanding on the record date. We also announced an increase to our quarterly dividend to $0.125 per post-split share, which represented a 67% increase from the previous dividend of $0.075 per post split share.

Note 19. Variable Interest Entities (VIEs)

Under the provisions of FIN 46(R) we determined that Jefferies High Yield Holdings (JHYH) and Jefferies Employees Special Opportunities Partners (JESOP) meet the definition of a VIE. We are the primary beneficiary of JHYH, and we and our employees (related parties) are the primary beneficiaries of JESOP. Therefore, we consolidate both JHYH and JESOP.

We also own significant variable interests in Clear Lake CLO, Summit Lake CLO and Victoria Falls CLO for which we are not the primary beneficiary and therefore do not consolidate these entities. In aggregate, these variable interest entities have assets approximating $1.1 billion as of June 30, 2007. Our exposure to loss is limited to our capital contributions. The carrying value of our aggregate investment in these variable interest entities is $16.6 million at June 30, 2007 and is included in Investments in managed funds on our Consolidated Statements of Financial Condition.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Note 20. High Yield Secondary Market Trading

In January 2000, we created three broker-dealer entities that employed a trading and investment strategy substantially similar to that historically employed by our High Yield division. Two of these entities, the Jefferies Partners Opportunity Fund and the Jefferies Partners Opportunity Fund II, were principally capitalized with equity contributions from institutional and high net worth investors. The third fund, Jefferies Employees Opportunity Fund (and collectively with the two Jefferies Partners Opportunity Funds, referred to as the High Yield Funds), was principally capitalized with equity investments from our employees and was therefore consolidated into our consolidated financial statements. The High Yield division and each of the funds shared gains or losses on trading and investment activities of the High Yield division on the basis of a pre-established sharing arrangement related to the amount of capital each had committed.

On April 2, 2007 we reorganized Jefferies High Yield Trading, LLC (JHYT) to conduct the secondary market trading activities previously performed by the High Yield division of Jefferies and the High Yield Funds. The activities of JHYT are overseen by Richard Handler, our Chief Executive Officer, and the same long-standing team previously responsible for these trading activities. JHYT is a registered broker-dealer engaged in the secondary sales and trading of high yield securities and special situation securities, including bank debt, post-reorganization equity, public and private equity, equity derivatives, credit default swaps and other financial instruments. JHYT makes markets in high yield and distressed securities and provides research coverage on these types of securities. JHYT is a wholly-owned subsidiary of Jefferies High Yield Holdings, LLC (JHYH).

We and Leucadia National Corporation (Leucadia) expect to increase our respective investments in JHYH to $600 million each over time. We and Leucadia each have the right to nominate two of a total of four directors to JHYH s board of directors, and each respectively own 50% of the voting securities of JHYH. JHYH provides the opportunity for additional capital investments over time from third party investors through two funds managed by us, Jefferies Special Opportunities Fund (JSOP) and Jefferies Employees Special Opportunities Fund (JESOP). The term of the arrangement is for six years, with an option to extend.

Under the provisions of FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, we determined that JHYH meets the definition of a variable interest entity. We are the primary beneficiary and consolidate JHYH. Assets of JHYH were $1.2 billion as of June 30, 2007. JHYH s net revenue and formula-determined non-interest expenses for the three month period ended June 30, 2007 amounted to $41.0 million and $10.9 million, respectively. These formula-determined non-interest expenses do not necessarily reflect the actual expenses of operating JHYH.

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Note 21. Stock Based Compensation

Incentive Plans

We sponsor the following share based employee incentive plans:

We have an Incentive Compensation Plan (Incentive Plan) which allows awards in the form of incentive stock options (within the meaning of Section 422 of the Internal Revenue Code), nonqualified stock options, stock appreciation rights, restricted stock, unrestricted stock, performance awards, dividend equivalents or other stock based awards. The plan imposes a limit on the number of shares of our common stock that may be subject to awards. An award relating to shares may be granted if the aggregate number of shares subject to then-outstanding awards plus the number of shares subject to the award being granted do not exceed 30% of the number of shares issued and outstanding immediately prior to the grant.

Restricted Stock/Restricted Stock Units. The Incentive Plan allows for grants of restricted stock awards, whereby employees are granted restricted shares of common stock subject to forfeiture until the requisite service has been provided. Grants of restricted stock are generally subject to annual ratable vesting over a five year period (i.e., 20% of the number of shares granted vests each year for a five year award). In addition, vested shares are subject to transferability restrictions that lapse at the end of the award term. With certain exceptions, the employee must remain with us for a period of years after the date of grant to receive the full number of shares granted. The Incentive Plan also allows for grants of restricted stock units. Restricted stock units give a participant the right to receive fully vested shares at the end of a specified deferral period. Restricted stock units are generally subject to forfeiture conditions similar to those of our restricted stock awards. One advantage of restricted stock units, as compared to restricted stock, is that the period during which the award is deferred as to settlement can be extended past the date the award becomes non-forfeitable, allowing a participant to hold an interest tied to common stock on a tax deferred basis. Prior to settlement, restricted stock units carry no voting or dividend rights associated with the stock ownership, but dividend equivalents are paid or accrued.

Director Plan. We also have a Directors Stock Compensation Plan (Directors Plan) which provides for an annual grant to each non-employee director of $100,000 of restricted stock or deferred shares. These grants are made automatically on the date directors are elected or reelected at our annual shareholders meeting. These grants vest three years after the date of grant and are expensed over the vesting period.

Additionally, the Directors Plan permits each non-employee director to elect to be paid annual retainer fees, meeting fees and fees for service as chairman of a Board committee in the form of cash, deferred cash or deferred shares. If deferred cash is elected, interest is credited to such deferred cash at the prime interest rate in effect at the date of each annual meeting of stockholders. If deferred shares are elected, dividend equivalents equal to dividends declared and paid on our common stock are credited to a Director s account and reinvested as additional deferred shares.

Employee Stock Purchase Plan. We also have an Employee Stock Purchase Plan (ESPP). All regular full-time employees and employees who work part-time over 20 hours per week are eligible for the ESPP. Annual employee contributions are limited to $21,250, are voluntary and are made via payroll deduction. The employee contributions are used to purchase our common stock. The stock price used is 95% of the closing price of our common stock on the last day of the applicable session (monthly).

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Deferred Compensation Plan. We also have a Deferred Compensation Plan which was established in 2001. In 2006, 2005, and 2004, employees with annual compensation of $200,000 or more were eligible to defer compensation and to invest at a 10% discount in deferred shares of our stock (DCP deferred shares), stock options (prior to 2004) and other alternatives on a pre-tax basis through the plan. The compensation deferred by our employees is expensed in the period earned. In addition, the compensation cost related to the discount on the DCP deferred shares provided by the plan for the three-month and six-month period ended June 30, 2007 and 2006 was $1,008,000 and $727,000, and $1,215,000 and $934,000, respectively.

Profit Sharing Plan. We have a profit sharing plan, covering substantially all employees, which includes a salary reduction feature designed to qualify under Section 401(k) of the Internal Revenue Code. The compensation cost related to this plan for the three-month and six-month period ended June 30, 2007 and 2006, was $2,022,000 and $775,000, and $5,898,000 and $2,448,000, respectively.

Adoption of FASB 123R

We adopted the fair value recognition provisions for share based awards pursuant to FASB 123R effective January 1, 2006. See Note 1 Summary of Significant Accounting Policies for a further discussion. The following disclosures are also being provided pursuant to the requirements of FASB 123R.

Prior to the adoption of FASB 123R, we presented all tax benefits resulting from share based compensation as cash flows from operating activities in the consolidated statements of cash flows. FASB 123R requires cash flows resulting from tax deductions in excess of the grant-date fair value of share based awards to be included in cash flows from financing activities. Accordingly, we reflected the excess tax benefit of $36.2 million and $16.8 million related to share based compensation in cash flows from financing activities in the first half of 2007 and 2006, respectively.

In accordance with FASB 123R, the fair value of share based awards is estimated on the date of grant based on the market price of our stock less the impact of selling restrictions subsequent to vesting, if any, and is amortized as additional compensation expense on a straight-line basis over the related requisite service periods, which are generally five years. As of June 30, 2007, there was $320.1 million of total unrecognized compensation cost related to nonvested share based awards, which is expected to be recognized over a remaining weighted-average vesting period of 3 years. The unrecognized compensation cost related to nonvested share based awards was recorded as unearned compensation in stockholders equity at December 31, 2005 and was a reduction to stockholders equity. As part of the adoption of FASB 123R, the unrecognized compensation cost related to nonvested share based awards granted prior to January 1, 2006 is included as a component of additional paid-in capital.

The total compensation cost of share based awards was $44.9 million and $18.7 million for the three month periods ended June 30, 2007 and 2006, respectively, and $74.3 million and $43.3 million for the six month periods ended June 30, 2007 and 2006, respectively.

We have historically and generally expect to issue new shares of common stock when satisfying our issuance obligations pursuant to share based awards, as opposed to reissuing common stock from treasury.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Restricted Stock and Restricted Stock Units (Share Based Awards)

The following tables details the activity of restricted stock and restricted stock units:

	Six Months Ended June 30, 2007 (Shares in 000s)	Weighted Average Grant Date Fair Value
Restricted stock		
Balance, beginning of year	4,336	$ 19.12
Grants	4,444	$ 28.60
Forfeited	(251)	$ 25.15
Vested	(1,581)	$ 19.57
Balance, end of period	6,948	$ 25.09

	Six Months Ended June 30, 2007 (Shares in 000s)		Weighted Average Grant Date Fair Value	
	Future Service Required	No Future Service Required	Future Service Required	No Future Service Required
Restricted stock units				
Balance, beginning of year	14,813	13,905	$19.21	$ 7.26
Grants, includes dividends	2,584	137	$25.44	$ 1.32
Deferral expiration		(1,581)	$	$12.24
Forfeited	(274)		$21.08	$
Vested	(2,885)	2,885	$17.89	$17.89
Balance, end of period	14,238	15,346	$20.73	$ 8.56

The compensation cost associated with restricted stock and restricted stock units amounted to $43,872,000 and $16,108,000 for the three-month period ended June 30, 2007 and 2006, respectively, and $73,030,000 and $41,625,000 for the six-month period ended June 30, 2007 and 2006, respectively. The average fair value of the vested awards during the first half of 2007 was approximately $28.96 per share.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Stock Options

The fair value of all option grants for all of our plans are estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for all fixed option grants in 2004: dividend yield of 0.9%; expected volatility of 32.6%; risk-free interest rates of 3.0%; and expected lives of 4.8 years. There were no option grants in 2007 and 2006. A summary of the status of our stock options in all of our stock-based plans as of June 30, 2007 and changes during the six-month period then ended is presented below:

Dollars and shares in thousands, except per share data

	Options	Weighted-Average Exercise Price
Outstanding, December 31, 2006	1,688	$ 11.02
Granted		
Exercised	(352)	$ 10.22
Canceled		
Outstanding, June 30, 2007	1,336	$ 11.23

The total intrinsic value of stock options exercised during the six months ended June 30, 2007 and 2006 was $4.1 million and $28.1 million, respectively. Cash received from the exercise of stock options during the six-months ended June 30, 2007 and 2006 totaled $2.4 million and $11.7 million, respectively, and the tax benefit realized from stock options exercised during the six-months ended June 30, 2007 and 2006 was $1.7 million and $6.7 million, respectively.

The table below provides additional information related to stock options outstanding at June 30, 2007:

Dollars and shares in thousands, except per share data

June 30, 2007	**Outstanding Net of Expected Forfeitures**	**Options Exercisable**
Number of options	1,336	1,336
Weighted-average exercise price	$ 11.23	$ 11.23
Aggregate intrinsic value	$ 21,042	$21,042
Weighted-average remaining contractual term, in years	1.00	1.00

At June 30, 2007, the intrinsic value of vested options was approximately $21.0 million for which tax benefits expected to be recognized in equity upon exercise are approximately $8.8 million.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

This report contains or incorporates by reference forward-looking statements within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements about our future and statements that are not historical facts. These forward-looking statements are usually preceded by the words believe, intend, may, will, or similar expressions. Forward-looking statements may contain expectations regarding revenues, earnings, operations and other financial projections, and may include statements of future performance, plans and objectives. Forward-looking statements also include statements pertaining to our strategies for future development of our business and products. Forward-looking statements represent only our belief regarding future events, many of which by their nature are inherently uncertain and outside of our control. It is possible that the actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Information regarding important factors that could cause actual results to differ, perhaps materially, from those in our forward-looking statements is contained in this report and other documents we file. You should read and interpret any forward-looking statement together with these documents, including the following:

- the description of our business and risk factors contained in our annual report on Form 10-K for the fiscal year ended December 31, 2006 and filed with the SEC on March 1, 2007;
- the discussion of our analysis of financial condition and results of operations contained in this report under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations ;
- the notes to the consolidated financial statements contained in this report; and
- cautionary statements we make in our public documents, reports and announcements.

Any forward-looking statement speaks only as of the date on which that statement is made. We will not update any forward-looking statement to reflect events or circumstances that occur after the date on which the statement is made.

Critical Accounting Policies

The consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles, which require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Actual results can and will differ from estimates. These differences could be material to the financial statements.

We believe our application of accounting policies and the estimates required therein are reasonable. These accounting policies and estimates are constantly re-evaluated, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

Our management believes our critical accounting policies (policies that are both material to the financial condition and results of operations and require management s most difficult, subjective or complex judgments) are our valuation of financial instruments and our use of estimates related to compensation and benefits during the year.

Valuation of Financial Instruments

JEFFERIES GROUP, INC. AND SUBSIDIARIES

Our financial instruments are primarily recorded at fair value. The fair value of a financial instrument is the amount 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 exit price). The use of fair value to measure financial instruments is fundamental to our financial statements and is our most critical accounting policy. Unrealized gains or losses are generally recognized in principal transactions in our Consolidated Statement of Earnings. Financial instruments are valued at quoted market prices, if available. For financial instruments that do not have readily determinable fair values through quoted market prices, the determination of fair value is based upon consideration of available information, including types of financial instruments, current financial information, restrictions on dispositions, fair values of underlying financial instruments and quotations for similar instruments.

We adopted FASB 157 and FASB 159, as of the beginning of 2007. See notes 1 and 4 of the Notes to the Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information on FASB 157 and FASB 159, including the impact of adoption.

Compensation and Benefits

The use of estimates is important in determining compensation and benefits expenses for interim and year end periods. A substantial portion of our compensation and benefits represents discretionary bonuses, which are fixed at year end. In addition to the level of net revenues, our overall compensation expense in any given year is influenced by prevailing labor markets, revenue mix and our use of equity-based compensation programs. We believe the most appropriate way to allocate estimated annual discretionary bonuses among interim periods is in proportion to projected net revenues earned. Consequently, we have generally accrued interim compensation and benefits based on annual targeted compensation ratios, taking into account the guidance contained in FASB 123R regarding the timing of expense recognition for non retirement-eligible and retirement-eligible employees.

Reportable Business Segments

The Capital Markets reportable segment includes our traditional securities brokerage, including the results of our recently reorganized high yield secondary market trading activities and investment banking activities. The Capital Markets reportable segment is managed as a single operating segment that provides the sales, trading and origination effort for various fixed income, equity and advisory products and services. The Capital Markets segment comprises many divisions, with interactions among each. In addition, we choose to voluntarily disclose the Asset Management segment even though it is currently an immaterial non-reportable segment as defined by FASB 131, *Disclosures about Segments of an Enterprise and Related Information*.

For presentation purposes, the remainder of Results of Operations is presented on a detailed product and expense basis rather than on a business segment basis because the Asset Management segment is immaterial as compared to the consolidated Results of Operations.

Our earnings are subject to wide fluctuations since many factors over which we have little or no control, particularly the overall volume of trading, the volatility and general level of market prices, and the number and size of investment banking transactions may significantly affect our operations.

Revenues by Source

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES

The following provides a breakdown of total revenues by source for the three-month period ended June 30, 2007 and 2006 (in thousands of dollars):

	Three Months Ended			
	June 30, 2007		June 30, 2006	
	Amount	% of Total Revenues	Amount	% of Total Revenues
Equity	$ 144,563	19%	$ 101,173	22%
Fixed income and commodities:				
Fixed income (excluding high yield) and commodities (1)	40,443	5	28,227	6
High yield (2)	34,123	4	43,409	10
Total	74,566	9	71,636	16
Investment banking	223,093	29	122,932	27
Asset management fees and investment income from managed funds (3):				
Asset management fees	7,294	1	8,918	2
Investment income from managed funds	6,090	1	13,609	3
Total	13,384	2	22,527	5
Interest	310,739	41	138,851	30
Total revenues	$ 766,345	100%	$ 457,119	100%

(1) Fixed income and commodities revenue is primarily comprised of investment grade fixed income, convertible and commodities product revenue.

(2) High yield revenue is comprised of revenue generated by our high yield

secondary market trading activities during the second quarter of 2007 and revenue generated by our pari passu share of high yield revenue in the second quarter of 2006. Our economic share of the revenues from high yield secondary market trading was $16.9 million or 50% of the total high yield revenue for the second quarter ended June 30, 2007. For the prior year period we recorded our pari passu share of our high yield fixed income activities in this caption.

(3) Prior period amounts include asset management revenue from high yield funds. Effective April 2, 2007, with the commencement of our reorganized high yield secondary market trading activities, we do

not record asset
management
revenue
associated with
these activites.

Consolidated Results of Operations

Revenues

Revenues increased $309.2 million, or 68%, to $766.3 million, compared to $457.1 million for the second quarter of 2006. The increase was primarily due to a $100.2 million, or 81%, increase in investment banking revenues, a $43.4 million, or 43%, increase in equity product revenues, a $12.2 million, or 43%, increase in fixed income (excluding high yield) and commodities revenues and a $171.9 million, or 124%, increase in interest revenues due to increased securities borrowing activities; partially offset by a $9.3 million, or 21%, decrease in high yield revenues and a $9.1 million, or 41%, decrease in asset management fees and investment income from managed funds.

Equity Product Revenue

Equity product revenue is comprised of equity (including principal transaction and commission revenue), correspondent clearing and prime brokerage, and execution product revenues. Equity product revenue was $144.6 million, up 43% from the second quarter of 2006 primarily attributable to increased proprietary and block trading activities, as well as strong contributions from our cash equity revenue products.

Fixed Income and Commodities Revenue

JEFFERIES GROUP, INC. AND SUBSIDIARIES

Fixed income and commodities revenue is primarily comprised of high yield secondary market trading activities, investment grade fixed income, convertible and commodities product revenue. Fixed income and commodities revenue was $74.6 million, up 4% over second quarter of 2006. The increase was driven by increased activity and volatility in most commodities markets, including energy related commodities markets, and strong contributions from post-reorganization securities; offset by a strong prior period performance in high yield secondary market trading.

Investment Banking Product Revenue

	Quarter Ended		
	June 30, 2007	June 30, 2006	Percentage Change
	(Dollars in Thousands)		
Capital markets	$ 135,635	$ 43,014	215%
Advisory	87,458	79,918	9%
Total	$ 223,093	$ 122,932	81%

Capital markets revenues, which consist primarily of debt, equity and convertible financing services, were $135.6 million, an increase of 215% from the second quarter of 2006. The increase in capital markets revenues was led by a strong performance in debt underwritings as well as the expansion of our investment banking activities outside the United States.

Revenues from advisory activities were $87.5 million, an increase of 9% from the second quarter of 2006. The increase in advisory revenues was led by services rendered on assignments in the technology, industrial, energy, media and communications and aerospace and defense sectors.

Asset Management Fees and Investment Income from Managed Funds

Asset management revenue includes revenues from management, administrative and performance fees from funds managed by us, revenues from asset management and performance fees from third-party managed funds, and investment revenue from our investments in these funds. Asset management revenues were $13.4 million, down $9.1 million over the second quarter of 2006. The decrease in asset management revenue was a result of a strong prior period performance from our High Yield Funds, which are no longer included in asset management effective April 2, 2007, offset by increased asset management fees from our international convertible bond funds.

Changes in Assets under Management

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES

In millions	Three Month Period Ending June 30, 2007	Three Month Period Ending June 30, 2006	Percent Change
Balance, beginning of period	$ 5,832	$ 4,038	44%
Net cash flow in (out)	(425)	288	
Net market appreciation	84	57	
	(341)	345	
Balance, end of period	$ 5,491	$ 4,383	25%

The net cash outflow during the second quarter of 2007 is primarily due to the liquidation of our managed high yield funds due to the commencement of our reorganized high yield secondary market trading activities (which are no longer included in assets under management effective April 2, 2007) and the liquidation of the Jefferies Paragon Fund in June 2007, offset by increased assets under management from our international convertible bond funds.

Net Interest

Interest income increased $171.9 million primarily as a result of increased stock borrowing activity and increases in interest rates, and interest expense increased by $171.1 million primarily as a result of increased stock lending activity, increases in interest rates and the issuance of our $600 million of senior unsecured debentures in June 2007.

Compensation and Benefits

Compensation and benefits increased $74.9 million, or 42%, consistent with the 42% increase in net revenues. The ratio of compensation to net revenues was approximately 54.1% for the second quarter of 2007 as compared to 54.0% for the second quarter of 2006 Average employee headcount increased 12% from 2,078 during the second quarter of 2006 to 2,319 during the second quarter of 2007.

Non-Personnel Expenses

Non-personnel expense was $85.5 million for the second quarter of 2007 versus $70.0 million for the second quarter of 2006 or 18.4% of net revenues for the second quarter of 2007 versus 21.4% of net revenues for the second quarter of 2006. The increase in non-personnel expenses is consistent with our revenue growth and primarily attributable to increased technology and communications costs as well as increased occupancy related to the expansion of the London and New York offices, offset by lower legal costs.

Earnings before Income Taxes, Minority Interest, and Cumulative Effect of Change in Accounting Principle, Net

Earnings before income taxes, minority interest and cumulative effect of change in accounting principle, net, were up $47.7 million, or 59%, to $128.4 million, compared to $80.7 million for the second quarter of 2006. The effective tax rates were approximately 35.1% for the second quarter of 2007 and 38.8% for the second quarter of 2006. The lower effective tax rate is due to the minority interest holdings in JHYH which are not taxed at the Jefferies level.

Minority Interest

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES

Minority interest was $15.5 million compared to $3.8 million for the second quarter of 2006. The increase is due to the commencement of the JHYH. We now consolidate 100% of the operations of JHYH for financial reporting purposes beginning with the second quarter of 2007.

Earnings per Share

Diluted net earnings per share were $0.45 for the second quarter of 2007 on 154,301,000 shares compared to $0.32 in the second quarter of 2006 on 147,605,000 shares. The diluted earnings per share calculation for the second quarter of 2007 includes an addition of $1.0 million to net earnings for preferred dividends. The dividend is recorded as a component of interest expense as the Series A convertible preferred stock is treated as debt in accordance with FASB 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*.

Basic net earnings per share were $0.48 for the second quarter of 2007 on 142,092,000 shares compared to $0.34 in the second quarter of 2006 on 133,621,000 shares.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES

The following provides a breakdown of total revenues by source for the six-month period ended June 30, 2007 and 2006 (in thousands of dollars):

	Six Months Ended			
	June 30, 2007		June 30, 2006	
	Amount	% of Total Revenues	Amount	% of Total Revenues
Equity	$ 317,620	23%	$ 274,282	28%
Fixed income and commodities:				
Fixed income (excluding high yield) and commodities (1)	86,571	6	81,335	8
High yield (2)	44,460	3	58,953	6
Total	131,031	9	140,288	14
Investment banking	393,208	28	250,666	26
Asset management fees and investment income from managed funds (3):				
Asset management fees	16,745	1	34,927	3
Investment income from managed funds	19,124	2	28,422	3
Total	35,869	3	63,349	6
Interest	511,901	37	252,611	26
Total revenues	$ 1,389,629	100%	$ 981,196	100%

(1) Fixed income and commodities revenue is primarily comprised of investment grade fixed income, convertible and commodities product revenue.

(2) High yield revenue is comprised of revenue generated by our high yield

secondary market trading activities during the second quarter of 2007 and revenue generated by our pari passu share of high yield revenue during the first quarter of 2007 and the first half of 2006. For the prior year period we recorded 100% of the revenue related to our pari passu share of our high yield revenue.

(3) Prior period amounts include asset management revenue from high yield funds. Effective April 2, 2007, with the commencement of our reorganized high yield secondary market trading activities, we do not record asset management revenue associated with these activities.

Consolidated Results of Operations

Revenues

Revenues increased $408.4 million, or 42%, to $1,389.6 million, compared to $981.2 million for the first half of 2006. The increase was primarily due to a $142.5 million, or 57%, increase in investment banking revenue, a $43.3 million, or 16%, increase in equity product revenue, a $5.2 million, or 6%, increase in fixed income (excluding high yield) and commodities, and a $259.3 million, or 103%, increase in interest revenue due to increased securities borrowing activities; partially offset by a $14.5 million, or 25%, decrease in high yield revenues, and a $27.5 million, or 43%,

decrease in asset management fees and investment income from managed funds.

Equity Product Revenue

Equity product revenue is comprised of equity (including principal transaction and commission revenue), correspondent clearing and prime brokerage, and execution product revenues. Equity product revenue was $317.6 million, up 16% from the first half of 2006 primarily attributable to increased proprietary and block trading activities, as well as strong contributions from our cash equity revenue products.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES

Fixed Income and Commodities Revenue

Fixed income and commodities revenue is primarily comprised of high yield secondary market trading activities, investment grade fixed income, convertible and commodities product revenue. Fixed income and commodities revenue was $131.0 million, down 7% over the first half of 2006. The decrease was driven by a strong prior period performance in high yield secondary market trading; offset by increased activity and volatility in most commodities markets, including energy related commodities markets, and strong contributions from post-reorganization securities.

Investment Banking Product Revenue

	Six Months Ended		
	June 30, 2007	June 30, 2006	Percentage Change
	(Dollars in Thousands)		
Capital markets	$ 225,935	$ 89,933	151%
Advisory	167,273	160,733	4%
Total	$ 393,208	$ 250,666	57%

Capital markets revenues, which consists primarily of debt, equity and convertible financing services, were $225.9 million, an increase of 151% from the first half of 2006. The increase in capital markets revenues was led by a strong performance in debt underwritings as well as the expansion of our investment banking activities outside the United States.

Revenues from advisory activities were $167.3 million, an increase of 4% from the first half of 2006. The increase in advisory revenues was led by services rendered on assignments in the technology, industrial, energy, media and communications and aerospace and defense sectors.

Asset Management Fees and Investment Income from Managed Funds

Asset management revenue includes revenues from management, administrative and performance fees from funds managed by us, revenues from asset management and performance fees from third-party managed funds, and investment revenue from our investments in these funds. Asset management revenues were $35.9 million, down $27.5 million over the first half of 2006. The decrease in asset management revenue was a result of a strong prior period performance from our High Yield Funds, which are no longer included in asset management effective April 2, 2007, offset by increased asset management fees from our international convertible bond funds.

Changes in Assets under Management

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES

In millions		Six Month Period Ending June 30, 2007		Six Month Period Ending June 30, 2006	Percent Change
Balance, beginning of period	$	5,282	$	4,031	31%
Net cash flow in		14		124	
Net market appreciation		195		228	
		209		352	
Balance, end of period	$	5,491	$	4,383	25%

The increase in net cash inflow during the first half of 2007 is primarily due to the commencement of the Clear Lake CLO and increased assets under management from our international convertible bond funds, partially offset by the liquidation of our managed high yield funds due to the commencement of our reorganized high yield secondary market trading activities (which are no longer included in assets under management) and the liquidation of the Jefferies Paragon Fund in June 2007.

Net Interest

Interest income increased $259.3 million primarily as a result of increased stock borrowing activity and increases in interest rates, and interest expense increased by $266.9 million primarily as a result of increased stock lending activity, increases in interest rates and the issuance of our $600 million of senior unsecured debentures in June 2007.

Compensation and Benefits

Compensation and benefits increased $69.9 million, or 17%, consistent with the 19% increase in net revenues. The ratio of compensation to net revenues was approximately 54.2% for the first half of 2007 as compared to 55.1% for the first half of 2006. Average employee headcount increased 12% from 2,054 during the first half of 2006 to 2,292 during the first half of 2007.

Non-Personnel Expenses

Non-personnel expense was $173.1 million for the first half of 2007 versus $155.2 million for the first half of 2006 or 19.6% of net revenues for the first half of 2007 versus 20.9% of net revenues for the first half of 2006. The increase in non-personnel expenses is consistent with our revenue growth and primarily attributable to increased technology and communications costs as well as increased occupancy related to the expansion of the London and New York offices, offset by lower legal costs.

Earnings before Income Taxes, Minority Interest, and Cumulative Effect of Change in Accounting Principle, Net

Earnings before income taxes, minority interest and cumulative effect of change in accounting principle, net, were up $53.8 million, or 30.2%, to $231.9 million, compared to $178.1 million for the first half of 2006. The effective tax rates were approximately 37.0% for the first half of 2007 and 39.2% for the first half of 2006. The lower effective tax rate is due to the minority interest holdings in JHYH which are not taxed at the Jefferies level.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES

Minority Interest

Minority interest was $16.1 million compared to $5.9 million for the first half of 2006. The increase is due to the commencement of JHYH. We now consolidate 100% of the operations of JHYH for financial reporting purposes beginning with the second quarter of 2007.

Earnings per Share

Diluted net earnings per share were $0.86 for the first half of 2007 on 153,183,000 shares compared to $0.73 in the first half of 2006 on 145,287,000 shares. The diluted earnings per share calculation for the first half of 2007 includes an addition of $2.0 million to net earnings for preferred dividends. The dividend is recorded as a component of interest expense as the Series A convertible preferred stock is treated as debt in accordance with FASB 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*.

Basic net earnings per share were $0.92 for the first half of 2007 on 141,498,000 shares compared to $0.79 in the first half of 2006 on 131,993,000 shares.

JEFFERIES GROUP, INC. AND SUBSIDIARIES

Liquidity, Financial Condition and Capital Resources

Our Chief Financial Officer and Treasurer are responsible for developing and implementing our liquidity, funding and capital management strategies. These policies are determined by the nature of our day to day business operations, business growth possibilities, regulatory obligations, and liquidity requirements.

Our actual level of capital, total assets, and financial leverage are a function of a number of factors, including, asset composition, business initiatives, regulatory requirements and cost availability of both long term and short term funding. We have historically maintained a highly liquid balance sheet, with a substantial portion of our total assets consisting of cash, highly liquid marketable securities and short-term receivables, arising principally from traditional securities brokerage activity. The highly liquid nature of these assets provides us with flexibility in financing and managing our business.

Liquidity

The following are financial instruments that are cash and cash equivalents or are deemed by management to be generally readily convertible into cash, marginable or accessible for liquidity purposes within a relatively short period of time (in thousands of dollars):

	June 30, 2007	December 31, 2006
Cash and cash equivalents:		
Cash in banks	$ 216,815	$ 107,488
Money market investments	492,846	405,553
Total cash and cash equivalents	709,661	513,041
Cash and securities segregated (1)	757,415	508,303
Mortgage-backed securities (2)	1,001	43,151
Asset-backed securities (2)	2,570	28,009
	$ 1,470,647	$ 1,092,504

(1) In accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, Jefferies, as a broker-dealer carrying client accounts, is subject to requirements related to maintaining cash or qualified securities in a segregated reserve account

for the exclusive benefit of its clients.

(2) Items are included in Financial Instruments Owned (see note 4 of the Notes to Consolidated Financial Statements). Items are financial instruments utilized in our overall cash management activities and are readily convertible to cash in normal market conditions.

Bank loans represent short-term borrowings that are payable on demand and generally bear interest at a spread over the fed funds rate. We had no outstanding secured bank loans as of June 30, 2007 and December 31, 2006. Unsecured bank loans are typically overnight loans used to finance financial instruments owned or clearing related balances. We had $63.8 million and $0 of outstanding unsecured bank loans as of June 30, 2007 and December 31, 2006, respectively. Average daily bank loans for the six-months ended June 30, 2007 and year ended December 31, 2006 were $247.7 million and $12.4 million, respectively.

A substantial portion of our assets are liquid, consisting of cash or assets readily convertible into cash. The majority of securities positions (both long and short) in our trading accounts are readily marketable and actively traded. In addition, receivables from brokers and dealers are primarily current open transactions or securities borrowed transactions, which are typically settled or closed out within a few days. Receivable from customers includes margin balances and amounts due on transactions in the process of settlement. Most of our receivables are secured by marketable securities.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES

Our assets are funded by equity capital, senior debt, mandatorily redeemable convertible preferred stock, securities loaned, customer free credit balances, bank loans and other payables. Bank loans represent temporary (usually overnight) secured and unsecured short-term borrowings, which are generally payable on demand. We have arrangements with banks for unsecured financing of up to $797.0 million. Secured bank loans are collateralized by a combination of customer, non-customer and firm securities. We have always been able to obtain necessary short-term borrowings in the past and believe that we will continue to be able to do so in the future. Additionally, we have $309.1 million in letters of credit outstanding as of June 30, 2007, which are used in the normal course of business mostly to satisfy various collateral requirements in lieu of depositing cash or securities.

Excess Liquidity

Our policy is to maintain excess liquidity to cover all expected cash outflows for one year in a stressed liquidity environment. Liquid resources consist of unrestricted cash and unencumbered assets that are readily convertible into cash on a secured basis on short notice. Certain investments are also readily convertible to cash. In addition, we have $797.0 million of unsecured, uncommitted lines of credit with various banks.

Management believes these resources provide sufficient excess liquidity to cover all expected cash outflows for one year during a stressed liquidity environment. Expected cash outflows include:

- The repayment of our unsecured debt maturing within twelve months ($100 million outstanding at June 30, 2007);
- The payment of interest expense (including dividends on our mandatorily redeemable convertible preferred stock) on our long term debt;
- The anticipated funding of outstanding investment commitments;
- The anticipated fixed costs over the next 12 months;
- Potential stock repurchases; and
- Certain accrued expenses and other liabilities

Analysis of Financial Condition and Capital Resources

Financial Condition

As previously discussed, we have historically maintained a highly liquid balance sheet, with a substantial portion of our total assets consisting of cash, highly liquid marketable securities and short-term receivables, arising principally from traditional securities brokerage activity. Total assets increased $14,687.6 million, or 82%, from $17,825.5 million at December 31, 2006 to $32,513.1 million at June 30, 2007. Our financial instruments owned, including securities pledged to creditors, increased $2,023.0 million, while our financial instruments sold, not yet purchased increased $1,206.6 million. Our securities borrowed and securities purchased under agreements to resell increased $11,446.9 million, while our securities loaned and securities sold under agreements to repurchase increased $11,542.1 million.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES

The following table sets forth book value, pro forma book value, tangible book value and pro forma tangible book value per share (dollars in thousands, except per share data):

	June 30, 2007	December 31, 2006
Stockholders equity	$ 1,788,644	$ 1,581,087
Less: Goodwill	(305,324)	(257,321)
Tangible stockholders equity	$ 1,483,320	$ 1,323,766
Stockholders equity	$ 1,788,644	$ 1,581,087
Add: Projected tax benefit on vested portion of restricted stock	209,523	130,700
Pro forma stockholders equity	$ 1,998,167	$ 1,711,787
Tangible stockholders equity	$ 1,483,320	$ 1,323,766
Add: Projected tax benefit on vested portion of restricted stock	209,523	130,700
Pro forma tangible stockholders equity	$ 1,692,843	$ 1,454,466
Shares outstanding	125,740,142	119,546,914
Add: Shares not issued, to the extent of related expense amortization	30,619,106	24,139,907
Less: Shares issued, to the extent related expense has not been amortized	(3,947,208)	(1,813,423)
Adjusted shares outstanding	152,412,040	141,873,398
Book value per share (1)	$ 14.22	$ 13.23
Pro forma book value per share (2)	$ 13.11	$ 12.07
Tangible book value per share (3)	$ 11.80	$ 11.07
Pro forma tangible book value per share (4)	$ 11.11	$ 10.25

(1) Book value per share equals stockholders equity divided by common shares outstanding.

(2)

Pro forma book value per share equals stockholders equity plus the projected deferred tax benefit on the amortized portion of restricted stock and RSUs divided by common shares outstanding adjusted for shares not yet issued to the extent of the related expense amortization and shares issued to the extent the related expense has not been amortized.

(3) Tangible book value per share equals tangible stockholders equity divided by common shares outstanding.

(4) Pro forma tangible book value per share equals tangible stockholders equity plus the projected deferred tax benefit on the amortized portion of restricted stock and RSUs divided by

common shares
outstanding
adjusted for
shares not yet
issued to the
extent of the
related expense
amortization
and shares
issued to the
extent the
related expense
has not been
amortized.

Tangible stockholders equity, pro forma book value per share, tangible book value per share and pro forma tangible book value per share are non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of financial performance that includes adjustments to the most directly comparable measure calculated and presented in accordance with GAAP, or for which there is no specific GAAP guidance. We calculate tangible stockholders equity as stockholders equity less intangible assets. We calculate pro forma book value per share as stockholders equity plus the projected deferred tax benefit on the vested portion of restricted stock and RSUs divided by common shares outstanding adjusted for shares not yet issued to the extent of the related expense amortization and shares issued to the extent the related expense has not been amortized. We calculate tangible book value per share by dividing tangible stockholders equity by common stock outstanding. We calculate pro forma tangible book value per share by dividing tangible stockholders equity plus the projected deferred tax benefit on the vested portion of restricted stock and RSUs by common shares outstanding adjusted for shares not yet issued to the extent of the related expense amortization and shares issued to the extent the related expense has not been amortized. We consider these ratios as meaningful measurements of our financial condition and believe they provide investors with additional metrics to comparatively assess the fair value of our stock.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES

Capital Resources

We had total long term capital of $3.7 billion and $2.9 billion as of June 30, 2007 and December 31, 2006, respectively, resulting in a long-term debt to total capital ratio of 48% and 41%, respectively. Our total capital base as of June 30, 2007 and December 31, 2006 was as follows (in thousands):

	June 30, 2007	December 31, 2006
Long-Term Debt	$ 1,759,284	$ 1,168,562
Mandatorily Redeemable Convertible Preferred Stock	125,000	125,000
Total Stockholders Equity	1,788,644	1,581,087
Total Capital	$ 3,672,928	$ 2,874,649

Our ability to support increases in total assets is largely a function of our ability to obtain short term secured and unsecured funding, primarily through securities lending, and through our $797.0 million of uncommitted unsecured bank lines. Our ability is further enhanced by the cash proceeds from the $500 million senior unsecured bonds and $125 million in series A preferred stock, both issued in the first quarter of 2006; as well as cash proceeds from our $600 million senior unsecured debt issuance in June 2007.

At June 30, 2007, our senior long-term debt, net of unamortized discount, consisted of contractual principal payments (adjusted for amortization) of $492.3 million, $345.8 million, $348.4 million, $248.1 million and $324.6 million due in 2036, 2027, 2016, 2014 and 2012, respectively.

We rely upon our cash holdings and external sources to finance a significant portion of our day-to-day operations. Access to these external sources, as well as the cost of that financing, is dependent upon various factors, including our debt ratings. Our current debt ratings are dependent upon many factors, including operating results, operating margins, earnings trend and volatility, balance sheet composition, liquidity and liquidity management, our capital structure, our overall risk management, business diversification and our market share and competitive position in the markets in which we operate.

Our long term debt ratings are as follows:

	Rating
Moody s Investors Services	Baa1
Standard and Poor s	BBB+
Fitch Ratings	BBB+

In May 2007 Moody s Investors Services raised to positive from stable the rating outlook on our long-term debt.

Jefferies, Jefferies Execution and Jefferies High Yield Trading are subject to the net capital requirements of the SEC and other regulators, which are designed to measure the general financial soundness and liquidity of broker-dealers. Jefferies, Jefferies Execution and Jefferies High Yield Trading use the alternative method of calculation.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES

Net Capital

As of June 30, 2007, Jefferies, Jefferies Execution and Jefferies High Yield Trading s net capital and excess net capital were as follows (in thousands of dollars):

	Net Capital	Excess Net Capital
Jefferies	$431,263	$ 411,062
Jefferies Execution	$ 25,441	$ 25,191
Jefferies High Yield Trading	$645,698	$ 645,448

Guarantees

As of June 30, 2007, we had outstanding guarantees of $20.0 million relating to an undrawn bank credit obligation of an associated investment fund in which we have an interest. In addition, we guarantee up to an aggregate of approximately $36.0 million in bank loans committed to an employee parallel fund of Jefferies Capital Partners IV L.P. (Fund IV).

We have guaranteed the performance of JIL and JFP to their trading counterparties and various banks and other entities, which provide clearing and credit services to JIL and JFP. Also, we have provided a guarantee to a third-party bank in connection with the bank s extension of 500 million Japanese yen (approximately $4.1 million) to Jefferies (Japan) Limited. In addition, as of June 30, 2007, we had commitments to invest up to $504.1 million in various investments, including $210.0 million in Jefferies Finance LLC, $32.7 million in Fund IV, $250.0 million in JHYH and $11.4 million in other investments.

Leverage Ratios

The following table presents total assets, adjusted assets, and net adjusted assets with the resulting leverage ratios as of June 30, 2007 and December 31, 2006. With respect to leverage ratio, we believe that net adjusted leverage is the most relevant measure, given the low-risk, collateralized nature of our securities borrowed and segregated cash assets.

	June 30, 2007	December 31, 2006
Total assets	$32,513,075	$ 17,825,457
Adjusted assets (1)	31,755,660	17,317,154
Net adjusted assets (2)	12,076,390	7,605,260
Leverage ratio (3)	18.2	11.3
Adjusted leverage ratio (4)	17.8	11.0
Net adjusted leverage ratio (5)	6.8	4.8

(1) Adjusted assets are total assets less cash and securities segregated.

(2) Net adjusted assets are adjusted assets, less securities borrowed.

(3) Leverage ratio equals total assets divided by stockholders equity.

(4) Adjusted leverage ratio equals adjusted assets divided by stockholders equity.

(5) Net adjusted leverage ratio equals net adjusted assets divided by stockholders equity.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
Item 3. Quantitative and Qualitative Disclosures About Market Risk

We use a number of quantitative tools to manage our exposure to market risk. These tools include:

inventory position and exposure limits, on a gross and net basis;

scenario analyses, stress tests and other analytical tools that measure the potential effects on our trading net revenues of various market events, including, but not limited to, a large widening of credit spreads, a substantial decline in equities markets and significant moves in selected emerging markets; and

risk limits based on a summary measure of risk exposure referred to as Value-at-Risk (VaR).

Value-at Risk

In general, Value-at-Risk (VaR) measures potential loss of trading revenues at a given confidence level over a specified time horizon. We calculate VaR over a one day holding period measured at a 95% confidence level which implies the potential loss of daily trading revenue is expected to be at least as large as the VaR amount on one out of every twenty trading days.

VaR is one measurement of potential loss in trading revenues that may result from adverse market movements over a specified period of time with a selected likelihood of occurrence. As with all measures of VaR, our estimate has substantial limitations due to our reliance on historical performance, which is not necessarily a predictor of the future. Consequently, this VaR estimate is only one of a number of tools we use in our daily risk management activities.

The VaR numbers below are shown separately for interest rate, equity, currency and commodity products, as well as for our overall trading positions, excluding corporate investments in asset management positions, using a historical simulation approach. The aggregated VaR presented here is less than the sum of the individual components (i.e., interest rate risk, foreign exchange rate risk, equity risk and commodity price risk) due to the benefit of diversification among the risk categories. Diversification benefit equals the difference between aggregated VaR and the sum of VaRs for the four risk categories. The following table illustrates the VaR for each component of market risk:

	Daily VaR (1) (in millions) Value-at-Risk in trading portfolios					
		VaR at		Average VaR Three Months Ended		
Risk Categories	**6/30/07**	**3/31/07**	**12/31/06**	**6/30/07**	**3/31/07**	**12/31/06**
Interest Rates	$ 1.71	$ 2.04	$ 1.39	$ 1.69	$ 1.36	$ 1.07
Equity Prices	$ 8.95	$ 9.11	$ 6.37	$ 7.84	$ 7.14	$ 5.44
Currency Rates	$ 0.45	$ 0.44	$ 0.34	$ 0.29	$ 0.34	$ 0.34
Commodity Prices	$ 1.59	$ 1.77	$ 0.80	$ 1.18	$ 0.92	$ 1.41
Diversification Effect (2)	$(3.60)	$(5.26)	$(3.36)	$(2.92)	$(2.77)	$(3.18)
Firmwide	$ 9.10	$ 8.10	$ 5.54	$ 8.08	$ 6.99	$ 5.08

(1) VaR is the potential loss in value of our trading positions due to adverse market movements over

a defined time horizon with a specific confidence level. For the VaR numbers reported above, a one-day time horizon and 95% confidence level were used.

(2) Equals the difference between firmwide VaR and the sum of the VaRs by risk categories. This effect is due to the market categories not being perfectly correlated.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES

	Daily VaR (1) (in millions) Value-At-Risk Highs and Lows for Three Months Ended					
	06/30/07		03/31/07		12/31/06	
Risk Categories	**High**	**Low**	**High**	**Low**	**High**	**Low**
Interest Rates	$ 2.18	$1.41	$2.04	$0.97	$1.50	$0.45
Equity Prices	$10.34	$4.94	$9.21	$5.81	$6.45	$4.22
Currency Rates	$ 0.55	$0.13	$0.48	$0.20	$0.48	$0.24
Commodity Prices	$ 2.03	$0.40	$1.93	$0.27	$3.22	$0.61
Firmwide	$11.36	$5.31	$9.03	$5.48	$5.85	$4.27

(1) VaR is the potential loss in value of our trading positions due to adverse market movements over a defined time horizon with a specific confidence level. For the VaR numbers reported above, a one-day time horizon and 95% confidence level were used.

Average VaR of $8.08 million during the second quarter of 2007 increased from the $6.99 million average during the first quarter of 2007 due mainly to an increase in exposure to equity prices and interest rates.

The following table presents our daily VaR over the last four quarters:

Daliy VaR Trend

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES

VaR Back-Testing

The comparison of daily actual revenue fluctuations with the daily VaR estimate is the primary method used to test the efficacy of the VaR model. Back testing is performed at various levels of the trading portfolio, from the holding company level down to specific business lines. A back-testing exception occurs when the daily loss exceeds the daily VaR estimate. Results of the process at the aggregate level demonstrated four outliers when comparing the 95% one-day VaR with the back-testing profit and loss in the second quarter of 2007. A 95% confidence one-day VaR model usually should not have more than twelve (1 out of 20 days) back-testing exceptions on an annual basis. Back-testing profit and loss is a subset of actual trading revenue and includes only the profit and loss effects relevant to the VaR model, excluding fees, commissions and certain provisions. We compare the trading revenue with VaR for back-testing purposes because VaR assesses only the potential change in position value due to overnight movements in financial market variables such as prices, interest rates and volatilities under normal market conditions. The graph below illustrates the relationship between daily back-testing trading profit and loss and daily VaR for us in the second quarter of 2007.

VaR is a model that predicts the future risk based on historical data. We could incur losses greater than the reported VaR because the historical market prices and rates changes may not be an accurate measure of future market events and conditions. In addition, the VaR model measures the risk of a current static position over a one-day horizon and might not predict the future position. When comparing our VaR numbers to those of other firms, it is important to remember that different methodologies could produce significantly different results.

Table of Contents

JEFFERIES GROUP, INC. AND SUBSIDIARIES
Daily Trading Net Revenue
($ in millions)

Trading revenue used in the histogram below entitled Second Quarter 2007 vs. Second Quarter 2006 Distribution of Daily Trading Revenue is the actual daily trading revenue which is excluding fees, commissions and certain provisions. The histogram below shows the distribution of daily trading revenue for substantially all of our trading activities.

JEFFERIES GROUP, INC. AND SUBSIDIARIES

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2007. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of June 30, 2007 are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

No change in our internal control over financial reporting occurred during the quarter ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Many aspects of our business involve substantial risks of liability. In the normal course of business, we have been named as defendants or co-defendants in lawsuits involving primarily claims for damages. We are also involved in a number of regulatory matters arising out of the conduct of our business. Our management, based on currently available information, does not believe that any matter will have a material adverse effect on our financial condition, although, depending on our results for a particular period, an adverse determination or settlements could be material for a particular period.

Item 1A. Risk Factors

Information regarding our risk factors appears in Part I, Item 1A. of our annual report on Form 10-K for the fiscal year ended December 31, 2006 filed with the SEC on March 1, 2007. These risk factors describe some of the assumptions, risks, uncertainties and other factors that could adversely affect our business or that could otherwise result in changes that differ materially from our expectations. There have been no material changes from the risk factors previously disclosed in our annual report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

On April 18, 2007, we entered into an agreement to issue and sell an aggregate of 313,152 shares of our common stock as partial consideration for the modification of the earn-out agreement entered into in connection with our acquisition of Broadview International, LLC. 89,596 of the shares were issued on April 30, 2007 to the partners of BV Holdings LLP (the former owner of Broadview International LLC) and the remaining 223,556 shares are to be issued during 2008 and 2009 to BV Holdings or its partners in a transaction not involving a public offering. The transaction was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

On May 25, 2007, we entered into an agreement to issue and sell an aggregate of 311,831 shares of our common stock as partial consideration for our purchase of LongAcre Partners Limited. The shares of common stock were issued to the previous owners of LongAcre in a transaction not involving a public offering. The transaction was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

JEFFERIES GROUP, INC. AND SUBSIDIARIES

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
April 1 April 30, 2007	905	26.55		5,939,000
May 1 May 31, 2007	218,112	28.64	94,207	5,844,793
June 1 June 30, 2007	350,000	27.98	350,000	5,494,793
Total	569,017	28.23	444,207	

(1) We repurchased an aggregate of 124,810 shares other than as part of a publicly announced plan or program. We repurchased these securities in connection with our stock compensation plans which allow participants to use shares to pay the exercise price of options exercised and to use shares to satisfy tax liabilities arising from the exercise of options or the vesting of restricted stock. The number above does not

include unvested shares forfeited back to us pursuant to the terms of our stock compensation plans.

(2) On July 26, 2005, we issued a press release announcing the authorization by our Board of Directors to repurchase, from time to time, up to an aggregate of 3,000,000 shares of our common stock. After giving effect to the 2-for-1 stock split effected as a stock dividend on May 15, 2006, this authorization increased to 6,000,000 shares.

Item 4. Submission of Matters to a Vote of Security Holders

We held our annual shareholders meeting on May 21, 2007. With respect to the election of our board of directors, our shareholders voted in the following manner:

	For	Withheld	Abstentions and Broker non-votes
Election of Directors			
Richard B. Handler	103,714,481	9,105,613	*
Brian P. Friedman	103,727,876	9,092,218	*
W. Patrick Campbell	95,048,520	17,771,574	*
Richard G. Dooley	99,158,894	13,661,200	*
Robert E. Joyal	99,160,584	13,659,510	*
Frank J. Macchiarola	94,783,417	18,036,677	*
Michael T. O Kane	99,159,066	13,661,028	*

* not applicable

JEFFERIES GROUP, INC. AND SUBSIDIARIES
Item 6. Exhibits

Exhibits

3.1	Amended and Restated Certificate of Incorporation of Jefferies Group, Inc. is incorporated herein by reference to Exhibit 3 of the Registrant s Form 8-K filed on May 26, 2004.
3.2	Registrant s Certificate of Designations of 3.25% Series A Cumulative Convertible Preferred Stock is incorporated herein by reference to Exhibit 3.1 of the Registrant s Form 8-K filed on February 21, 2006.
3.3	By-Laws of Jefferies Group, Inc are incorporated herein by reference to Exhibit 3.2 of Registrant s Form 10-K filed on March 28, 2003.
10.1	Summary of the 2007 and 2008 Executive Compensation for Messrs. Handler and Friedman is incorporated herein by reference to Exhibit 10 of the Registrant s Form 8-K filed on August 25, 2006.
10.2	Summary of the 2007 Executive Compensation for Messrs. Schenk and Feller and Ms. Syrjamaki is incorporated herein by reference to Exhibit 10.2 of the Registrant s Form 10-Q filed on May 9, 2007.
10.3*	Letter agreement dated June 1, 2007 between Joseph A. Schenk and us.
10.4*	Letter agreement dated April 16, 2007 between Maxine Syrjamaki and us.
10.5*	Consulting Agreement dated August 1, 2007 between Maxine Syrjamaki and us.
10.6*	Letter agreement dated April 19, 2006 between Charles J. Hendrickson and us.
10.7	Purchase Agreement dated June 4, 2007 among Jefferies Group, Inc., Jefferies & Company, Inc., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, BNP Paribas Securities Corp., BNY Capital Markets, Inc., Goldman, Sachs & Co., HSBC Securities (USA) Inc., J.P. Morgan Securities Inc., Greenwich Capital Markets, Inc., Banc of America Securities LLC, Fox-Pitt, Kelton Incorporated, Keefe, Bruyette & Woods, Inc., and SG Americas Securities, LLC is incorporated herein by reference to our Form 8-K filed on June 6, 2007.
31.1*	Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer.
32*	Rule 13a-14(b)/15d-14(b) and Section 1350 of Title 18 U.S.C. Certification by the Chief Executive Officer and Chief Financial Officer.

* Filed herewith.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JEFFERIES GROUP, INC.
(Registrant)

Date: August 8, 2007

By: /s/ Joseph A. Schenk
Joseph A. Schenk
Chief Financial Officer
(duly authorized officer)

Page 65 of 65