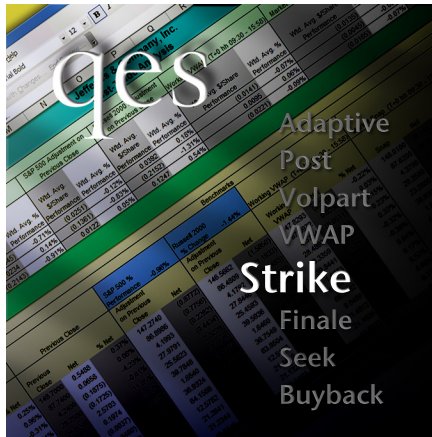


Quantitative Execution Strategies

Strike Price Strategy

Controls to balance market impact and volatility costs



Jefferies Quantitative Execution Strategies (QES) are algorithmic trading strategies provided through Jefferies & Company, Inc.

Strike Price, the QES implementation shortfall strategy, seeks to achieve best execution by balancing order size, liquidity characteristics, volatility, and the user’s risk tolerance to create an optimal trading schedule. Strike views the arrival price as its execution benchmark.

The Strategy’s Key Features

Execution Mode Settings – Strike Price accepts one of three mode settings—Passive, Active, or Aggressive—that represents your level of risk tolerance on the order.

Passive: This mode weighs market impact concerns over market and stock-specific risk while working the order. The algorithm will choose to spread the order over a longer time horizon and with lower participation rates.

Active: The Active setting seeks the best tradeoff between market impact concerns and market and stock-specific risk, and it is the default setting for the algorithm.

Aggressive: This mode focuses on risk considerations and produces the narrowest trading schedule of the three settings. Traders concerned with timing risk or stock volatility will generally prefer to use this mode.

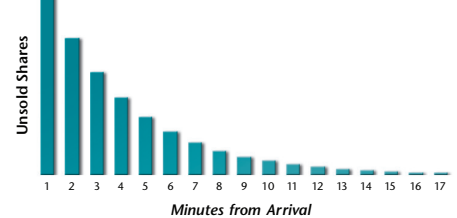
Greater Liquidity Exposure – A key feature of the Strike Price algorithm is its ability to reduce market impact by exposing orders to a wide range of liquidity pools. Jefferies is a market leader in trading small- and midcap companies, and specializes in matching buyers and sellers naturally, with minimal impact on the markets. Strike Price can interact with this flow, while also being represented in the NYSE, the AMEX, ECNs, and ATS destinations.

Volume participation limits – To further reduce the market impact of working large orders, customers can specify their own volume participation limits for orders that are very large relative to the day’s expected volume for the stock. For example, a 30% constraint would prevent the algorithm

from trading more than 30% of that day’s trading volume.

WoW (Would or Work) – Combines the power of algorithmic trading with the flexibility of block crossing. WoW provides the ability to complete the order ahead of schedule if the stock becomes available at a desirable price point specified by the trader. WoW maintains a presence in ATS destinations and simultaneously scans the depth of book in order to uncover opportunities for preferential execution.

Sample Strike Price Trading Schedule
(illustrative only)



The Jefferies Strike Advantage

The Jefferies QES Strike Price algorithm lends a level of sophistication to any trading desk by providing traders with an advanced strategy for achieving best execution of orders benchmarked to the arrival price. Duration, volume, and price limit settings provide traders with comprehensive control over the order. And by utilizing the algorithm’s three distinct order modes, traders can take advantage of anticipated market moves. If the market were in an uptrend, for example, users could choose to send buy orders at an Aggressive setting in order to take advantage of lower price points as the markets rise. And like all of Jefferies QES algorithms, Strike Price was developed and is continually enhanced by our experienced team of quantitative researchers.

For more information on the QES Strike Price autoserver and other QES servers, please contact our Portfolio Trading Desk at:

888.315.5333
portfoliotrading@Jefferies.com

Strategies from Jefferies QES

The QES Trading Advantage

Jefferies leverages sophisticated portfolio management systems and analysis with Quantitative Execution Strategies (QES) to deliver consistent execution services to our institutional clients. Our services include VWAP trading, market-on-close/market-on-open guarantees, implementation short-fall trading, pairs trading, and a range of custom trading solutions.

Autotrading is complex, carries a high degree of risk, and is intended for sophisticated investors; not suitable for everyone.

Submitting an Order

Submitting an order to one of our auto-trading servers is simple, whether through manual submission or FIX. Just specify basic information (symbol, side, and size), order type, strategy, participation level (passive, active, or aggressive), time horizon, and/or volume and price tolerance levels.

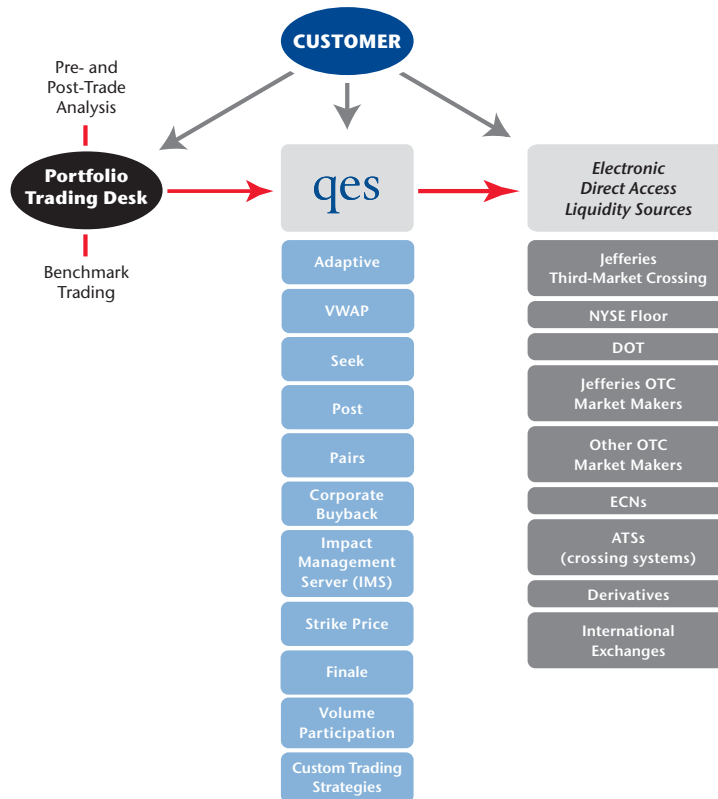
Jefferies QES strategies are accessible via FIX from both proprietary and third-party order management systems.

Three Ways to Trade with Jefferies

- through Jefferies Portfolio Trading Desk, which can provide pre- and post-trade analysis as well as guidance for benchmark trading and access to Quantitative Execution Strategies
- by direct access to Jefferies Quantitative Execution Strategies servers
- by direct access to electronic liquidity sources

The Portfolio Trading Desk is part of Jefferies & Company, Inc.

Jefferies' Customer-Driven Trading Process



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