

JEFFERIES GROUP INC /DE/

Form 424B2

March 05, 2004

Table of Contents

Filed Pursuant to Rule 424b2

Registration #333-107032

PROSPECTUS SUPPLEMENT

(To prospectus dated September 12, 2003)

\$350,000,000

Jefferies Group, Inc.

5.50% Senior Notes due 2016

We will pay interest on the notes on March 15 and September 15 of each year, beginning September 15, 2004. The notes will mature on March 15, 2016. We may redeem some or all of the notes at any time at a redemption price described in this prospectus supplement.

The notes will be unsecured obligations and rank equally with our unsecured senior indebtedness. The notes will be issued only in registered form in denominations of \$1,000.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-5 of this prospectus supplement.

	Per Senior Note	Total
Public offering price(1)	99.374%	\$ 347,809,000
Underwriting discount	.675%	\$ 2,362,500
Proceeds, before expenses, to Jefferies Group, Inc.	98.699%	\$ 345,446,500

(1) Plus accrued interest from March 8, 2004, if settlement occurs after that date

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through the Depository Trust Company on or about March 8, 2004.

Joint Lead Managers

Merrill Lynch & Co.

Jefferies & Company, Inc.

BNY Capital Markets, Inc.

Citigroup

Credit Suisse First Boston

JPMorgan

Wachovia Securities

The date of this prospectus supplement is March 3, 2004.

TABLE OF CONTENTS

	Page
Prospectus Supplement	
<u>Important Notice about Information in this Prospectus Supplement and the Accompanying Prospectus</u>	S-iii
<u>Special Note on Forward-Looking Statements</u>	S-iii
<u>Prospectus Supplement Summary</u>	S-1
<u>Risk Factors</u>	S-5
<u>Use of Proceeds</u>	S-8
<u>Capitalization</u>	S-8
<u>Selected Historical Consolidated Financial Information</u>	S-9
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	S-11
<u>Business</u>	S-20
<u>Management</u>	S-27
<u>Description of Notes</u>	S-29
<u>Underwriting</u>	S-32
<u>Legal Matters</u>	S-34
Prospectus	
<u>Prospectus Summary</u>	2
<u>Where You Can Find More Information</u>	5
<u>Use of Proceeds</u>	6
<u>Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges</u>	6
<u>Description of Debt Securities</u>	7
<u>Description of Warrants</u>	14
<u>Description of Preferred Stock</u>	17
<u>Description of Depositary Shares</u>	19
<u>Description of Common Stock</u>	22
<u>Form, Exchange and Transfer</u>	23
<u>Book-Entry Procedures and Settlement</u>	24
<u>United States Federal Income Tax Consequences</u>	25
<u>Plan of Distribution</u>	41
<u>ERISA Considerations</u>	44
<u>Legal Matters</u>	44
<u>Experts</u>	44

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date later than the date on the front of this prospectus supplement.

Table of Contents

IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of the notes being offered. The second part, the base prospectus, gives more general information, some of which may not apply to the notes being offered. Generally, when we refer only to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of notes varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in the prospectus supplement.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference forward-looking statements within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements may contain expectations regarding revenues, earnings, operations and other financial projections, and may include statements of future performance, positioning, plans and objectives. These forward-looking statements are usually preceded by the words continue, intends, will, plans, expects, anticipates, estimates, believes, or similar expressions. These forward-looking statements represent only our belief regarding future events and rely on assumptions and are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from expectations. The following documents describe these assumptions, risks, uncertainties, and other factors. You should read and interpret any forward-looking statements together with these documents:

the risk factors contained in this prospectus supplement under the caption Risk Factors ;

our most recent annual report on Form 10-K, including the sections entitled Business and Management's Discussion and Analysis of Financial Condition and Results of Operations ;

our quarterly reports on Form 10-Q; and

our other SEC filings.

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.

S-iii

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

In this prospectus supplement, we refer to our subsidiaries Jefferies & Company, Inc. as JEFECO, Helfant Group Inc. as Helfant Group and Jefferies International Limited as JIL.

The Company

We are a full-service investment bank and institutional securities firm focused on the middle market. We offer financial advisory, capital raising, mergers and acquisitions, and restructuring services to small and mid-cap companies and provide trade execution in equity, high yield, convertible and international securities, as well as research and asset management capabilities, to institutional investors. We also offer correspondent clearing, prime brokerage, private client services and securities lending services.

On December 23, 2003, we completed our acquisition of Broadview International LLC, or Broadview, for a combination of cash and stock. Broadview is an investment bank focused on the information, communications and technology industries. The firm advises clients on mergers and acquisition transactions, restructurings and strategic private placements. Broadview employs nearly 150 people, including more than 75 investment bankers, in offices in New York, Silicon Valley, Boston and London.

We maintain offices throughout the world. Our principal executive offices are located at 520 Madison Avenue, 12th Floor, New York, New York 10022, and our telephone number there is (212) 284-2550.

S-1

Table of Contents

The Offering

The following summary contains basic information about the notes. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section of this document entitled Description of Notes.

Issuer	Jefferies Group, Inc.
Notes Offered	\$350,000,000 aggregate principal amount of 5.50% Senior Notes due 2016.
Maturity	March 15, 2016.
Interest Payment Dates	March 15 and September 15 of each year, commencing September 15, 2004.
Ranking	The notes will be our senior unsecured obligations and will rank equal in right of payment with all of our other senior unsecured indebtedness.
Optional Redemption	We may redeem some or all of the notes at any time prior to maturity at the redemption prices described in this prospectus supplement.
Covenants	The indenture governing the notes contains certain covenants. See Description of Notes Covenants.
Use of Proceeds	We expect to use the net proceeds of this offering for general corporate purposes, including specifically, the further development of our asset management business. See Use of Proceeds.

S-2

Table of Contents**Summary Consolidated Financial Information**

The table below sets forth summary consolidated financial information for the periods indicated. The information has been derived from audited financial statements for the three years ended December 31, 2003.

	Year Ended December 31,		
	2003	2002	2001
(In thousands, except per share amounts)			
Earnings Statement Data			
Revenues:			
Commissions	\$ 250,191	\$ 268,984	\$ 233,860
Principal transactions	316,800	235,281	273,736
Investment banking	229,608	139,828	124,099
Interest	102,403	92,027	131,408
Asset management	17,268	12,026	17,687
Other	10,446	6,630	4,201
Total revenues	926,716	754,776	784,991
Interest expense	97,102	80,087	114,709
Revenues, net of interest expense	829,614	674,689	670,282
Non-interest expenses:			
Compensation and benefits	474,709	385,585	400,159
Floor brokerage and clearing fees	48,217	54,681	47,451
Technology and communications	58,581	52,216	44,583
Occupancy and equipment rental	32,534	26,156	22,916
Business development	26,481	22,973	21,349
Other	44,559	29,386	31,172
Total non-interest expenses	685,081	570,997	567,630
Earnings before income taxes and minority interest	144,533	103,692	102,652
Income taxes	52,851	41,121	43,113
Earnings before minority interest	91,682	62,571	59,539
Minority interest in earnings of consolidated subsidiaries, net	7,631		
Net earnings	\$ 84,051	\$ 62,571	\$ 59,539
Selected Balance Sheet Data (at period end)			
Total assets	\$ 10,992,283	\$ 6,898,691	\$ 5,344,737
Long-term debt	\$ 443,148	\$ 452,606	\$ 153,797
Total stockholders' equity	\$ 838,371	\$ 628,517	\$ 565,656
Book value per share of Common Stock	\$ 14.79	\$ 11.66	\$ 10.54
Shares outstanding	56,702	53,904	53,672
Other Data			
EBITDA(1)	\$ 257,154	\$ 204,060	\$ 234,591
Fixed charge coverage ratio(2)	5.6X	4.5X	7.0X

(1)

Edgar Filing: JEFFERIES GROUP INC /DE/ - Form 424B2

EBITDA is defined as earnings before interest expense, income taxes, depreciation and amortization expense and minority interest. EBITDA is presented because we believe it is a useful indicator of funds available to service debt, although it is not a GAAP-based measure of liquidity or financial performance. We believe that EBITDA, while providing useful information, should not be considered in isolation or as an alternative to net income and cash flows as determined in accordance with

S-3

Table of Contents

GAAP. The following table presents a reconciliation of EBITDA, as presented above, to our net earnings, as shown on our consolidated statement of earnings, for the comparable period:

	Year Ended December 31,		
	2003	2002	2001
	(In thousands)		
Net earnings	\$ 84,051	\$ 62,571	\$ 59,539
Add:			
Minority interest	7,631		
Interest expense, long-term*	32,688	29,424	11,938
Other interest expense**	64,414	50,663	102,771
Income taxes	52,851	41,121	43,113
Depreciation and amortization	15,519	20,281	17,230
EBITDA	\$257,154	\$204,060	\$234,591

* Interest expense, long-term represents interest expense on our long-term debt without adjustment for the effect of our \$200 million interest rate swaps.

** Other interest expense represents primarily short-term interest related to our securities lending activities and the effect of our \$200 million interest rate swaps.

- (2) The ratio of earnings to fixed charges is computed by dividing (a) earnings before income taxes and minority interest plus total fixed charges by (b) total fixed charges. Fixed charges consist of interest expense on all long term indebtedness and the portion of operating lease rental expense that is representative of the interest factor (deemed to be one-third of operating lease rentals).

Table of Contents

RISK FACTORS

In addition to the other information contained and incorporated by reference in this prospectus supplement and the accompanying prospectus, you should consider carefully the following factors before deciding to purchase the notes. Our business is also affected by changes in general economic and business conditions, acts of war, terrorism and natural disasters.

Risks Associated With Our Company

Changing conditions in financial markets and the economy could result in decreased revenues.

As an investment banking and securities firm, changes in the financial markets or economic conditions, in the United States and elsewhere in the world, could adversely affect our business in many ways, including the following:

A market downturn could lead to a decline in the volume of transactions executed for customers and, therefore, to a decline in the revenues we receive from commissions and spreads.

Unfavorable financial or economic conditions would likely reduce the number and size of transactions in which we provide underwriting, financial advisory and other services. Our investment banking revenues, in the form of financial advisory and underwriting fees, are directly related to the number and size of the transactions in which we participate and would therefore be adversely affected by a sustained market downturn.

Adverse changes in the market could lead to a reduction in revenues from principal transactions and commissions. Continued increases in our investments would make us more susceptible to adverse changes in the market.

Adverse changes in the market could also lead to a reduction in revenues from asset management fees.

Proprietary trading activities expose us to risk of loss.

A significant portion of our revenues is derived from proprietary trading in which we act as a principal. We may incur trading losses relating to the purchase, sale or short sale of high yield, international, convertible, or equity securities, futures and commodities for our own account, and from other program or proprietary trading. In any period, we may experience losses as a result of price declines, lack of trading volume and illiquidity. From time to time, we may have large position concentrations in a single security, securities of a single issuer or securities of issuers engaged in a specific industry. In general, because our inventory of securities is marked to market on a daily basis, any downward price movement in those securities will result in a reduction of our operating profits.

Increased competition may adversely affect our revenues and profitability.

All aspects of our business are intensely competitive. We compete directly with numerous other brokers and dealers, investment banking firms and banks. In addition to competition from firms currently in the securities business, there has been increasing competition from others offering financial services, including automated trading and other services based on technological innovations. We believe that the principal factors affecting competition involve market focus, reputation, the abilities of professional personnel, the ability to execute the transaction, the quality or price of services. Increased competition or an adverse change in our competitive position could lead to a reduction of our business and therefore a reduction of revenues and profits. Competition also extends to the hiring and retention of highly skilled employees. A competitor may be successful in hiring away an employee or group of employees, which may result in our losing business formerly serviced by such employee or employees. Competition can also raise our costs of hiring and retaining the key employees we need to effectively execute our business plan.

Our business is substantially dependent on our Chief Executive Officer.

Our future success depends to a significant degree on the skills, experience and efforts of Richard B. Handler, our Chief Executive Officer. We do not have an employment agreement with Mr. Handler.

Table of Contents

The loss of his services could compromise our ability to effectively operate our business. In addition, in the event that Mr. Handler ceases to actively manage the three funds that invest on a pari passu basis with our high yield division, investors in those funds would have the right to withdraw from the funds. The operation of the funds is described under Business Principal Transactions High Yield. Although we have substantial key man life insurance covering Mr. Handler, the proceeds from the policy may not be sufficient to offset any loss in business.

Our business depends on our ability to maintain adequate levels of personnel.

We recently made substantial increases in the number of our personnel. If a significant number of our key personnel leave, or if our business volume increases significantly over current volume, we could be compelled to hire additional personnel. At that time, there could be a shortage of qualified and, in some cases, licensed personnel whom we could hire. This could hinder our ability to expand or cause a backlog in our ability to conduct our business, including the handling of investment banking transactions and the processing of brokerage orders, all of which could harm our business, financial condition and operating results.

Extensive regulation of our business limits our activities and, if we violate these regulations, may subject us to significant penalties.

The securities industry in the United States is subject to extensive regulation under both federal and state laws. The Securities and Exchange Commission is the federal agency responsible for the administration of federal securities laws. In addition, self-regulatory organizations, principally the National Association of Securities Dealers, or NASD, and the securities exchanges, are actively involved in the regulation of broker-dealers. Securities firms are also subject to regulation by state securities commissions and state attorneys general in those states in which they do business. Broker-dealers are subject to regulations which cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers funds and securities, capital structure of securities firms, anti-money laundering, record-keeping and the conduct of directors, officers and employees. The Commission, the NASD, state securities commissions and state attorneys general may conduct administrative proceedings which can result in censure, fine, suspension, expulsion of a broker-dealer, or its officers or employees, or revocation of broker-dealer licenses. Additional legislation, changes in rules promulgated by the Commission or self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules, may directly affect our mode of operation and our profitability.

Legal liability may harm our business.

Many aspects of our business involve substantial risks of liability, and in the normal course of business, we have been named as a defendant or co-defendant in lawsuits involving primarily claims for damages. Additionally, our expansion into private client services involves an aspect of the business that has historically had more risk of litigation than our institutional business. The risks associated with potential legal liabilities often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Substantial legal liability against us could have a material adverse financial effect or cause significant reputational harm to us, which in turn could seriously harm our business prospects.

Operational risks may disrupt our business, result in regulatory action against us or limit our growth.

We face operational risks arising from mistakes made in the confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted. Our business is highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets, and the transactions we process have become increasingly complex. Consequently, we rely heavily on our financial, accounting and other data processing systems. If any of these systems does not operate properly or is disabled, we could suffer financial loss, a disruption of our

Table of Contents

business, liability to clients, regulatory intervention or reputational damage. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our business.

Risks Associated with the Offering

In the absence of an active trading market for the notes, you may not be able to resell them.

There is no existing market for the notes, and we can offer no assurance as to the liquidity of any market that may develop, your ability to sell the notes or the price at which you may be able to sell the notes. Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, our credit ratings and the market for similar securities. We do not intend to list the notes on any securities exchange. Merrill Lynch has advised us that it currently intends to make a market in the notes. However, it is not obligated to do so and may discontinue any market making at any time without notice.

We may redeem the notes before maturity, and you may be unable to reinvest the proceeds at the same or a higher rate of return.

We may redeem all or a portion of the notes at any time. The redemption price will equal the principal amount being redeemed, plus accrued interest to the redemption date, plus an amount described under Description of Notes. If a redemption occurs, you may be unable to reinvest the money you receive in the redemption at a rate that is equal to or higher than the rate of return on the notes.

The notes will be effectively subordinated to liabilities of our subsidiaries.

The notes will be the obligations of Jefferies Group, Inc. exclusively and will not be guaranteed by any of our subsidiaries or secured by any of our properties or assets. Jefferies Group, Inc. is a holding company. We conduct all of our operations through our subsidiaries and a significant portion of our consolidated assets are held by our subsidiaries. Accordingly, our cash flow and our ability to service debt, including the notes, is in large part dependent upon the results of operations of our subsidiaries and upon the ability of our subsidiaries to provide us cash (whether in the form of dividends, loans or otherwise) to pay amounts due in respect of our obligations, to pay any amounts due on the notes or to make funds available to pay such amounts. In addition, dividends, loans and other distributions from our subsidiaries to us are subject to restrictions imposed by law, including minimum net capital requirements, are contingent upon results of operations of such subsidiaries and are subject to various business considerations.

The notes will be effectively subordinated as a claim against the assets of our subsidiaries to all existing and future liabilities of those subsidiaries (including indebtedness, guarantees, customer and counterparty obligations, trade payables, lease obligations and letter of credit obligations). Therefore, our rights and the rights of our creditors, including the holders of the notes, to participate in the assets of any subsidiary upon its liquidation or reorganization will be subject to the prior claims of its creditors, except to the extent that we or they may be a creditor with recognized claims against the subsidiary.

Changes in our credit ratings may affect the trading value of the notes.

Our credit ratings are an assessment of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings may affect the trading value of the notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. No person is obligated to maintain any rating on the notes, and, accordingly, we cannot assure you that the ratings assigned to the notes will not be lowered or withdrawn by the assigning rating organization at any time thereafter.

Table of Contents**USE OF PROCEEDS**

We estimate that the net proceeds from the issuance and sale of the notes, after deducting the underwriting discount and expenses relating to the offering, will be approximately \$344,946,500. We plan to use these proceeds for general corporate purposes, including specifically, the further development of our asset management business.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2003 on an actual basis and as adjusted to give effect to the sale of the notes.

	As of December 31, 2003	
	Actual	As adjusted
	(In thousands)	
Long-Term Debt:		
7.5% Senior Notes due 2007	99,898	99,898
7.75% Senior Notes due 2012	342,950	342,950
5.50% Senior Notes due 2016 offered hereby		350,000
	<hr/>	<hr/>
Total Long-Term Debt	442,848	792,848
	<hr/>	<hr/>
Total Stockholders' equity	838,371	838,371
	<hr/>	<hr/>
Total Capitalization	\$ 1,281,219	\$ 1,631,219
	<hr/>	<hr/>

Table of Contents**SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION**

The following table sets forth our selected historical consolidated financial information for, and at December 31 of, each of the five fiscal years ended December 31, 2003. The selected historical consolidated financial information for each of the years in the three fiscal years ended December 31, 2003, and at December 31, 2003 and 2002, has been derived from our audited consolidated financial statements, incorporated by reference herein, which have been audited by KPMG LLP, independent auditors. The selected historical consolidated financial information for each of the years in the two fiscal years ended December 31, 2000, and at December 31, 2001, 2000 and 1999 has been derived from our audited consolidated financial statements not included or incorporated by reference herein.

You should read the following selected historical consolidated financial information in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus supplement and our consolidated financial statements and related notes incorporated by reference in this prospectus supplement.

	Year Ended December 31,				
	2003	2002	2001	2000	1999
(In thousands, except per share amounts)					
Earnings Statement Data					
Revenues:					
Commissions	\$250,191	\$268,984	\$233,860	\$221,471	\$202,803
Principal transactions	316,800	235,281	273,736	264,130	232,239
Investment banking	229,608	139,828	124,099	90,743	80,749
Interest	102,403	92,027	131,408	172,124	115,425
Asset management	17,268	12,026	17,687	9,560	1,973
Other	10,446	6,630	4,201	3,835	6,958
Total revenues	926,716	754,776	784,991	761,863	640,147
Interest expense	97,102	80,087	114,709	144,460	96,496
Revenues, net of interest expense	829,614	674,689	670,282	617,403	543,651
Non-interest expenses:					
Compensation and benefits	474,709	385,585	400,159	376,571	329,769
Floor brokerage and clearing fees	48,217	54,681	47,451	36,908	33,815
Technology and communications	58,581	52,216	44,583	45,398	42,427
Occupancy and equipment rental	32,534	26,156	22,916	19,193	16,003
Business development	26,481	22,973	21,349	18,432	16,676
Other	44,559	29,386	31,172	25,508	20,866
Total non-interest expenses	685,081	570,997	567,630	522,010	459,556
Earnings before income taxes and minority interest	144,533	103,692	102,652	95,393	84,095
Income taxes	52,851	41,121	43,113	40,412	35,256
Earnings before minority interest	91,682	62,571	59,539	54,981	48,839
Minority interest in earnings of consolidated subsidiaries, net	7,631				

Table of Contents

	Year Ended December 31,				
	2003	2002	2001	2000	1999
(In thousands, except per share amounts)					
Earnings from continuing operations	84,051	62,571	59,539	54,981	48,839
Discontinued operations of Investment Technology Group, Inc., or ITGI, net of tax					12,888
Net earnings	\$ 84,051	\$ 62,571	\$ 59,539	\$ 54,981	\$ 61,727
Selected Balance Sheet Data (at period end)					
Total assets	\$ 10,992,283	\$ 6,898,691	\$ 5,344,737	\$ 3,957,869	\$ 2,896,252
Long-term debt	\$ 443,148	\$ 452,606	\$ 153,797	\$ 152,545	\$ 149,485
Total stockholders' equity	\$ 838,371	\$ 628,517	\$ 565,656	\$ 458,447	\$ 396,577
Book value per share of Common Stock	\$ 14.79	\$ 11.66	\$ 10.54	\$ 9.28	\$ 8.26
Shares outstanding	56,702	53,904	53,672	49,377	48,000
Other Data					
EBITDA(1)	\$ 257,154	\$ 204,060	\$ 234,591	\$ 252,892	\$ 189,772
Fixed charge coverage ratio(2)	5.6X	4.5X	7.0X	6.9X	6.6X

- (1) EBITDA is defined as earnings before interest, income taxes, depreciation and amortization expense and minority interest. EBITDA is presented because we believe it is a useful indicator of funds available to service debt, although it is not a GAAP-based measure of liquidity or financial performance. We believe that EBITDA, while providing useful information, should not be considered in isolation or as an alternative to net income and cash flows as determined in accordance with GAAP. The following table presents a reconciliation of EBITDA, as presented above, to our net earnings, as shown on our consolidated statement of earnings, for the comparable period:

	Year Ended December 31,				
	2003	2002	2001	2000	1999
(In thousands)					
Net earnings	\$ 84,051	\$ 62,571	\$ 59,539	\$ 54,981	\$ 48,839
Add:					
Minority interest	7,631				
Interest expense, long-term*	32,688	29,424	11,938	11,938	11,938
Other interest expense**	64,414	50,663	102,771	132,522	84,558
Income taxes	52,851	41,121	43,113	40,412	35,256
Depreciation and amortization	15,519	20,281	17,230	13,039	9,181
EBITDA	\$ 257,154	\$ 204,060	\$ 234,591	\$ 252,892	\$ 189,772

* Interest expense, long-term represents interest expense on our long-term debt without adjustment for the effect of our \$200 million interest rate swaps.

**

Edgar Filing: JEFFERIES GROUP INC /DE/ - Form 424B2

Other interest expense represents primarily short-term interest related to our securities lending activities and the effect of our \$200 million interest rate swaps.

- (2) The ratio of earnings to fixed charges is computed by dividing (a) earnings before income taxes and minority interest plus total fixed charges by (b) total fixed charges. Fixed charges consist of interest expense on all long term indebtedness and the portion of operating lease rental expense that is representative of the interest factor (deemed to be one-third of operating lease rentals).

S-10

Table of Contents

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Overview

We are a full-service investment bank and institutional securities firm focused on the middle market. We offer financial advisory, capital raising, mergers and acquisitions, and restructuring services to small and mid-cap companies and provides trade execution in equity, high yield, convertible and international securities, as well as research and asset management capabilities, to institutional investors. We also offer correspondent clearing, prime brokerage, private client services and securities lending services.

We believe that our middle market niche is largely under-served by our competitors. We actively look to enhance our middle market position by continued leveraging of our internal resources and through acquisitions and strategic partnering. In 2003, we began the development of a broadly based asset management infrastructure which will support the development of various investment strategies including those focused on long-short equity, real assets, fixed income and foreign exchange through a variety of pooled investment vehicles. We expect to support and make investments in these various vehicles. Furthermore, the following developments represent additional important continuations of our strategy to create the leading investment bank serving middle-market companies and their investors:

the addition of Quarterdeck in 2002, with its specialization in mergers and acquisitions in the global aerospace, defense, and federal information technology industries; and

the addition of Broadview in 2003, with its specialization in mergers and acquisitions in the information, communications and healthcare technology industries.

Critical Accounting Policies

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Actual results will inevitably 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 reevaluated, 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.

Management believes its 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 its valuation methodologies applied to investments and to securities positions.

Investments are stated at estimated fair value as determined in good faith by management. Generally, we initially value these investments at cost and require that changes in value be established by meaningful third-party transactions or a significant change in the financial condition or operating performance of the issuer, unless meaningful developments occur that otherwise warrant a change in the valuation of an investment. Factors considered in valuing individual investments include, without limitation, available market prices, reported net asset values, type of security, purchase price, purchases of the same or similar securities by other investors, marketability, restrictions on disposition, current financial position and operating results, and other pertinent information.

Furthermore, judgment is used to value certain securities (for example, privately placed securities, 144A securities, less liquid securities), if quoted market prices are not available. These valuations are made with consideration for various assumptions, including time value, yield curve, volatility factors, liquidity, market prices on comparable securities and other factors. The subjectivity involved in this process makes these valuations inherently less reliable than quoted market prices. We believe that our

Table of Contents

comprehensive risk management policies and procedures serve to monitor the appropriateness of the assumptions used. The use of different assumptions, however, could produce materially different estimates of fair value.

Analysis of Financial Condition

Total assets increased \$4,093.6 million from \$6,898.7 million at December 31, 2002 to \$10,992.3 million at December 31, 2003. The increase in total assets mostly relates to net increases of \$3,249.0 million in securities borrowed and \$501.4 million in securities pledged. Total investments increased \$94.5 million from \$334.4 million at December 31, 2002 to \$428.9 million at December 31, 2003. The increase in investments primarily relates to approximately \$78.9 million of investments in managed funds and fund managers related to our expansion of our asset management business. We expect to continue to devote capital to these types of strategic investments as we expand our asset management business.

Total liabilities increased \$3,883.7 million from \$6,270.2 million at December 31, 2002 to \$10,153.9 million at December 31, 2003. The increase in total liabilities mostly relates to net increases of \$3,347.6 million in securities loaned and \$433.9 million in securities sold, not yet purchased.

The increase in securities borrowed and securities loaned is mostly related to our matched book business. See Business Interest.

Net stockholders' equity increased \$209.9 million from \$628.5 million at December 31, 2002 to \$838.4 million at December 31, 2003. The increase was due to net common stock activity of \$135.9 million, including \$37.9 million related to the reclassification of prior years' stock portion of deferred compensation plan deferrals, net earnings of \$84.1 million, and other comprehensive income of \$1.7 million, partially offset by cash dividends of \$11.8 million.

Revenues by Source

Our earnings are subject to wide fluctuations since many factors over which we have little or no control, particularly the overall volume of trading and the volatility and general level of market prices, may significantly affect our operations. The following provides a summary of revenues by source for the past three years.

	Year Ended December 31,					
	2003		2002		2001	
	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	% of Total Revenues
(Dollars in Thousands)						
Commissions and principal transactions:						
Equities	\$332,203	36%	\$327,835	43%	\$336,981	43%
International	85,307	9	74,853	10	62,797	8
High Yield	47,340	5	34,070	4	57,264	7
Convertible	28,799	3	29,684	4	34,091	4
Execution	23,737	3	29,310	4	11,509	1
Bonds Direct	27,242	3	11,516	2	1,665	0
Other Proprietary Trading	22,363	2	(3,003)	0	3,289	1
Total	566,991	61	504,265	67	507,596	64
Investment banking	229,608	25	139,828	18	124,099	16
Interest	102,403	11	92,027	12	131,408	17
Asset Management	17,268	2	12,026	2	17,687	2
Other	10,446	1	6,630	1	4,201	1
Total revenues	\$926,716	100%	\$754,776	100%	\$784,991	100%

S-12

Table of Contents

2003 Compared to 2002

Revenues, net of interest expense, increased \$154.9 million, or 23%, to \$829.6 million for 2003 compared to \$674.7 million for 2002. The increase was due primarily to a \$62.7 million, or 12%, increase in trading revenues (commissions and principal transactions), a \$89.8 million, or 64%, increase in investment banking, a \$5.2 million, or 44%, increase in asset management, and a \$3.8 million, or 58%, increase in other revenues, partially offset by a \$6.6 million decrease in net interest income (interest revenues less interest expense). Principal transaction revenues include our proportionate share of the results of the High Yield Funds, which are described under Business Principal Transactions High Yield. For 2003, our share of these funds accounted for \$9.8 million of revenues, up from \$7.2 million for 2002. Trading revenues increased mostly due to other proprietary, Bonds Direct, International and High Yield business units, partially offset by reduced execution revenues. Investment banking revenues increased partly due to various high yield and related financings and advisory fees, including mergers and acquisition and restructuring. During 2003, we participated in 44 public and private debt financings, managed or co-managed 44 public and private equity financings. The advisory and restructuring business was strong as we worked on many different assignments. During 2002, we participated in 20 public and private debt financings, and managed or co-managed 25 public and private equity financings. Asset management revenues increased primarily related to an international fund. Asset management revenues include management fees and a 20% carried interest from the Jefferies Partners Opportunity Funds and management fees and/or incentive fees for certain other funds. The increase in other revenues was substantially due to proceeds from a business interruption insurance settlement. Net interest income was down largely due to decreased interest income on proprietary securities positions.

Total non-interest expenses were up \$114.1 million, or 20%, to \$685.1 million, compared to \$571.0 million for 2002. Compensation and benefits increased \$89.1 million, or 23%, in line with the increase in revenues. Our compensation/ net revenues ratio was approximately 57% for both 2003 and 2002. This was possible, even with increased headcount, due to the variable nature of our compensation structure. Compensation and benefits is net of amounts reimbursed to JEFECO by the High Yield Funds. Floor brokerage and clearing fees decreased \$6.5 million, or 12%, primarily due to increased trade volumes internally executed by Helfant Group. Other expenses increased \$15.2 million, or 52%, mostly due to higher litigation, legal and business insurance costs. With more employees, more transactions, and more businesses, we do not expect legal fees to go down. In addition, with increased regulation and new corporate governance initiatives, the securities industry has seen an increase in legal costs. Occupancy and equipment rental increased \$6.4 million, or 24%, mostly due to office expansion and a \$1.9 million expense associated with the sublease of space in the San Francisco office. Technology and communications increased \$6.4 million, or 12%, largely due to new services related to program trading, increased headcount and certain one time technology related reversals in the prior year. Business development expenses increased \$3.5 million, or 15%, largely due to more business-related travel expenses.

Earnings before income taxes and minority interest increased \$40.8 million, or 39% to \$144.5 million for 2003, compared to \$103.7 million for 2002. The effective tax rate was approximately 37% for 2003 compared to 40% for 2002. The decrease in the tax rate was partially due to reductions in the effective state tax rates and partially due to the effect of increased minority interests in limited liability subsidiaries, which are not subject to tax. Net earnings were up \$21.5 million, or 34%, to \$84.1 million, compared to \$62.6 million for 2002.

Minority interest was \$7.6 million for 2003. There was no minority interest in 2002.

Basic net earnings per share were \$1.58 in 2003 on 53.1 million shares compared to \$1.27 in 2002 on 49.2 million shares. Diluted net earnings per share were \$1.42 in 2003 on 59.3 million shares compared to \$1.14 in 2002 on 55.0 million shares.

2002 Compared to 2001

Revenues, net of interest expense, increased \$4.4 million, or 1%, to \$674.7 million for 2002 as compared to \$670.3 million for 2001. The increase was due primarily to a \$15.7 million, or 13%, increase

Table of Contents

in investment banking revenues, partially offset by a \$5.7 million, or 32%, decrease in asset management revenues, a \$3.3 million, or 1%, decrease in trading revenues (commissions and principal transactions) and a \$4.8 million, or 28%, decrease in net interest income (interest revenues less interest expense). Principal transaction revenues include our proportionate share of the results of the High Yield Funds, which are described under Business Principal Transactions High Yield . For 2002, our share of these funds accounted for \$7.2 million of revenues, down from \$10.2 million for 2001. Trading revenues decreased mostly due to the High Yield Division. Investment banking revenues increased due mostly to an increase in advisory fees. Net interest income was down largely due to decreased interest rates and a reduction in the spread on the securities borrowed and loaned matched book business. Asset management revenues decreased due to the decrease in revenue attributable to the High Yield Funds, which contributed \$8.9 million for 2002, down from \$14.8 million for 2001. Asset management revenues include management fees and a 20% carried interest from the Jefferies Partners Opportunity Funds (Jefferies Employees Opportunity Fund does not have a 20% carried interest), and management fees for certain other funds.

Total non-interest expenses increased slightly in 2002 as compared to 2001. Compensation and benefits decreased \$14.6 million, or 4%. We were able to reduce our compensation/net revenues ratio to approximately 57% from approximately 60% in 2001. This was possible, even with the increased headcount, due to the variable nature of our compensation plans, a reduction in the management bonuses and a voluntary reduction in executive officer bonuses payable under the plan previously approved by the Compensation Committee of the Board of Directors. Compensation and benefits is net of amounts reimbursed to JEFECO by the High Yield Funds. Technology and communications increased \$7.6 million, or 17%, mostly due to the addition of Helfant Group and negotiated refunds in the 2001 period. Floor brokerage and clearing fees increased \$7.2 million, or 15%, primarily due to additional volume related to Helfant Group. Occupancy and equipment rental increased \$3.2 million, or 14%, mostly due to office expansion. Other expense decreased \$1.8 million, or 6%, primarily due to a decrease in charitable contributions, because of special contributions in 2001 related to the September 11 incident. Business development expenses increased \$1.6 million, or 8%, largely due to increased advertising and promotion.

Earnings before income taxes increased \$1.0 million, or 1%, to \$103.7 million for 2002, compared to \$102.7 million for 2001. The effective tax rate was approximately 40% in 2002 and approximately 42% in 2001. The mix of business (geographically and by product) favorably impacted the effective tax rate for 2002. Net earnings were up \$3.0 million to \$62.6 million, compared to \$59.5 million in 2001.

Basic net earnings per share were \$1.27 in 2002 on 49.2 million shares compared to \$1.21 in 2001 on 49.2 million shares. Diluted earnings per share were \$1.14 in 2002 on 55.0 million shares compared to \$1.14 in 2001 on 52.3 million shares.

Liquidity and Capital Resources

A substantial portion of our assets is 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. Receivables from brokers and dealers are primarily current open transactions or securities borrowed transactions, which can be settled or closed out within a few days. Receivables from customers include margin balances and amounts due on uncompleted transactions. Most of our receivables are secured by marketable securities.

Our assets are funded by equity capital, senior debt, subordinated debt, 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 \$230.0 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 we believe that we will continue to be able to do so in the future. Additionally, we have \$20.0 million in letters of credit outstanding, which are used in the normal course of business mostly to satisfy various collateral requirements in lieu of depositing cash or securities.

Table of Contents

JEFCO, Helfant Group and Bonds Direct Securities LLC, or Bonds Direct, are subject to the net capital requirements of the Commission and other regulators, which are designed to measure the general financial soundness and liquidity of broker-dealers. JEFCO, Helfant Group and Bonds Direct have consistently operated in excess of the minimum requirements. JEFCO, Helfant Group and Bonds Direct use the alternative method of calculation. As of December 31, 2003, JEFCO's, Helfant Group's and Bonds Direct's net capital and excess net capital were as follows (in thousands of dollars):

	Net Capital	Excess Net Capital
JEFCO	\$ 220,130	\$ 211,729
Helfant Group	9,398	9,148
Bonds Direct	5,183	4,933

During 2003, we purchased 274,330 shares of our common stock for \$6.6 million, at prices ranging from \$16.69 to \$32.76 per share. During 2002, we purchased 2,990,688 shares of our common stock for \$59.1 million, at prices ranging from \$16.50 to \$24.28 per share. We typically repurchase our common stock in open market transactions in accordance with Rule 10b-18 and on occasion, in transactions directly with stockholders. These repurchases are generally to cover future common stock commitments under our various stock based compensation and incentive plans. We believe that we have sufficient liquidity and capital resources to make these repurchases without any material adverse effect on our financial results or position.

During 2003, approximately \$3.6 million in zero coupon unsecured Euro denominated convertible loan notes were converted into 219,472 shares of our common stock. The conversion price for the notes was approximately 14.40 Euros (as of August 4, 2003, this was equivalent to approximately \$16.36).

During 2002, we issued \$325.0 million aggregate principal amount of 7.75% senior notes due March 15, 2012 and retired \$50.0 million aggregate principal amount of 8.875% senior notes due 2004.

In the normal course of business, we had letters of credit outstanding aggregating \$20.0 million at December 31, 2003, mostly to satisfy various collateral requirements in lieu of depositing cash or securities. These letters of credit have a current carrying amount of aggregate liability of \$0.

At December 31, 2003, we had outstanding guarantees of \$26.0 million relating to undrawn bank credit obligations of two associated investment funds in which we have an interest. Also, we have guaranteed collateralized obligations of JIL to various banks which provide clearing and credit services to JIL and to counterparties of JIL in JIL's securities borrowed business. These guarantees on behalf of JIL amounted to over \$600 million as of December 31, 2003. In addition, as of December 31, 2003, we had commitments to invest up to \$15.0 million in various investments. Additionally, in February of 2004, we committed to invest approximately \$40 million in a new fund to be managed by us.

Table of Contents

The tables below provide information about our commitments related to debt obligations, interest rate swaps, leases, guarantees, letters of credit and investments as of December 31, 2003. For debt obligations, leases and investments, the table presents principal cash flows with expected maturity dates. For interest rate swaps, guarantees and letters of credit, the table presents notional amounts with expected maturity dates.

	Expected Maturity						
As of December 31, 2003	2004	2005	2006	2007	2008	After 2008	Total
(Dollars in Thousands)							
Debt obligations							
Senior Notes				\$ 100,000		\$ 325,000	\$ 425,000
10% Subordinated Loans	\$ 300						\$ 300
Interest rate swaps						\$ 200,000	\$ 200,000
Leases							
Gross lease commitments	\$ 29,161	\$ 28,617	\$ 27,045	\$ 23,657	\$ 22,788	\$ 77,090	\$ 208,358
Sub-leases	3,097	2,080	1,193	1,008	959	1,717	\$ 10,054
Net lease commitments	\$ 26,064	\$ 26,537	\$ 25,852	\$ 22,649	\$ 21,829	\$ 75,373	\$ 198,304
Guarantees	\$ 26,000						\$ 26,000
Letters of credit	\$ 20,000						\$ 20,000
Commitments to invest	\$ 5,982	\$ 488	\$ 134			\$ 8,357	\$ 14,961

Off Balance Sheet Arrangements

At December 31, 2003, we had outstanding guarantees of \$26.0 million relating to undrawn bank credit obligations of two associated investment funds in which we have an interest. We do not believe that these guarantees are reasonably likely to have any material effect on our financial results or position.

Effects of Changes in Foreign Currency Rates

We maintain a foreign securities business in our foreign offices (London, Paris, Tokyo and Zurich) as well as in some of our domestic offices. Most of these activities are hedged by related foreign currency liabilities or by forward exchange contracts. However, we are still subject to some foreign currency risk. A change in the foreign currency rates could create either a foreign currency transaction gain/loss (recorded in our consolidated statements of earnings) or a foreign currency translation adjustment to the stockholders' equity section of our consolidated statements of financial condition.

Effects of Inflation

Based on today's modest inflationary rates and because our assets are primarily monetary in nature, consisting of cash and cash equivalents, securities and receivables, we believe that our assets are not significantly affected by inflation. The rate of inflation, however, can affect various expenses, including employee compensation, communications and technology and occupancy, which may not be readily recoverable in charges for services provided by us.

Risk Management

Risk is an inherent part of our business and activities. The extent to which we properly and effectively identify, assess, monitor and manage each of the various types of risk involved in our activities is critical to our soundness and profitability. We seek to identify, assess, monitor and manage the following principal risks involved in its business activities: market, credit, operational and legal. Risk management in our business is a multi-faceted process that requires communication, judgment and knowledge of financial products and markets. Senior management takes an active role in the risk management process and requires specific administrative and business functions to assist in the identification, assessment and control

Table of Contents

of various risks. Our risk management policies, procedures and methodologies are fluid in nature and are subject to ongoing review and modification.

Market Risk.

The potential for changes in the value of the financial instruments we own is referred to as market risk. Our market risk generally represents the risk of loss that may result from a change in the value of a financial instrument as a result of fluctuations in interest rates, credit spreads, equity prices and the correlation among them, along with the level of volatility. Interest rate risks result primarily from exposure to changes in the yield curve, the volatility of interest rates, and credit spreads. Equity price risks result from exposure to changes in prices and volatilities of individual equities, equity baskets and equity indices. We make dealer markets in equity and debt securities. To facilitate customer order flow, we may be required to own equity and debt securities in our trading and inventory accounts. The majority of our trading and inventory accounts consist of fixed income debt instruments. We attempt to hedge our exposure to market risk by managing our net long or short position. Due to imperfections in correlations, gains and losses can occur even for positions that are hedged. Position limits in trading and inventory accounts are established and monitored on an ongoing basis. Each day, consolidated position and exposure reports are prepared and distributed to various levels of management, which enable management to monitor inventory levels and results of the trading groups.

Credit Risk.

Credit risk represents the loss that we would incur if a client, counterparty or issuer of securities or other instruments held by us fails to perform its contractual obligations. We follow industry practice to reduce credit risk related to various investing and financing activities by obtaining and maintaining collateral. We adjust margin requirements if we believe the risk exposure is not appropriate based on market conditions.

Operational Risk.

Operational risk generally refers to the risk of loss resulting from our operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our operating systems, business disruptions and inadequacies or breaches in its internal control processes. We operate in diverse markets and are reliant on the ability of our employees and systems to process high numbers of transactions often within short time frames. In the event of a breakdown or improper operation of systems, human error or improper action by employees, we could suffer financial loss, regulatory sanctions or damage to our reputation. In order to mitigate and control operational risk, we have developed and continue to enhance policies and procedures that are designed to identify and manage operational risk at appropriate levels. September 11 heightened the need for comprehensive disaster recovery plans. Disaster recovery plans exist for our critical systems, and redundancies are built into the systems as deemed appropriate. We believe that our disaster recovery program, including off-site back-up technology and operational facilities, is adequate to handle a reasonable business disruption. However, there can be no assurances that a disaster directly affecting our headquarters or our operations center would not have a material adverse impact. Insurance and other safeguards might only partially reimburse us for our losses. We also use periodic self-assessments, internal audit reviews and independent consultants as a further check on operational risk and exposure.

Legal Risk.

Legal risk includes the risk of non-compliance with applicable legal and regulatory requirements. We are subject to extensive regulation in the different jurisdictions in which we conduct our business. We have various procedures addressing issues such as regulatory capital requirements, sales and trading practices, use of and safekeeping of customer funds, credit granting, collection activities, anti money-laundering and record keeping.

Table of Contents

Recent Accounting Developments

New Amendment of FASB Statement No. 123 on Stock Based Compensation.

Financial Accounting Standards Board (FASB) No. 148, Accounting for Stock-Based Compensation Transition and Disclosure an amendment of FASB Statement No. 123 , amends FASB No. 123, Accounting for Stock-Based Compensation , to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of FASB No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. On February 5, 2003, we announced that we would adopt the fair-value-based method of recording stock-based compensation contained in FASB No. 123, Accounting for Stock-Based Compensation . We implemented this statement in the first quarter of 2003. For more information concerning stock-based compensation, see note 1 of the notes to our consolidated financial statements.

New Accounting Standards on Derivative Instruments and Hedging Activities.

FASB No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities , amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB No. 133, Accounting for Derivative Instruments and Hedging Activities . This Statement is generally effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The implementation of this statement did not have a material impact on our consolidated financial statements.

New Accounting Standards for Certain Financial Instruments with Characteristics of both Liabilities and Equity.

FASB No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity. FASB No. 150 also includes required disclosures for financial instruments within its scope. FASB No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective as of January 1, 2004, except for mandatorily redeemable financial instruments. For certain mandatorily redeemable financial instruments, FASB No. 150 will be effective on January 1, 2005. The effective date has been deferred indefinitely for certain other types of mandatorily redeemable financial instruments. The adoption of FASB No. 150 did not have a material impact on our consolidated financial statements.

New Accounting Standards and Disclosures on Guarantees.

FASB Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34, elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002. The disclosure requirements were effective for financial statements of interim and annual periods ending after December 31, 2002. The adoption of FASB Interpretation No. 45 did not have a material impact on our consolidated financial statements.

New Accounting Standards on Energy Contracts.

In November 2002, the Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 02-3, Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and

Table of Contents

Contracts Involved in Energy Trading and Risk Management Activities. EITF Issue No. 02-3 precludes mark-to-market accounting for energy-trading contracts that are not derivatives pursuant to SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. We have adopted the provisions of EITF Issue No. 02-3 related to energy-trading contracts as of the beginning of 2003, and the effect of adoption was not material to our financial condition, results of operations or cash flows. EITF Issue No. 02-3 also communicates the FASB staff's view that the transaction price for a derivative contract is the best information available with which to estimate fair value at the inception of a contract when the estimate is not based on other observable market data. The application of the FASB staff's view did not have a material effect on our financial condition, results of operations or cash flows.

New Accounting Standards on Consolidations.

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaces FASB Interpretation No. 46, Consolidation of Variable Interest Entities, which was issued in January 2003. We will be required to apply FIN 46R to variable interests in variable interest entities, or VIEs, created after December 31, 2003. For variable interests in VIEs created before January 1, 2004, the Interpretation will be applied beginning on January 1, 2005.

For any VIEs that must be consolidated under FIN 46R that were created before January 1, 2004, the assets, liabilities and noncontrolling interests of the VIE initially would be measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46R first applies may be used to measure the assets, liabilities and noncontrolling interest of the VIE. We are evaluating the impact of applying FIN 46R to existing VIEs in which we have variable interests and have not yet completed this analysis. As we continue to evaluate the impact of applying FIN 46R, additional entities may be identified that would need to be consolidated.

FASB Interpretation No. 46, Consolidation of Variable Interest Entities, addressed the consolidation by companies of variable interest entities as defined in the Interpretation. A company is required to consolidate a variable interest entity if that company is the primary beneficiary as defined by the Interpretation. For purposes of determining whether it is the primary beneficiary, a company is required to treat variable interests in the variable interest entity held by its related parties as its own interests. We, together with our employees (related parties), are the primary beneficiary of Jefferies Employees Opportunity Fund, or JEOF, one of the three High Yield Funds that we manage. Therefore, JEOF starting in the third quarter of 2003 is consolidated into our consolidated financial statements, and is no longer treated as an investment.

Table of Contents

BUSINESS

We are a full-service investment bank and institutional securities firm focused on the middle market. We offer financial advisory, capital raising, mergers and acquisitions, and restructuring services to small and mid-cap companies and provide trade execution in equity, high yield, convertible and international securities, as well as research and asset management capabilities, to institutional investors. We also offer correspondent clearing, prime brokerage, private client services and securities lending services.

As of December 31, 2003, we had 1,626 employees.

Jefferies & Company, Inc.

JEFCO was founded in 1962 and is engaged in equity, convertible debt and high yield securities brokerage and trading and investment banking. JEFCO is one of the leading national firms engaged in the distribution and trading of blocks of equity securities both on the national securities exchanges and in the third market. The term third market refers to transactions in listed equity securities effected other than on national securities exchanges. JEFCO's revenues are derived primarily from commission revenues and market making or trading as principal in equity, high yield, convertible securities, options, futures and international securities with or on behalf of institutional investors, with the balance generated by investment banking and other activities. JEFCO currently provides equity and/or high yield research in the areas of:

Aerospace & Defense

Apparel

Biotechnology

Consumer

Energy

Financial Services

Food Products & Restaurants
Gaming & Leisure

Government & Commercial IT
Healthcare

Home Building

Home Goods Retailing
Industrial

Knowledge Services

Post-Reorganization

Printing, Packaging & Printing-Related Industries
Maritime/Shipping

Media & Entertainment
Retail

Specialty Retail

Special Situations

Technology

Transportation and Telecommunications

Jefferies International Limited

JIL was incorporated in 1986 in England, and is a member of The International Stock Exchange and The Securities and Futures Authority. JIL introduces customers trading in U.S. securities to JEFECO and also trades as a broker-dealer in international equity and convertible securities and American Depositary Receipts, or ADRs. In 1995, JIL formed a wholly owned Swiss subsidiary, Jefferies (Switzerland) Ltd. In 1996, JIL formed a wholly owned English subsidiary, Jefferies (Japan) Limited, which maintains a branch office in Tokyo.

Helfant Group, Inc.

Helfant Group is the successor to a business that has been a member of the NYSE since 1927. Providing agency-only execution services to institutional investors, Helfant offers electronic and floor trading capabilities for stocks and options listed on the NYSE, AMEX, and all other major U.S. exchanges, as well as OTC. In September 2001, we acquired Lawrence Helfant, Inc. and Lawrence Helfant LLC and in January 2002, we merged Lawrence Helfant, Inc. and Lawrence Helfant LLC into W & D Securities, Inc. and changed its name to Helfant Group, Inc.

S-20

Table of Contents

Quarterdeck Investment Partners, LLC

We acquired Quarterdeck Investment Partners, LLC in December 2002. Quarterdeck is an investment banking firm specializing in mergers and acquisitions in the global aerospace, defense, and federal information technology industries.

Broadview International

We acquired Broadview International LLC in December 2003. Broadview is an investment banking firm specializing in mergers and acquisitions in the information, communications and healthcare technology industries.

Bonds Direct

Bonds Direct Securities LLC, a majority-owned subsidiary, provides investment grade fixed income transaction execution for institutions acting as principal, through a combination of professional sales and trading coverage, and a technology platform that enables true on-line trading. Bonds Direct was formed in 2001.

Separation of Investment Technology Group, Inc. from Jefferies Group, Inc.

We were originally incorporated in 1998 as a holding company under the name JEF Holding Company, Inc. At the time of its incorporation, JEF Holding Company, Inc. was a wholly owned subsidiary of a predecessor company also named Jefferies Group, Inc., or Old Group. On April 20, 1999, the stockholders of Old Group approved and adopted a merger agreement between Old Group and Old Group's approximately 80.5% owned subsidiary, Investment Technology Group, Inc., or ITGI.

On April 27, 1999, Old Group and ITGI consummated the transactions that resulted in the separation of ITGI from the other Old Group businesses. On April 22, 1999, Old Group transferred all non-ITGI assets and liabilities to JEF Holding Company, Inc., a holding company. Old Group then distributed all of the common stock of JEF Holding Company, Inc. to Old Group stockholders through a tax-free spin-off. After the transfers, Old Group's 15 million shares of ITGI became its only asset. The spin-off was immediately followed by a tax-free merger of ITGI with and into Old Group. Following the merger, Old Group was renamed Investment Technology Group, Inc. and JEF Holding Company, Inc. was renamed Jefferies Group, Inc., the issuer in this prospectus.

These transactions were treated for financial reporting purposes as if Old Group had spun-off its entire 80.5% stake in ITGI to Old Group stockholders. Accordingly, since the results of ITGI were previously consolidated with Old Group, all financial information for the periods prior to April 27, 1999 have been restated to reflect the results of ITGI as a discontinued operation. The net assets of ITGI have been segregated for prior periods from the other assets and liabilities of Old Group. For financial reporting purposes, the net assets of ITGI as of April 27, 1999 have been treated as a distribution to Old Group stockholders.

Commission Business

We derive a substantial portion of our revenues from customer commissions on brokerage transactions in equity and debt securities for domestic and international investors such as investment advisors, banks, mutual funds, insurance companies, hedge funds, and pension and profit sharing plans. These investors normally purchase and sell securities in block transactions, the execution of which requires special marketing and trading expertise. JEF CO, for example, is one of the leading national firms in the execution of equity block transactions, and believes that its institutional customers are attracted by the quality of its execution (with respect to considerations of quantity, timing and price) and its competitive commission rates, which are negotiated on the basis of market conditions, the size of the particular transaction and other factors. In addition to domestic equity securities, JEF CO executes transactions in high yield securities, domestic and international convertible securities, international equity securities,

Table of Contents

ADRs, options, preferred stocks, financial futures and other similar products. JEFECO's private client services group focuses on transactions with retail customers, including high net worth clients, which typically involve a greater risk of litigation than would normally be assumed in JEFECO's traditional institutional activities.

All of JEFECO's institutional equity account executives are electronically interconnected through systems permitting simultaneous verbal and graphic communication of trading and order information by all participants. JEFECO believes that its execution capability is significantly enhanced by this system, which permits its account executives to respond to each other and to negotiate order indications directly with customers rather than through a separate trading department.

Principal Transactions

In the regular course of its business, JEFECO takes securities positions as a market maker to facilitate customer transactions and for investment purposes. In making markets and when trading for its own account, JEFECO exposes its own capital to the risk of fluctuations in market value. Trading profits (or losses) depend primarily upon the skills of the employees engaged in market making and position taking, the amount of capital allocated to positions in securities and the general trend of prices in the securities markets.

JEFECO monitors its risk by maintaining its securities positions at or below certain pre-established levels. These levels reduce certain opportunities to realize profits in the event that the value of such securities increases. However, they also reduce the risk of loss in the event of a decrease in such value and result in controlled interest costs incurred on funds provided to maintain such positions.

Equities. The Equities Division of JEFECO makes markets in over 4,000 over-the-counter equity securities and ADRs, and trades securities for its own account, as well as to facilitate customer transactions. Included in principal transactions are commission-equivalents charged on certain principal trades for Nasdaq securities. During 2002, JEFECO hired a group of traders who specialize in trading OTC Bulletin Board and pink sheet securities. These securities are typically more illiquid, have smaller capitalizations and may involve more risk than Nasdaq traded securities.

High Yield. The High Yield Division of JEFECO principally trades non-investment grade public and private debt securities, as well as distressed securities and bank debt. The division specializes in trading and making markets in over 1,000 unrated or less than investment grade corporate debt securities and accounts for these positions at market value. At December 31, 2003, the aggregate long and short market value of these positions was \$205.4 million and \$34.2 million, respectively. Risk of loss upon default by the borrower is significantly greater with respect to unrated or less than investment grade corporate debt securities than with other corporate debt securities. These securities are generally unsecured and are often subordinated to other creditors of the issuer. These issuers usually have high levels of indebtedness and are more sensitive to adverse economic conditions, such as recession or increasing interest rates, than are investment grade issuers. There is a limited market for some of these securities and market quotes are available only from a small number of dealers.

Three funds managed by JEFECO, the High Yield Funds, invest on a pari passu basis in all trading and investment activities undertaken by the High Yield Division. Two of these funds, the Jefferies Partners Opportunity Funds, are principally capitalized with equity contributions from institutional and high net worth investors. The third fund, Jefferies Employees Opportunity Fund, is principally capitalized with equity investments from JEFECO employees and is therefore consolidated into our consolidated financial statements. JEFECO's senior management (including our Chief Executive Officer, President and Chief Financial Officer) and certain JEFECO employees have direct investments in all three funds on terms identical to other fund participants. JEFECO has a 16% aggregate interest in the funds, senior management has a 3% interest and all employees (exclusive of senior management) have an 8% interest. The High Yield Division and each of the funds share gains or losses on all 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 has available for such transactions. The sharing arrangement is modified from time to time to reflect

Table of Contents

changes in the respective amounts of available capital. As of December 31, 2003, the funds were being allocated an aggregate of 64% of such gains and losses. The funds also reimburse JEFECO for their share of allocable trading expenses. At year end 2003, the High Yield Division had in excess of \$945 million of combined pari passu capital available from the funds (including unfunded commitments and availability under the fund revolving credit facility) and JEFECO to deploy and execute the division's investment and trading strategy. The High Yield Funds are actively managed by Richard B. Handler, our Chief Executive Officer. Investors in the funds would have the right to redeem their investment should Mr. Handler cease actively managing the High Yield Funds.

Convertible Securities. JEFECO trades domestic and international convertible securities and assists corporate and institutional clients in identifying attractive investments in these securities.

Other Proprietary Trading. We trade investment grade corporate bonds, U.S. treasury securities, and U.S. government agency securities through Bonds Direct. We also engage in structured trading within our securities lending activities, exchange in traded commodities futures transactions, and have investments in partnership, hedge funds and mutual funds, as well as other relationships with independent management firms, which contribute to revenues from principal transactions.

Investment Banking

JEFECO's Investment Banking Division offers corporations (primarily middle-market growth companies) a full range of financial advisory services as well as debt, equity, and convertible financing services. Services include acquisition financing, bridge and senior loan financing, private placements and public offerings of debt and equity securities, debt refinancings, restructuring, merger and acquisition and exclusive sales advice, structured financings and securitizations, consent and waiver solicitations, and company and bondholder representations in corporate restructurings. Investment banking activity involves both economic and regulatory risks. An underwriter may incur losses if it is unable to sell the securities it is committed to purchase or if it is forced to liquidate its commitments at less than the agreed upon purchase price. In addition, under the Securities Act and other laws and court decisions with respect to underwriters' liability and limitations on indemnification of underwriters by issuers, an underwriter is subject to substantial potential liability for material misstatements or omissions in prospectuses and other communications with respect to underwritten offerings. Further, underwriting commitments constitute a charge against net capital and JEFECO's underwriting commitments may be limited by the requirement that it must, at all times, be in compliance with the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission.

JEFECO intends to continue to pursue opportunities for its corporate customers, which may require it to finance and/or underwrite the issuance of securities. Under circumstances where JEFECO is required to act as an underwriter or to take a position in the securities of its customers, JEFECO may assume greater risk than would normally be assumed in its normal trading activity.

Interest

JEFECO derives a substantial portion of its interest revenues, and incurs a substantial portion of its interest expenses, in connection with its securities borrowed/ securities loaned activity. JEFECO also earns interest on its securities portfolio, on its operating and segregated balances, on its margin lending activity and on certain of its investments, including its investment in short-term bond funds. JEFECO also incurs interest expense on its long-term debt, bank loans and free credit balances in the accounts of customers. JEFECO has a fair value hedge using interest rate swaps in order to convert \$200.0 million aggregate principal amount of unsecured 7.75% senior notes due March 15, 2012 into floating rates based upon LIBOR.

Securities Borrowed/ Securities Loaned. In connection with both its trading and brokerage activities, JEFECO borrows securities to cover short sales and to complete transactions in which customers have failed to deliver securities by the required settlement date, and lends securities to other brokers and dealers for similar purposes. JEFECO has an active securities borrowed and lending matched book business, in which JEFECO borrows securities from one party and lends them to another party. When JEFECO

Table of Contents

borrowers securities, JEFECO provides cash to the lender as collateral, which is reflected in our financial statements as receivable from brokers and dealers. JEFECO earns interest revenues on this cash collateral. Similarly, when JEFECO lends securities to another party, that party provides cash to JEFECO as collateral, which is reflected in our financial statements as payable to brokers and dealers. JEFECO pays interest expense on the cash collateral received from the party borrowing the securities. A substantial portion of JEFECO's interest revenues and interest expenses results from the matched book activity. The initial collateral advanced or received approximates or is greater than, the fair value of the securities borrowed or loaned. JEFECO monitors the fair value of the securities borrowed and loaned on a daily basis and requests additional collateral or returns excess collateral, as appropriate.

Margin Lending. Customers' transactions are executed on either a cash or margin basis. In a margin transaction, JEFECO extends credit to the customer, collateralized by securities and cash in the customer's account, for a portion of the purchase price, and receives income from interest charged on such extensions of credit.

In permitting a customer to purchase securities on margin, JEFECO is subject to the risk that a market decline could reduce the value of its collateral below the amount of the customer's indebtedness and that the customer might otherwise be unable to repay the indebtedness.

In addition to monitoring the creditworthiness of its customers, JEFECO also considers the trading liquidity and volatility of the securities it accepts as collateral for its margin loans. Trading liquidity and volatility may be dependent, in part, upon the market in which the security is traded, the number of outstanding shares of the issuer, events affecting the issuer and/or securities markets in general, and whether or not there are any legal restrictions on the sale of the securities. Certain types of securities have historical trading patterns, which may assist JEFECO in making its evaluation. Historical trading patterns, however, may not be good indicators over relatively short time periods or in markets which are affected by unusual or unexpected developments. JEFECO considers all of these factors at the time it agrees to extend credit to customers and continues to review its extensions of credit on an ongoing basis.

The majority of JEFECO's margin loans are made to United States citizens or to corporations which are domiciled in the United States. JEFECO may extend credit to investors or corporations who are citizens of foreign countries or who may reside outside the United States. JEFECO believes that should such foreign investors default upon their loans and should the collateral for those loans be insufficient to satisfy the investors' obligations, it may be more difficult to collect such investors' outstanding indebtedness than would be the case if investors were citizens or residents of the United States.

Although JEFECO attempts to minimize the risk associated with the extension of credit in margin accounts, there is no assurance that the assumptions on which JEFECO bases its decisions will be correct or that it is in a position to predict factors or events which will have an adverse impact on any individual customer or issuer, or the securities markets in general.

Asset Management

We receive asset management fees in connection with the management and investment advisory services we perform for various domestic and international funds and managed accounts. These asset management fees include fees based on the value of assets under management and may include incentive fees based on performance. In 2003, we began the development of a broadly based asset management infrastructure which will support the development of various investment strategies including those focused on long-short equity, real assets, fixed income and foreign exchange through a variety of pooled investment vehicles. We expect to support and make investments in these various vehicles.

Competition

As an international investment bank and securities firm, all aspects of our business are intensely competitive. We compete directly with numerous domestic and international competitors, including firms included on the AMEX Securities Broker/ Dealer Index and with other brokers and dealers, investment

Table of Contents

banking firms, investment advisors, mutual funds, hedge funds and commercial banks. Many of our competitors have substantially greater capital and resources and offer a broader range of financial products than we. In addition to competition from firms currently in the securities business, there has been increasing competition from others offering financial services. These developments and others have resulted, and may continue to result, in significant additional competition for us. We believe that the principal factors affecting competition involve market focus, reputation, the abilities of professional personnel, the relative price of the service and products being offered and the quality of service.

Regulation

The securities industry in the United States is subject to extensive regulation under both federal and state laws. The Commission is the federal agency responsible for the administration of federal securities laws. In addition, self-regulatory organizations, principally the NASD and the securities exchanges, are actively involved in the regulation of broker-dealers. These self-regulatory organizations conduct periodic examinations of member broker-dealers in accordance with rules they have adopted and amended from time to time, subject to approval by the Commission. Securities firms are also subject to regulation by state securities commissions and state attorneys general in those states in which they do business.

Broker-dealers are subject to regulations which cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure of securities firms, record-keeping, anti-money laundering and the conduct of directors, officers and employees. Additional legislation, changes in rules promulgated by the Commission and self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules, may directly affect the mode of operation and profitability of broker-dealers. The Commission, self-regulatory organizations, state securities commissions and state attorneys general may conduct administrative proceedings which can result in censure, fine, suspension, expulsion of a broker-dealer, its officers or employees, or revocation of broker-dealer licenses. The principal purpose of regulation and discipline of broker-dealers is the protection of customers and the securities markets, rather than protection of creditors and stockholders of broker-dealers.

As registered broker-dealers, JEFECO, Helfant Group and Bonds Direct are required by law to belong to the Securities Investor Protection Corporation or SIPC. In the event of a member's insolvency, the SIPC fund provides protection for customer accounts up to \$500,000 per customer, with a limitation of \$100,000 on claims for cash balances. JEFECO carries an excess policy that provides additional protection for securities of up to \$9.5 million per customer with an aggregate limit of \$100 million.

Net Capital Requirements. Every U.S. registered broker-dealer doing business with the public is subject to the Net Capital Rule, which specifies minimum net capital requirements. We are not a registered broker-dealer and therefore are not subject to this rule; however, our United States broker-dealer subsidiaries are so registered and are subject to this rule.

The net capital rule provides that a broker-dealer doing business with the public shall not permit its aggregate indebtedness to exceed 15 times its adjusted net capital (the basic method) or, alternatively, that it not permit its adjusted net capital to be less than 2% of its aggregate debit balances (primarily receivables from customers and broker-dealers) computed in accordance with the rule (the alternative method). JEFECO, Helfant Group and Bonds Direct use the alternative method of calculation.

Compliance with applicable net capital rules could limit operations of JEFECO, such as underwriting and trading activities, that require use of significant amounts of capital, and may also restrict loans, advances, dividends and other payments by JEFECO, Helfant Group or Bonds Direct to us. As of December 31, 2003, JEFECO's, Helfant Group's and Bonds Direct's net capital exceeded minimum net capital requirements.

Table of Contents

Risk Management

As an international investment bank and securities firm, risk is an inherent part of our business. Global markets, by their nature, are prone to uncertainty and subject participants to a variety of risks. We have developed policies and procedures to identify, measure and monitor each of the risks involved in our trading, brokerage and corporate finance activities on an international basis. Risk management is considered to be of paramount importance. We devote significant resources to the measurement, management and analysis of risk, including investments in personnel, information technology infrastructure and systems. Since 1997, we have retained the services of Ernst & Young LLP, or E&Y, to perform internal audit procedures on an outsource basis for the benefit of our management and Audit Committee. In this capacity, E&Y coordinates the scope and results of internal audit procedures with our management and Audit Committee. Our independent auditors, KPMG LLP, consider the internal audit work performed by E&Y, among other things, in determining the scope of the annual audit of our consolidated financial statements.

Properties

We maintain offices throughout the world including New York, Atlanta, Boston, Chicago, Dallas, Hong Kong, Houston, Jersey City, London, Los Angeles, Nashville, New Orleans, Philadelphia, Richmond, Paris, San Francisco, Silicon Valley, Short Hills, Stamford, Tokyo, Washington, D.C. and Zurich. In addition, we maintain back-up facilities with redundant technologies in Dallas. We lease all of our office space which management believes is adequate for our business.

Legal Proceedings

Many aspects of our business involve substantial risks of liability. In the normal course of business, we and our subsidiaries have been named as defendants or co-defendants in lawsuits involving primarily claims for damages. Our management believes that pending litigation should not have a material adverse effect on us.

Table of Contents**MANAGEMENT**

The following table sets forth certain information concerning each of our executive officers, directors and key employees, their ages, and their respective positions:

Name:	Age:	Position:
Richard B. Handler	42	Chief Executive Officer; Chairman of the Board; Director
John C. Shaw, Jr.	57	President; Chief Operating Officer; Director
Joseph A. Schenk	45	Executive Vice President; Chief Financial Officer
Lloyd H. Feller	61	Executive Vice President, General Counsel; Secretary
Maxine Syrjamaki	59	Controller
W. Patrick Campbell	58	Director
Richard G. Dooley	74	Director
Frank J. Macchiarola	62	Director

Richard B. Handler became our Chairman of the Board on February 15, 2002 and has been our and JEFECO's Chief Executive Officer since January 2001. He also served as Co-President and Co-Chief Operating Officer of both entities during 2000. Mr. Handler was elected to our Board of Directors in May 1998 and to the Board of JEFECO in May 1993. He was the Managing Director of High Yield Capital Markets at JEFECO from May 1993 until February 2002, after co-founding that group as an Executive Vice President in April 1990. He is the President and Chief Executive Officer of the Jefferies Partners Opportunity family of funds. Mr. Handler received an MBA from Stanford University in 1987 and a BA in Economics from the University of Rochester in 1983.

John C. Shaw, Jr. has been our and JEFECO's President and Chief Operating Officer since January 2001. Mr. Shaw has also been a member of the Board of Directors since January 2000, and a Director of JEFECO since 1983. Mr. Shaw was our and JEFECO's Co-President and Co-Chief Operating Officer during 2000. Mr. Shaw was Executive Vice President and Regional Manager of JEFECO's Boston office from 1994 to 1997 and began his tenure at JEFECO in 1983 as a Senior Vice President and Regional Manager of JEFECO's Chicago office. Before joining JEFECO's, Mr. Shaw was a Senior Vice President and Institutional Branch Manager at First Boston in Chicago, and previously, was a Senior Vice President and Branch Manager at Cantor Fitzgerald in Chicago, where he started in 1976.

Joseph A. Schenk has been our Executive Vice President and Chief Financial Officer since January 2000, Executive Vice President of JEFECO since January 2000 and was a Senior Vice President, Corporate Services of JEFECO from September 1997 through December 1999. From January 1996 through September 1997, Mr. Schenk was Chief Financial Officer and Treasurer of Tel-Save Holdings, Inc., now Talk American Holdings, Inc. From September 1993 to January 1996, Mr. Schenk was Vice President, Capital Markets Group, with JEFECO.

Lloyd H. Feller has been our Executive Vice President, General Counsel and Secretary, and a director of JEFECO since December 2002. Previously he had been Senior Vice President, General Counsel and Secretary of SoundView Technology Group Inc. and its predecessor, Wit Capital Group, from 1999 to December 2002. Prior to that time, he was a partner at Morgan, Lewis & Bockius LLP, where he was the leader of that firm's securities regulation practice group. Before joining Morgan Lewis in 1979, Mr. Feller worked at the SEC as the Associate Director of the Division of Market Regulation, a position in which he was in charge of the Office of Market Structure and Trading Practices.

Maxine Syrjamaki has been our Controller since May 1987, an Executive Vice President of JEFECO since November 1986, Chief Financial Officer of JEFECO since September 1984 and a director of JEFECO from 1983 through December 2003. Ms. Syrjamaki has also been Chief Financial Officer of both Bonds Direct Securities LLC and Quarterdeck Investment Partners LLC since 2001. Prior to joining Jefferies in 1983, Ms. Syrjamaki was a certified public accountant in the audit group of Peat Marwick (now KPMG) specializing in financial institutions.

Table of Contents

W. Patrick Campbell has served as a member of our Board of Directors since January 2000. Mr. Campbell was Chairman and Chief Executive Officer of Magex Limited from August 2000 through April 2002 and is currently an independent consultant in the media and telecom field. From 1994 until October 1999, Mr. Campbell was Executive Vice President of Corporate Strategy and Business Development at Ameritech Corp. where he was a member of the Management Committee and directed all corporate strategy and merger and acquisition activity. From 1989 to 1994, Mr. Campbell served as President and Chief Executive Officer of Columbia TriStar Home Video, a Sony Pictures Entertainment Company, and has previously been President of RCA/ Columbia Pictures International Video. Mr. Campbell has also been a director of Black & Veatch since November 1999. Mr. Campbell is Chairman of our Audit Committee, and a member of the Compensation Committee and the Corporate Governance and Nominating Committee.

Richard G. Dooley has been a member of our Board of Directors since November 1993. From 1978 until his retirement in June 1993, Mr. Dooley was Executive Vice President and Chief Investment Officer of Massachusetts Mutual Life Insurance Company (Mass Mutual); Mr. Dooley was a consultant to Mass Mutual from 1993 through 2003. Mr. Dooley has also been a director of Kimco Realty Corporation since 1990. Mr. Dooley is also a trustee of Saint Anselm College and Chairman of the Board of The Nellie Mae Education Foundation, Inc. Mr. Dooley is Chairman of our Compensation Committee and a member of the Audit Committee and the Corporate Governance and Nominating Committee.

Frank J. Macchiarola has been a member of our Board of Directors since August 1991. He is currently the President of St. Francis College, where he has served in that capacity since July 1996. He also serves as special counsel to the law firm of Tannenbaum, Halpern, Syracuse & Hirschtritt, LLP. Previously, Mr. Macchiarola was a Professor of Law and Political Science and the Dean of the Benjamin N. Cardozo School of Law at Yeshiva University in New York City from 1991 to 1996, Professor of Business in the Graduate School of Business at Columbia University from 1987 to 1991, President and Chief Executive Officer of the New York City Partnership, Inc. from 1983 to 1987. Prior to 1985, Mr. Macchiarola was a faculty member at the City University of New York and Chancellor of the New York City Public School System. Mr. Macchiarola has been a Trustee of the Manville Personal Injury Trust since 1991. Mr. Macchiarola is Chairman of Corporate Governance and Nominating Committee and a member of the Audit Committee and the Compensation Committee.

Table of Contents

DESCRIPTION OF NOTES

General

The following description of the notes we are offering supplements, and to the extent inconsistent therewith supersedes, the description of the general terms and provisions of the Debt Securities set forth in the accompanying prospectus. We refer you to that description.

We will issue the notes under an indenture dated as of March 12, 2002, as supplemented, between us and The Bank of New York, as trustee. The trustee has normal banking relationships with us. BNY Capital Markets, Inc., an affiliate of The Bank of New York, is a co-manager of this offering.

We do not currently intend to list the notes on any securities exchange or to seek approval for quotation through any automated quotation system. We cannot assure you that an active public market for the notes will develop. The absence of an active public trading market could have an adverse effect on the liquidity and value of the notes.

After the closing of this offering the registration statement of which this prospectus forms a part may be used to offer up to the remaining \$650 million of securities originally registered, including debt securities. We may from time to time, without giving notice to or seeking the consent of the holders of the notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the notes, except for the issue price and the issue date. Any additional notes having such similar terms, together with the notes offered hereby, will constitute a single series of senior notes under the indenture.

Principal, Maturity and Interest

The notes are initially limited in aggregate principal amount to \$350 million. Each note will mature on March 15, 2016 and will bear interest at the rate per annum shown on the cover page of this prospectus supplement. Interest on the notes will accrue from the date of original issuance, or from the most recent interest payment date to which interest has been paid or provided for. We will pay interest on the notes on March 15 and September 15 of each year, commencing September 15, 2004 to holders of record at the close of business on the immediately preceding March 1 and September 1, respectively.

Interest will be calculated on the basis of a 360 day year comprised of twelve 30 day months. Interest on the notes will be paid by check mailed to the persons in whose names the notes are registered at the close of business on the applicable record date or, at our option, by wire transfer to accounts maintained by such persons with a bank located in the United States. The principal of the notes will be paid upon surrender of the notes at the corporate trust office of the trustee. For so long as the notes are represented by global notes, we will make payments of interest by wire transfer to The Depository Trust Company (DTC) or its nominee, as the case may be, which will distribute payments to beneficial holders in accordance with its customary procedures. We will not pay additional amounts for taxes, as described in Description of Debt Securities Payment of Additional Amounts.

The notes are not entitled to any sinking fund. The provisions of the indenture described in the accompanying prospectus under Description of Debt Securities Defeasance will apply to the notes.

Ranking

The notes will be senior unsecured obligations, ranking equally with all of our existing and future senior indebtedness and senior to any future subordinated indebtedness.

Table of Contents

Optional Redemption

We may redeem the notes, in whole at any time or in part from time to time, at our option, on at least 30 but not more than 60 days prior notice, at a redemption price equal to accrued and unpaid interest on the principal amount being redeemed to the redemption date plus the greater of:

100% of the principal amount of the notes to be redeemed; and

the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed on the redemption date, discounted to the date of redemption, on a semi-annual basis, at the Treasury Rate, as defined below, plus 25 basis points.

In determining the redemption price and accrued and unpaid interest, interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Unless we default in payment of the redemption price, on and after the redemption date interest will cease to accrue on the notes or portions of the notes called for redemption and those notes will cease to be outstanding.

Comparable Treasury Issue means the United States Treasury security selected as having a maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

Comparable Treasury Price means, with respect to any redemption date,

the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or

if the trustee obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such Quotations.

Reference Treasury Dealer means Merrill Lynch and its successors, and any two other primary Treasury dealers we select. If any of the foregoing ceases to be a primary U.S. government securities dealer in New York City, we must substitute another primary Treasury dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m. New York City time on the third business day preceding such redemption date.

Treasury Rate means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue, expressed as a percentage of its principal amount, equal to the Comparable Treasury Price for such redemption date.

Covenants

Limitations on Liens. The indenture provides that we will not, and will not permit any material subsidiary to, incur, issue, assume or guarantee any indebtedness for money borrowed if such indebtedness is secured by a pledge of, lien on, or security interest in any shares of common stock of any material subsidiary, without providing that each series of senior debt securities and, at our option, any other indebtedness ranking equally and ratably with such indebtedness, is secured equally and ratably with (or prior to) such other secured indebtedness. The indenture defines material subsidiary to be any subsidiary that represents 5% or more of our consolidated net worth as of the date of determination.

Limitations on Transactions with Affiliates. The indenture provides that we will not, and will not permit any subsidiary to, sell, lease, transfer or otherwise dispose of any of our or its properties or assets

Table of Contents

to, or purchase any property or asset from, or enter into any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any affiliate of ours unless:

the transaction with the affiliate is made on terms no less favorable to us or the subsidiary than those that would have been obtained in a comparable transaction with an unrelated person; and

in the case of any affiliate transaction involving consideration in excess of \$25 million in any fiscal year, we deliver to the trustee a certificate to the effect that our board of directors has determined that the transaction complies with the requirements described in the above bullet point and that the transaction has been approved by a majority of the disinterested members of our board of directors.

This covenant will not apply to any employment agreement entered into in the ordinary course of business and consistent with past practices, to any transaction between or among us and our subsidiaries or to transactions entered into prior to the date the notes are issued.

Limitations on Mergers and Sales of Assets. The indenture provides that we will not merge or consolidate or transfer or lease our assets substantially as an entirety, and another person may not transfer or lease its assets substantially as an entirety to us, unless:

either (1) we are the continuing corporation, or (2) the successor corporation, if other than us, is a U.S. corporation and expressly assumes by supplemental indenture the obligations evidenced by the securities issued pursuant to the indenture; and

immediately after the transaction, there would not be any default in the performance of any covenant or condition of the indenture.

Book-Entry, Delivery and Form

The notes will be issued in the form of one or more global notes deposited with, or on behalf of, DTC and registered in the name of Cede & Co., as nominee of DTC. See Form, Exchange and Transfer and Book-Entry Procedures and Settlement in the accompanying prospectus.

Same-Day Settlement and Payment

Settlement for the notes will be made by the underwriters in immediately available funds. We will make all payments of principal and interest in immediately available funds.

Secondary trading in long-term notes and debentures of corporate issuers is generally settled in clearing-house or next-day funds. In contrast, the notes will trade in the Same-Day Funds Settlement System maintained by DTC until maturity, and secondary market trading activity in the notes will therefore be required by DTC to settle in immediately available funds. We cannot assure you as to the effect, if any, of settlement in immediately available funds on trading activity in the notes.

Table of Contents**UNDERWRITING**

We intend to offer the notes through the underwriters. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Jefferies & Company, Inc., BNY Capital Markets, Inc., Citigroup Global Markets Inc., Credit Suisse First Boston LLC, J.P. Morgan Securities Inc. and Wachovia Capital Markets, LLC are acting as representatives of the underwriters named below. Subject to the terms and conditions contained in a purchase agreement between us and the underwriters, we have agreed to sell to the underwriters and the underwriters severally have agreed to purchase from us, the principal amount of the notes listed opposite their names below.

Underwriter	Principal Amount
Merrill Lynch, Pierce, Fenner & Smith Incorporated	\$ 175,000,000
Jefferies & Company, Inc.	35,000,000
BNY Capital Markets, Inc.	28,000,000
Citigroup Global Markets Inc.	28,000,000
Credit Suisse First Boston LLC	28,000,000
J.P. Morgan Securities Inc.	28,000,000
Wachovia Capital Markets, LLC	28,000,000
Total	\$ 350,000,000

The underwriters have agreed to purchase all of the notes sold pursuant to the purchase agreement if any of these notes are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The underwriters have advised us that they propose initially to offer the notes to the public at the public offering price on the cover page of this prospectus, and to dealers at that price less a commission not in excess of .425% of the principal amount of the notes. The underwriters may allow, and the dealers may reallow, a discount not in excess of .2% of the principal amount of the notes to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The expenses of the offering, not including the underwriting discount, are estimated to be \$500,000 and are payable by us.

No Sales of Similar Securities

We have agreed, with exceptions, not to sell or transfer any debt securities for 30 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch. Specifically, we have agreed not to directly or indirectly

offer, pledge, sell or contract to sell any of our debt securities,

sell any option or contract to purchase any of our debt securities,

Table of Contents

purchase any option or contract to sell any of our debt securities,

grant any option, right or warrant for the sale of any of our debt securities,

file a registration statement for any of our debt securities, or

lend or otherwise dispose of or transfer any of our debt securities.

This lookup provision applies to debt securities and to any securities convertible into or exercisable or exchangeable for debt securities.

New Issue of Notes

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system. We have been advised by Merrill Lynch that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

NASD Regulation

Jefferies & Company, Inc., our broker-dealer subsidiary, is a member of the National Association of Securities Dealers, Inc. and will participate in distributions of the notes. Accordingly, the notes will conform to the requirements of Rule 2720 of the Conduct Rules of the NASD. The underwriters will not confirm sales of the notes to any account over which they exercise discretionary authority without the prior written specific approval of the customer.

Price Stabilization and Short Positions

In connection with the offering, the underwriters are permitted to engage in transactions that stabilize the market price of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the notes. If the underwriters create a short position in the notes in connection with the offering, i.e., if they sell more notes than are on the cover page of this prospectus, the underwriters may reduce that short position by purchasing notes in the open market. Purchases of a security to stabilize the price or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the underwriters makes any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The underwriters and certain of their affiliates have performed investment banking, advisory and general financing services for us from time to time for which they have received customary fees and expenses. The underwriters and certain of their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business. The Bank of New York, an affiliate of BNY Capital Markets, Inc., will be a trustee in respect of the notes offered by this prospectus and currently acts as trustee of our 7.5% Senior Notes due 2007 and our 7.75% Senior Notes due 2012.

Table of Contents

LEGAL MATTERS

The validity of the notes has been passed on for us by Morgan, Lewis & Bockius LLP, New York, New York. Dewey Ballantine LLP, New York, New York, is counsel for the underwriters in connection with this offering. Certain partners of Morgan, Lewis & Bockius LLP hold shares of our common stock and have invested in funds managed by us.

S-34

Table of Contents

PROSPECTUS

\$1,000,000,000

JEFFERIES GROUP, INC.

MAY OFFER

DEBT SECURITIES

WARRANTS

PREFERRED STOCK

DEPOSITARY SHARES

COMMON STOCK

The securities may be offered in one or more series, in amounts, at prices and on terms to be determined at the time of the offering.

We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the accompanying prospectus supplement carefully before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus or any accompanying prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Jefferies Group, Inc. may use this prospectus in the initial sale of these securities. In addition, Jefferies & Company, Inc. or any other affiliate of Jefferies Group, Inc. may use this prospectus in a market-making transaction in any of these securities after its initial sale. **UNLESS JEFFERIES GROUP, INC. OR ITS AGENT INFORMS THE PURCHASER OTHERWISE IN THE CONFIRMATION OF SALE, THIS PROSPECTUS IS BEING USED IN A MARKET-MAKING TRANSACTION.**

September 12, 2003

Table of Contents

PROSPECTUS SUMMARY

This summary provides a brief overview of the key aspects of Jefferies Group, Inc. and all material terms of the offered securities that are known as of the date of this prospectus. When we use the words Jefferies, we, us, ours and our, we are referring to Jefferies Group, Inc. and its consolidated subsidiaries. For a more complete understanding of the terms of a particular issuance of offered securities, and before making your investment decision, you should carefully read:

this prospectus, which explains the general terms of the securities that we may offer;

the accompanying prospectus supplement for such issuance, which explains the specific terms of the securities being offered and which may update or change information in this prospectus; and

*the documents referred to in **Where You Can Find More Information** for information about us, including our financial statements.*

Jefferies Group, Inc.

Jefferies Group Inc. and its subsidiaries operate as a full-service investment bank and institutional securities firm focused on the middle market. We offer financial advisory, capital raising, mergers and acquisitions, and restructuring services to small and mid-cap companies and provide trade execution in equity, high-yield convertible and international securities, as well as fundamental research and asset management capabilities, to institutional investors. We also offer correspondent clearing, prime brokerage, private client services and securities lending services. We maintain offices throughout the world, including New York, Atlanta, Boston, Chicago, Dallas, London, Los Angeles, Paris, San Francisco, Tokyo, Washington, D.C., and Zurich.

Our principal executive office is at 520 Madison Avenue, 12th Floor, New York, New York 10022, and our telephone number there is (212) 284-2550.

The Securities Jefferies May Offer

We may use this prospectus to offer up to \$1,000,000,000 of:

debt securities;

warrants;

preferred stock;

depository shares; and

common stock.

A prospectus supplement will describe the specific types, amounts, prices, and detailed terms of any of these offered securities and may describe risks associated with an investment in the securities. Terms used in the prospectus supplement will have the meanings described in this prospectus, unless otherwise specified.

The debt securities, warrants, preferred stock, depository shares and common stock are unsecured obligations of ours. Since we are a holding company, our cash flow and consequent ability to satisfy our obligations under the offered securities are dependent upon the earnings of our subsidiaries and the distribution of those earnings or loans or other payments by those subsidiaries to us. Our subsidiaries will have no obligation to pay any amount in respect of offered securities or to make any funds available to us.

Dividends, loans and other payments by our subsidiaries, including payments to us, may be restricted by net capital and other rules of various regulatory bodies. Additionally, our ability to participate as an equity holder in any distribution of assets of any subsidiary is generally subordinate to the claims of creditors of the subsidiary.

Table of Contents

Debt Securities

Debt securities are our unsecured general obligations in the form of senior or subordinated debt. Senior debt includes our notes, debt and guarantees and any other debt for money borrowed that is not subordinated. Subordinated debt, so designated at the time it is issued, would not be entitled to interest and principal payments if payments on the senior debt were not made.

Debt securities may bear interest at a fixed or a floating rate based upon one or more indices.

For any particular debt securities we offer, the prospectus supplement will describe the specific designation; the aggregate principal or face amount and the purchase price; the ranking, whether senior or subordinated; the stated maturity; the redemption terms, if any; the rate or manner of calculating the rate and the payment dates for interest, if any; the amount or manner of calculating the amount payable at maturity and whether that amount may be paid by delivering cash, securities or other property; and any other specific terms.

The senior and subordinated debt will be issued under separate indentures between us and a trustee. Below are summaries of the general features of the debt securities from these indentures. For a more detailed description of these features, see [Description of Debt Securities](#) below. You are also encouraged to read the indentures. You can obtain copies of these documents by following the directions outlined in [Where You Can Find More Information](#).

General Indenture Provisions that Apply to Senior and Subordinated Debt Securities

Neither indenture limits the amount of debt that we may issue or provides holders any protection should there be a highly leveraged transaction involving us. Each indenture allows for different types of debt securities to be issued in series.

The indentures allow us to merge or to consolidate with another company, or sell our assets substantially as an entirety to another company. If any of these events occur, the other company, if it is the survivor of the merger or the purchaser of the assets, would be required to assume our responsibilities for the debt. Unless the transaction resulted in an event of default, we would be released from all liabilities and obligations under the debt securities when the other company assumed our responsibilities.

The indentures provide that holders of a majority of the principal amount of the debt securities outstanding in any series may vote to change our obligations or your rights concerning those securities. However, changes to the financial terms of that security, including changes in the payment of principal or interest on that security or the currency of payment, cannot be made unless every holder of that security consents to the change.

We may satisfy our obligations under the debt securities or be released from our obligation to comply with the limitations discussed above at any time by depositing sufficient amounts of cash or U.S. government securities with the trustee to pay our obligations under the particular securities when due and by satisfying other conditions.

The indentures govern the actions of the trustee with regard to the debt securities, including when the trustee is required to give notices to holders of the securities and when lost or stolen debt securities may be replaced.

Events of Default

The events of default specified in the indentures include:

failure to pay principal when due;

failure to pay required interest for 30 days;

failure to make a required scheduled installment payment for 30 days;

Table of Contents

failure to perform other covenants for 90 days after notice;

failure to pay, or the acceleration of, indebtedness in excess of \$10,000,000; and

certain events of insolvency or bankruptcy, whether voluntary or not.

Remedies

If there were a default, the trustee or the holders of 25% of the principal amount of debt securities outstanding in a series could demand that the principal be paid immediately. However, holders of a majority in principal amount of the securities in that series could rescind that acceleration of the debt securities.

Warrants

We may offer warrants to purchase our debt securities or warrants to purchase our equity securities.

For any particular warrants that we offer, the prospectus supplement will describe the underlying property; the expiration date; the exercise price or the manner of determining the exercise price; the amount and kind, or the manner of determining the amount and kind, of property or cash to be delivered by you or us upon exercise; and any other specific terms. We will issue the warrants under warrant agreements between Jefferies and one or more warrant agents.

Preferred Stock

We may issue our preferred stock with various terms to be established by our board of directors or a committee designated by the board. Each series of preferred stock will be more fully described in the particular prospectus supplement that will accompany this prospectus, including redemption provisions, rights in the event of liquidation, dissolution or winding up, voting rights and conversion rights.

Generally, each series of preferred stock will rank on an equal basis with each other series of preferred stock and will rank prior to our common stock. The prospectus supplement will also describe how and when dividends will be paid on the series of preferred stock.

Depository Shares

We may issue depository shares representing fractional shares of preferred stock. Each particular series of depository shares will be more fully described in the prospectus supplement that will accompany this prospectus.

These depository shares will be evidenced by depository receipts and issued under a deposit agreement between us and a bank or trust company. You are encouraged to read the standard form of the deposit agreement, which is an exhibit to the registration statement of which this prospectus forms a part. You can obtain copies of this document by following the directions outlined in [Where You Can Find More Information](#).

Common Stock

We may issue shares of our common stock, par value \$.0001 per share. Holders of the common stock are entitled to receive dividends when declared by our board of directors. Each holder of common stock is entitled to one vote per share. The holders of common stock have no cumulative voting or preemptive rights.

Form of Securities

We will generally issue the securities in book-entry form through one or more depositories, such as The Depository Trust Company, Euroclear or Clearstream Banking SA. Each sale of a security in book-entry form will settle in immediately available funds through the depository, unless otherwise stated. We will issue the securities only in registered form, without coupons.

Table of Contents

Payment Currencies

Amounts payable in respect of the securities, including the purchase price, will be payable in U.S. dollars, unless the prospectus supplement states otherwise.

Listing

If any securities are to be listed or quoted on a securities exchange or quotation system, the applicable prospectus supplement will so state.

Plan of Distribution

We may sell the offered securities in any of the following ways:

to or through underwriters or dealers;

by ourself directly;

through agents; or

through a combination of any of these methods of sale.

The prospectus supplement will explain the ways we will sell specific securities, including the names of any underwriters and details of the pricing of the securities, as well as the commissions, concessions or discounts we are granting the underwriters, dealers or agents.

WHERE YOU CAN FIND MORE INFORMATION

As required by the Securities Act of 1933, we filed a registration statement relating to the securities offered by this prospectus with the Securities and Exchange Commission. This prospectus is a part of that registration statement, which includes additional information.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. These SEC filings are also available to the public from the SEC's web site at <http://www.sec.gov>.

The SEC allows us to incorporate by reference the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus. Information that we file later with the SEC will automatically update information in this prospectus. In all cases, you should rely on the later information over different information included in this prospectus or the prospectus supplement. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934:

Annual Report on Form 10-K for the year ended December 31, 2002, filed with the SEC on March 28, 2003;

Quarterly Reports on Form 10-Q for the quarter ended March 28, 2003, filed with the SEC on May 9, 2003 and for the quarter ended June 27, 2003, filed with the SEC on August 8, 2003; and

Registration Statement on Form 10, filed with the SEC on April 20, 1999.

All documents we file pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and before the later of the completion of the offering of the securities described in this prospectus and the date our affiliates stop offering securities pursuant to this prospectus shall be incorporated by reference in this prospectus from the date of filing of such documents.

Table of Contents

You may obtain copies of these documents, at no cost to you, from our Internet website (www.jefco.com), or by writing or telephoning us at the following address:

Investor Relations

Jefferies Group, Inc.
520 Madison Avenue
12th Floor
New York, New York 10022
(212) 284-2550

You should rely only on the information provided in this prospectus and the prospectus supplement, as well as the information incorporated by reference. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus, the prospectus supplement or any documents incorporated by reference is accurate as of any date other than the date of the applicable document.

USE OF PROCEEDS

Unless otherwise set forth in the applicable prospectus supplement, we intend to use the net proceeds from the sale of the securities we offer by this prospectus for general corporate purposes, which may include, among other things:

additions to working capital;

the redemption or repurchase of outstanding equity and debt securities;

the repayment of indebtedness; and

the expansions of our business through internal growth or acquisitions.

We may raise additional funds from time to time through equity or debt financing, including borrowings under credit facilities, to finance our business and operations.

RATIO OF EARNINGS TO FIXED CHARGES AND OF EARNINGS

TO COMBINED FIXED CHARGES

	Six Months Ended June 27,
Year Ended December 31,	