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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

Date of Report: November 6, 1998

Date of Earliest Event Reported: March 17, 1998

INVESTMENT TECHNOLOGY GROUP, INC.

Delaware
(State of
Incorporation)

0-23644
(Commission File
Number)

13-3757717
(IRS Employer
Identification
Number)

380 Madison Avenue
New York, New York 10017
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code: (212) 588-4000

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ITEM 5. OTHER EVENTS

On March 17, 1998, Jefferies Group, Inc. ("Group") and Investment Technology Group, Inc. ("ITGI") jointly announced plans to separate Group's 100% owned subsidiary, Jefferies & Company, Inc., and Group's 82.3% owned subsidiary, ITGI, through a proposed spin-off and related transactions. Attached and incorporated by reference is information regarding the proposed transactions filed in a Form 8-K on March 17, 1998 updated to include selected financial information for the quarter ended September 25, 1998. This information is available on the website of Group and ITGI (Exhibit 99.1).

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

Exhibit Index.

EXHIBIT NO. EXHIBIT DESCRIPTION

99.1 Unaudited financial information concerning Group and ITGI.

SIGNATURES

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

Dated: November 6, 1998

INVESTMENT TECHNOLOGY GROUP, INC.

By: /s/ JOHN R. MacDONALD

John R. MacDonald
Senior Vice President and
Chief Financial Officer

JEFFERIES GROUP, INC.

UNAUDITED FINANCIAL INFORMATION
RELATING TO PLANNED SPIN-OFF

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This document contains statements concerning the timing, structure and ramifications of the proposed spin-off and related transactions that are intended to be "forward-looking statements," as that phrase is defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements, which can be identified by the use of terms such as "plan", "anticipate", "will", "would", "expect", "estimate" or variations of such terms, may not occur as presently anticipated in the event necessary approvals are not obtained or are not obtained on acceptable terms or in the event of adverse developments in the market for Jefferies Group or ITGI securities or in securities markets in general. As a result, no forward-looking statement should be regarded as a representation by Jefferies Group, ITGI or any other person that the presently anticipated events will occur as described herein.

PLANNED TRANSACTION

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On March 17, 1998, Jefferies Group, Inc. and Investment Technology Group, Inc. announced plans to separate Jefferies & Company, Inc. and Investment Technology Group, Inc. through a spin-off.

Jefferies Group, Inc. is a holding company for two principal lines of business: a full-service global investment bank serving institutions and small- to medium-sized corporations (referred to in this document as "JEFCO"); and 81.4

percent-owned Investment Technology Group, Inc., the leading provider of technology-based equity trading services and transaction research to institutional investors and brokers.

According to the plan, Jefferies Group shareholders will own 100% of JEFECO and approximately 81.4% of ITGI when the transaction closes. The public ITGI shareholders will continue to own approximately 18.6% of ITGI. The spin-off will be accomplished by a tax-free distribution of 100% of the shares of a new holding company, JEFECO, to Jefferies Group shareholders. Jefferies Group's 15 million shares of ITGI would then be its only asset. (As of September 25, 1998, total outstanding shares of ITGI were 18.4 million.) The spin-off would be followed immediately by a tax-free merger of Jefferies Group and ITGI.

Jefferies Group is seeking a ruling from the IRS regarding the tax-free nature of the distribution of JEFECO and expects to complete the transaction in January 1999.

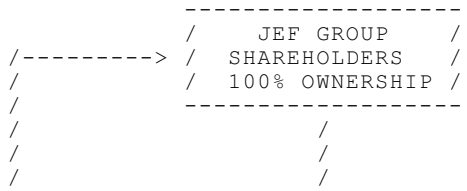
PLANNED TRANSACTION

Jefferies Group and ITGI expect that both companies will have financial strength and flexibility for future growth. The spin-off plan calls for:

- o Increasing JEFECO's capital base through a combination of Jefferies Group stock option exercises, termination of Jefferies Group's deferred compensation plan, various tax benefits and a special dividend of approximately \$50-75 million from ITGI to all of its stockholders. It is currently anticipated that at the transaction closing date, JEFECO will have a minimum equity capital base of \$320 million and ITGI will have a minimum equity capital base of \$20 million.
- o Assumption by JEFECO of Jefferies Group's existing \$150 million senior unsecured debt obligation.
- o Establishing an employee stock ownership plan at JEFECO, which will further align the interests of employees and stockholders at JEFECO by providing equity-based compensation incentives linked directly to JEFECO's operating performance.

The spin-off and restructuring transactions are contingent on a number of factors, including receipt of all required Board of Directors and shareholder approvals of Jefferies Group and ITGI, receipt of a favorable tax ruling from the IRS and other required regulatory and contractual approvals.

PLANNED TRANSACTION



STATEMENT OF EARNINGS (a)

| | | | |
|---|------------|------------|------------|
| Net Revenues | \$ 703,038 | \$ 478,774 | \$ 351,222 |
| Operating Income | 115,950 | 83,187 | 53,238 |
| Income Taxes | 47,677 | 35,438 | 21,911 |
| Minority Interest | 4,706 | 4,189 | 2,798 |
| Net Earnings | \$ 63,567 | \$ 43,560 | \$ 28,529 |
| EARNINGS PER SHARE | | | |
| Diluted Earnings | \$ 2.80 | \$ 1.84 | \$ 1.19 |
| Diluted Weighted Average Shares Outstanding | 22,349 | 23,410 | 23,922 |

| | AS OF | | AS OF DECEMBER 31, | | |
|--|-----------------------|------------|--------------------|-----------|------|
| | SEPTEMBER 25, 1998 | | 1997 | 1996 | 1995 |
| FINANCIAL CONDITION (a) | | | | | |
| Cash, Cash Equivalents, and Short Term Investments | \$ 374,193 | \$ 224,465 | \$ 180,435 | \$ 72,821 | |
| Total Assets | 2,588,426 | 2,099,542 | 1,568,087 | 1,536,969 | |
| Long-Term Debt | 149,363 | 149,290 | 52,987 | 56,322 | |
| Stockholders' Equity | 303,623 | 242,756 | 195,445 | 186,261 | |
| Shares Outstanding | 21,030 | 20,286 | 20,726 | 22,514 | |
| SELECTED RATIOS: | | | | | |
| Pre-Tax Margin (as a % of Net Revenue) | 19% | 16% | 17% | 15% | |
| Return on Average Equity | 25% (b) | 30% | 23% | 17% | |
| Book Value Per Share Outstanding | \$ 14.44 | \$ 11.97 | \$ 9.43 | \$ 8.28 | |

(a) ITGI is fully consolidated into Jefferies Group, Inc. The minority interest in ITGI is recorded as a liability. This liability representing the minority interest is increased each period by the minority's share of net income from ITGI and such amount is deducted from the determination of net earnings from Jefferies Group, Inc.

(b) Annualized Return on Average Equity.

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SEGMENT FINANCIAL INFORMATION - "JEFCO"

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SELECTED FINANCIAL DATA

The following represents historical financial information of Jefferies Group, Inc.'s core brokerage and banking business - "JEFCO."

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| | THREE MONTHS ENDED | | NINE MONTHS ENDED | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | SEPTEMBER 25, 1998 | SEPTEMBER 26, 1997 | SEPTEMBER 25, 1998 | SEPTEMBER 26, 1997 |
| STATEMENT OF EARNINGS (c) | | | | |
| Net Revenues | \$ 103,738 | \$ 133,536 | \$ 380,270 | \$ 388,641 |
| Contribution to Consolidated Jefferies Group, Inc. Net Earnings | 4,364 | 9,073 | 25,481 | 28,226 |
| EARNINGS PER SHARE | | | | |
| Contribution to Consolidated Jefferies Group, Inc. Diluted Earnings (a) | \$ 0.19 | \$ 0.41 | \$ 1.11 | \$ 1.27 |

YEAR ENDED DECEMBER 31,

1997 1996 1995

| STATEMENT OF EARNINGS(c) | | | | | | |
|--|----|---------|----|---------|----|---------|
| Net Revenues | \$ | 569,528 | \$ | 369,183 | \$ | 279,939 |
| Contribution to Consolidated Jefferies Group, Inc. Net Earnings | | 41,356 | | 24,414 | | 16,422 |
| EARNINGS PER SHARE | | | | | | |
| Contribution to Consolidated Jefferies Group, Inc. Diluted Earnings(a) | \$ | 1.85 | \$ | 1.04 | \$ | 0.69 |

| | AS OF | | AS OF DECEMBER 31, | | | | | |
|--|-----------------------|-----------|--------------------|-----------|------|-----------|----|-----------|
| | SEPTEMBER 25, 1998 | | 1997 | 1996 | 1995 | | | |
| FINANCIAL CONDITION(c) | | | | | | | | |
| Cash, Cash Equivalents, and Short Term Investments | \$ | 276,491 | \$ | 173,202 | \$ | 136,480 | \$ | 54,861 |
| Total Assets | | 2,430,991 | | 1,994,684 | | 1,493,117 | | 1,497,351 |
| Long-Term Debt | | 149,363 | | 149,290 | | 52,987 | | 56,322 |
| Stockholders' Equity | | 199,923 | | 165,568 | | 140,314 | | 149,163 |
| SELECTED RATIOS: | | | | | | | | |
| Pre-Tax Margin (as a % of Net Revenue) | | 11% | | 12% | | 11% | | 10% |
| Return on Average Equity | | 17%(b) | | 27% | | 17% | | 11% |

- (a) Contribution is calculated based on consolidated Jefferies Group, Inc. diluted weighted average shares outstanding.
- (b) Annualized Return on Average Equity.
- (c) Subsequent to the completion of the transaction, ITGI will be shown as a discontinued operation on the JEFECO financial statements.

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SEGMENT FINANCIAL INFORMATION - "ITGI"

SELECTED FINANCIAL DATA

The following represents historical financial information of Jefferies Group, Inc.'s equity ownership of approximately 81% currently of Investment Technology Group, Inc. - "ITGI."

(Dollars in thousands except per share amounts)

| | THREE MONTHS ENDED | | NINE MONTHS ENDED | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|----|---------|----|---------|
| | SEPTEMBER 25, 1998 | SEPTEMBER 26, 1997 | SEPTEMBER 25, 1998 | SEPTEMBER 26, 1997 | | | | |
| STATEMENT OF EARNINGS | | | | | | | | |
| Net Revenues | \$ | 57,680 | \$ | 33,430 | \$ | 149,958 | \$ | 100,663 |
| Contribution to Consolidated Jefferies Group, Inc. Net Earnings(a) | | 11,312 | | 5,347 | | 25,497 | | 17,339 |
| EARNINGS PER SHARE | | | | | | | | |
| Contribution to Consolidated Jefferies Group, Inc. Diluted Earnings(b) | \$ | 0.47 | \$ | 0.22 | \$ | 1.07 | \$ | 0.74 |

| YEAR ENDED DECEMBER 31, | | |
|-------------------------|------|------|
| 1997 | 1996 | 1995 |

STATEMENT OF EARNINGS

| | | | | | | |
|--|----|---------|----|---------|----|--------|
| Net Revenues | \$ | 136,896 | \$ | 111,333 | \$ | 72,328 |
| Contribution to Consolidated Jefferies Group, Inc. | | | | | | |
| Net Earnings (a) | | 22,211 | | 19,146 | | 12,107 |
| EARNINGS PER SHARE | | | | | | |
| Contribution to Consolidated Jefferies Group, Inc. | \$ | 0.95 | \$ | 0.80 | \$ | 0.50 |
| Diluted Earnings (b) | | | | | | |

| | AS OF | | AS OF DECEMBER 31, | |
|--|-----------------------|-----------|--------------------|-----------|
| | SEPTEMBER 25, 1998 | 1997 | 1996 | 1995 |
| FINANCIAL CONDITION | | | | |
| Cash, Cash Equivalents, and Short Term Investments | \$ 97,702 | \$ 51,263 | \$ 43,955 | \$ 17,960 |
| Total Assets | 166,652 | 113,641 | 82,798 | 55,318 |
| Long-Term Debt | 0 | 0 | 0 | 0 |
| Selected Ratios: | | | | |
| Pre-Tax Margin (as a % of Net Revenue) | 38% | 35% | 37% | 34% |

- (a) Contribution to consolidated Jefferies Group, Inc. net earnings represent Jefferies Group, Inc.'s ownership percentage of approximately 81% of ITGI.
- (b) Contribution is calculated based on consolidated Jefferies Group, Inc. diluted weighted average shares outstanding including earnings adjustments for stock options of ITGI.

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APPENDIX A

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JEFFERIES GROUP INC. CONSOLIDATING STATEMENTS OF FINANCIAL CONDITION AS OF
SEPTEMBER 25, 1998 AND DECEMBER 31, 1997

The following table represents the historical assets and liabilities of Jefferies Group, Inc. broken down between its core brokerage and banking business - "JEFCO" - and its approximately 81% ownership interest of ITGI.

(DOLLARS IN THOUSANDS)

| | AS OF SEPTEMBER 25, 1998 | | |
|---|--------------------------|---------------|--------------------------|
| | ITGI (a) | JEFCO (a) (b) | JEFFERIES GROUP, INC. |
| ASSETS | | | |
| Cash and cash equivalents | \$ 97,702 | \$ 60,248 | \$ 157,950 |
| Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations | 0 | 48,498 | 48,498 |
| Receivables from brokers and dealers | 5,377 | 1,835,225 | 1,835,225 |
| Receivables from customers, officers and directors | 0 | 146,763 | 146,763 |
| Securities owned | 272 | 135,861 | 136,133 |
| Investments | 11,308 | 139,119 | 150,427 |
| Premises and equipment | 19,270 | 20,422 | 39,692 |
| Other assets | 32,723 | 44,855 | 73,738 |
| | \$ 166,652 | \$ 2,430,991 | \$ 2,588,426 |
| ===== | | | |

LIABILITIES AND
STOCKHOLDERS' EQUITY

| | | | |
|--|------------|--------------|--------------|
| Bank loans | \$ 2,000 | \$ 0 | \$ 2,000 |
| Payable to brokers and dealers | 0 | 1,580,937 | 1,580,937 |
| Payable to customers | 0 | 185,070 | 185,070 |
| Securities sold, not yet purchased | 170 | 63,545 | 63,715 |
| Accrued expenses and other liabilities | 37,117 | 252,153 | 280,053 |
| | ----- | ----- | ----- |
| | 39,287 | 2,081,705 | 2,111,775 |
| Long-term debt | 0 | 149,363 | 149,363 |
| Minority interest | 23,665 | 0 | 23,665 |
| | ----- | ----- | ----- |
| | 62,952 | 2,231,068 | 2,284,803 |
| Stockholders' equity | 103,700 | 199,923 | 303,623 |
| | ----- | ----- | ----- |
| | \$ 166,652 | \$ 2,430,991 | \$ 2,588,426 |
| | ===== | ===== | ===== |

AS OF DECEMBER 31, 1997

| | ITGI (a) | JEFCO (a) (b) | JEFFERIES GROUP, INC. |
|---|------------|---------------|--------------------------|
| | ----- | ----- | ----- |
| ASSETS | | | |
| Cash and cash equivalents | \$ 51,263 | \$ 58,225 | \$ 109,488 |
| Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations | 0 | 30,977 | 30,977 |
| Receivables from brokers and dealers | 2,931 | 1,269,664 | 1,269,664 |
| Receivables from customers, officers and directors | 0 | 166,284 | 166,284 |
| Securities owned | 358 | 245,055 | 245,413 |
| Investments | 10,935 | 143,649 | 154,584 |
| Premises and equipment | 19,506 | 23,322 | 42,828 |
| Other assets | 28,648 | 57,508 | 80,304 |
| | ----- | ----- | ----- |
| | \$ 113,641 | \$ 1,994,684 | \$ 2,099,542 |
| | ===== | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Bank loans | \$ 0 | \$ 0 | \$ 0 |
| Payable to brokers and dealers | 0 | 981,705 | 981,705 |
| Payable to customers | 0 | 202,255 | 202,255 |
| Securities sold, not yet purchased | 3 | 188,700 | 188,703 |
| Accrued expenses and other liabilities | 19,875 | 307,166 | 318,258 |
| | ----- | ----- | ----- |
| | 19,878 | 1,679,826 | 1,690,921 |
| Long-term debt | 0 | 149,290 | 149,290 |
| Minority interest | 16,575 | 0 | 16,575 |
| | ----- | ----- | ----- |
| | 36,453 | 1,829,116 | 1,856,786 |
| Stockholders' equity | 77,188 | 165,568 | 242,756 |
| | ----- | ----- | ----- |
| | \$ 113,641 | \$ 1,994,684 | \$ 2,099,542 |
| | ===== | ===== | ===== |

(a) Each company's financial statements, which are shown here on a stand alone basis, include intercompany balances which would eliminate in consolidation. As a result, the sum of the two companies may not total the consolidated Jefferies Group, Inc. balance shown.

(b) Subsequent to the completion of the transaction, ITGI will be shown as a discontinued operation on the JEFCO financial statements.

Inc. broken down between its core brokerage and banking business - "JEFCO" - and its approximately 81% ownership interest of ITGI.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

FOR THE THREE MONTHS ENDED SEPTEMBER 25, 1998

| | ITGI (a) | JEFCO (a) (c) | JEFFERIES GROUP, INC. |
|--|----------|---------------|-----------------------|
| Total revenues | \$57,697 | \$124,041 | \$184,281 |
| Interest expense | 17 | 20,303 | 20,349 |
| Revenues, net of interest expense | 57,680 | 103,738 | 163,932 |
| Total non-interest expenses | 31,949 | 97,460 | 131,923 |
| Earnings before income taxes and minority interest | 25,731 | 6,278 | 32,009 |
| Income taxes | 11,847 | 1,914 | 13,761 |
| Earnings before minority interest | 13,884 | 4,364 | 18,248 |
| Minority interest | 2,572 | 0 | 2,572 |
| Net earnings | \$11,312 | \$ 4,364 | \$ 15,676 |
| EARNINGS PER SHARE | | | |
| Basic Earnings(b) | \$ 0.51 | \$ 0.19 | \$ 0.70 |
| Diluted Earnings(b) | \$ 0.47 | \$ 0.19 | \$ 0.66 |

FOR THE THREE MONTHS ENDED SEPTEMBER 26, 1997

| | ITGI (a) | JEFCO (a) (c) | JEFFERIES GROUP, INC. |
|--|----------|---------------|-----------------------|
| Total revenues | \$33,437 | \$152,090 | \$184,823 |
| Interest expense | 7 | 18,554 | 18,560 |
| Revenues, net of interest expense | 33,430 | 133,536 | 166,263 |
| Total non-interest expenses | 22,104 | 118,457 | 139,858 |
| Earnings before income taxes and minority interest | 11,326 | 15,079 | 26,405 |
| Income taxes | 4,857 | 6,006 | 10,863 |
| Earnings before minority interest | 6,469 | 9,073 | 15,542 |
| Minority interest | 1,122 | 0 | 1,122 |
| Net earnings | \$ 5,347 | \$ 9,073 | \$ 14,420 |
| EARNINGS PER SHARE | | | |
| Basic Earnings(b) | \$ 0.25 | \$ 0.42 | \$ 0.67 |
| Diluted Earnings(b) | \$ 0.22 | \$ 0.41 | \$ 0.63 |

(a) Each company's financial statements, which are shown here on a stand alone basis, include intercompany balances which would eliminate in consolidation. As a result, the sum of the two companies may not total the consolidated Jefferies Group, Inc. balance shown.

(b) For ITGI and JEFCO, the earnings per share represent the contribution to consolidated Jefferies Group, Inc. earnings per share for basic and diluted.

(c) Subsequent to the completion of the transaction, ITGI will be shown as a discontinued operation on the JEFCO financial statements.

APPENDIX C

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JEFFERIES GROUP, INC. CONSOLIDATING STATEMENTS OF EARNINGS FOR NINE MONTHS ENDED
SEPTEMBER 25, 1998 AND SEPTEMBER 26, 1997

The following table represents the results of operations of Jefferies Group, Inc. broken down between its core brokerage and banking business - "JEFCO" - and its approximately 81% ownership interest of ITGI.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| | FOR THE NINE MONTHS ENDED SEPTEMBER 25, 1998 | | |
|--|--|---------------|--------------------------|
| | ITGI (a) | JEFCO (a) (c) | JEFFERIES GROUP, INC. |
| Total revenues | \$ 149,989 | \$ 437,588 | \$ 586,521 |
| Interest expense | 31 | 57,318 | 57,330 |
| Revenues, net of interest expense | 149,958 | 380,270 | 529,191 |
| Total non-interest expenses | 92,510 | 338,567 | 430,040 |
| Earnings before income taxes and minority interest | 57,448 | 41,703 | 99,151 |
| Income taxes | 26,274 | 16,222 | 42,496 |
| Earnings before minority interest | 31,174 | 25,481 | 56,655 |
| Minority interest | 5,677 | 0 | 5,677 |
| Net earnings | \$ 25,497 | \$ 25,481 | \$ 50,978 |
| EARNINGS PER SHARE | | | |
| Basic Earnings(b) | \$ 1.14 | \$ 1.15 | \$ 2.29 |
| Diluted Earnings(b) | \$ 1.07 | \$ 1.11 | \$ 2.18 |

| | FOR THE NINE MONTHS ENDED SEPTEMBER 26, 1997 | | |
|--|--|---------------|--------------------------|
| | ITGI (a) | JEFCO (a) (c) | JEFFERIES GROUP, INC. |
| Total revenues | \$ 100,770 | \$ 434,531 | \$ 533,486 |
| Interest expense | 107 | 45,890 | 46,004 |
| Revenues, net of interest expense | 100,663 | 388,641 | 487,482 |
| Total non-interest expenses | 64,051 | 341,954 | 404,183 |
| Earnings before income taxes and minority interest | 36,612 | 46,687 | 83,299 |
| Income taxes | 15,604 | 18,461 | 34,065 |
| Earnings before minority interest | 21,008 | 28,226 | 49,234 |
| Minority interest | 3,669 | 0 | 3,669 |
| Net earnings | \$ 17,339 | \$ 28,226 | \$ 45,565 |
| EARNINGS PER SHARE | | | |
| Basic Earnings(b) | \$ 0.81 | \$ 1.31 | \$ 2.12 |
| Diluted Earnings(b) | \$ 0.74 | \$ 1.27 | \$ 2.01 |

(a) Each company's financial statements, which are shown here on a stand alone basis, include intercompany balances which would eliminate in consolidation. As a result, the sum of the two companies may not total the consolidated Jefferies Group, Inc. balance shown.

(b) For ITGI and JEFCO, the earnings per share represent the contribution to

consolidated Jefferies Group, Inc. earnings per share for basic and diluted.

(c) Subsequent to the completion of the transaction, ITGI will be shown as a discontinued operation of the JEFECO financial statements.

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APPENDIX D

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JEFFERIES GROUP, INC. CONSOLIDATING STATEMENTS OF EARNINGS FOR THREE YEARS
ENDED DECEMBER 31, 1997

The following table represents the results of operations of Jefferies Group, Inc. broken down between its core brokerage and banking business - "JEFECO" - and its approximately 81% ownership interest of ITGI.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

| | FOR THE YEAR ENDED DECEMBER 31, 1997 | | |
|--|--------------------------------------|----------------|-----------------------|
| | ITGI (a) | JEFECO (a) (c) | JEFFERIES GROUP, INC. |
| Total revenues | \$ 137,042 | \$ 630,842 | \$ 764,504 |
| Interest expense | 146 | 61,314 | 61,466 |
| Revenues, net of interest expense | 136,896 | 569,528 | 703,038 |
| Total non-interest expenses | 89,636 | 500,838 | 587,088 |
| Earnings before income taxes and minority interest | 47,260 | 68,690 | 115,950 |
| Income taxes | 20,343 | 27,334 | 47,677 |
| Earnings before minority interest | 26,917 | 41,356 | 68,273 |
| Minority interest | 4,706 | 0 | 4,706 |
| Net earnings | \$ 22,211 | \$ 41,356 | \$ 63,567 |
| EARNINGS PER SHARE | | | |
| Basic Earnings(b) | \$ 1.03 | \$ 1.92 | \$ 2.95 |
| Diluted Earnings(b) | \$ 0.95 | \$ 1.85 | \$ 2.80 |

| | FOR THE YEAR ENDED DECEMBER 31, 1996 | | |
|--|--------------------------------------|----------------|-----------------------|
| | ITGI (a) | JEFECO (a) (c) | JEFFERIES GROUP, INC. |
| Total revenues | \$ 111,556 | \$ 407,023 | \$ 516,626 |
| Interest expense | 223 | 37,840 | 37,852 |
| Revenues, net of interest expense | 111,333 | 369,183 | 478,774 |
| Total non-interest expenses | 70,332 | 326,997 | 395,587 |
| Earnings before income taxes and minority interest | 41,001 | 42,186 | 83,187 |
| Income taxes | 17,666 | 17,772 | 35,438 |
| Earnings before minority interest | 23,335 | 24,414 | 47,749 |
| Minority interest | 4,189 | 0 | 4,189 |
| Net earnings | \$ 19,146 | \$ 24,414 | \$ 43,560 |
| EARNINGS PER SHARE | | | |
| Basic Earnings(b) | \$ 0.84 | \$ 1.06 | \$ 1.90 |
| Diluted Earnings(b) | \$ 0.80 | \$ 1.04 | \$ 1.84 |

FOR THE YEAR ENDED DECEMBER 31, 1995

| | ITGI (a) | JEFCO (a) (c) | JEFFERIES GROUP, INC. |
|--|-----------|---------------|-----------------------|
| Total revenues | \$ 72,381 | \$ 334,282 | \$ 405,587 |
| Interest expense | 53 | 54,343 | 54,365 |
| Revenues, net of interest expense | 72,328 | 279,939 | 351,222 |
| Total non-interest expenses | 47,440 | 251,589 | 297,984 |
| Earnings before income taxes and minority interest | 24,888 | 28,350 | 53,238 |
| Income taxes | 9,983 | 11,928 | 21,911 |
| Earnings before minority interest | 14,905 | 16,422 | 31,327 |
| Minority interest | 2,798 | 0 | 2,798 |
| Net earnings | \$ 12,107 | \$ 16,422 | \$ 28,529 |
| EARNINGS PER SHARE | | | |
| Basic Earnings(b) | \$ 0.52 | \$ 0.71 | \$ 1.23 |
| Diluted Earnings(b) | \$ 0.50 | \$ 0.69 | \$ 1.19 |

- (a) Each company's financial statements, which are shown here on a stand alone basis, include intercompany balances which would eliminate in consolidation. As a result, the sum of the two companies may not total the consolidated Jefferies Group, Inc. balance shown.
- (b) For ITGI and JEFCO, the earnings per share represent the contribution to consolidated Jefferies Group, Inc. earnings per share for basic and diluted.
- (c) Subsequent to the completion of the transaction, ITGI will be shown as a discontinued operation on the JEFCO financial statements.

APPENDIX E

JEFCO QUARTERLY STATEMENTS OF EARNINGS

(Dollars in thousands)

| | 1998 | | |
|-----------------------------------|-----------|-----------|-----------|
| | 3rd Qtr | 2nd Qtr | 1st Qtr |
| Revenues: | | | |
| Commissions | \$ 49,399 | \$ 41,995 | \$ 42,022 |
| Principal transactions | 34,103 | 41,508 | 47,726 |
| Corporate finance | 13,489 | 41,716 | 54,399 |
| Interest | 25,934 | 23,111 | 18,968 |
| Other | 1,116 | 1,369 | 733 |
| Total revenues | 124,041 | 149,699 | 163,848 |
| Interest expense | 20,303 | 20,058 | 16,957 |
| Revenues, net of interest expense | 103,738 | 129,641 | 146,891 |
| Non-interest expenses: | | | |
| Compensation and benefits | 63,855 | 77,878 | 95,430 |
| Floor Brokerage and clearing fees | 8,399 | 7,729 | 7,360 |

| | | | |
|--------------------------------|----------|----------|-----------|
| Communications | 12,213 | 12,486 | 10,912 |
| Occupancy and equipment rental | 3,347 | 3,436 | 3,613 |
| Travel and promotional | 4,203 | 5,125 | 4,954 |
| Other | 5,443 | 6,637 | 5,547 |
| | ----- | | |
| Total non-interest expenses | 97,460 | 113,291 | 127,816 |
| | ----- | | |
| Earnings before income taxes | 6,278 | 16,350 | 19,075 |
| Income taxes | 1,914 | 6,650 | 7,658 |
| | ----- | | |
| Net earnings | \$ 4,364 | \$ 9,700 | \$ 11,417 |

1997

| | | | | |
|-----------------------------------|-----------|-----------|-----------|-----------|
| | ----- | | | |
| | 4th Qtr | 3rd Qtr | 2nd Qtr | 1st Qtr |
| | ----- | | | |
| Revenues: | | | | |
| Commissions | \$ 43,124 | \$ 35,266 | \$ 35,742 | \$ 34,808 |
| Principal transactions | 45,582 | 47,687 | 45,188 | 40,624 |
| Corporate finance | 88,164 | 47,511 | 66,008 | 26,957 |
| Interest | 18,303 | 21,114 | 17,393 | 13,846 |
| Other | 1,138 | 512 | 1,117 | 758 |
| | ----- | | | |
| Total revenues | 196,311 | 152,090 | 165,448 | 116,993 |
| Interest expense | 15,424 | 18,554 | 15,462 | 11,874 |
| | ----- | | | |
| Revenues, net of interest expense | 180,887 | 133,536 | 149,986 | 105,119 |
| | ----- | | | |
| Non-interest expenses: | | | | |
| Compensation and benefits | 117,788 | 87,473 | 99,536 | 68,822 |
| Floor Brokerage and clearing fees | 7,303 | 6,764 | 6,331 | 6,356 |
| Communications | 11,809 | 10,103 | 9,966 | 8,427 |
| Occupancy and equipment rental | 4,397 | 4,185 | 3,612 | 3,507 |
| Travel and promotional | 5,296 | 3,161 | 3,534 | 3,309 |
| Other | 12,291 | 6,771 | 5,605 | 4,492 |
| | ----- | | | |
| Total non-interest expenses | 158,884 | 118,457 | 128,584 | 94,913 |
| | ----- | | | |
| Earnings before income taxes | 22,003 | 15,079 | 21,402 | 10,206 |
| Income taxes | 8,873 | 6,006 | 8,280 | 4,175 |
| | ----- | | | |
| Net earnings | \$ 13,130 | \$ 9,073 | \$ 13,122 | \$ 6,031 |

1996

| | | | | |
|-----------------------------------|-----------|-----------|-----------|-----------|
| | ----- | | | |
| | 4th Qtr | 3rd Qtr | 2nd Qtr | 1st Qtr |
| | ----- | | | |
| Revenues: | | | | |
| Commissions | \$ 29,680 | \$ 25,180 | \$ 27,539 | \$ 31,113 |
| Principal transactions | 36,085 | 40,835 | 33,179 | 35,108 |
| Corporate finance | 39,715 | 20,299 | 22,008 | 15,848 |
| Interest | 11,529 | 11,121 | 11,854 | 12,939 |
| Other | 503 | 1,688 | 168 | 632 |
| | ----- | | | |
| Total revenues | 117,512 | 99,123 | 94,748 | 95,640 |
| Interest expense | 9,711 | 8,621 | 9,446 | 10,062 |
| | ----- | | | |
| Revenues, net of interest expense | 107,801 | 90,502 | 85,302 | 85,578 |
| | ----- | | | |
| Non-interest expenses: | | | | |
| Compensation and benefits | 68,402 | 56,823 | 54,965 | 54,256 |
| Floor Brokerage and clearing fees | 5,734 | 5,504 | 5,192 | 5,176 |
| Communications | 7,444 | 5,845 | 5,989 | 5,196 |
| Occupancy and equipment rental | 3,786 | 3,298 | 2,951 | 2,968 |
| Travel and promotional | 2,946 | 2,604 | 2,635 | 2,518 |
| Other | 7,281 | 5,100 | 5,539 | 4,845 |
| | ----- | | | |

| | | | | |
|------------------------------|----------|----------|----------|----------|
| Total non-interest expenses | 95,593 | 79,174 | 77,271 | 74,959 |
| Earnings before income taxes | 12,208 | 11,328 | 8,031 | 10,619 |
| Income taxes | 5,212 | 4,701 | 3,464 | 4,395 |
| Net earnings | \$ 6,996 | \$ 6,627 | \$ 4,567 | \$ 6,224 |

NOTE: Subsequent to the completion of the transaction, ITGI will be shown as a discontinued operation on the JEFECO financial statements.

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14

APPENDIX F

JEFECO STATEMENTS OF EARNINGS

(Dollars in thousands)

| | YEAR ENDED DECEMBER 31, | | |
|---|-------------------------|-----------|-----------|
| | 1997 | 1996 | 1995 |
| REVENUES: | | | |
| Commissions | \$148,940 | \$113,512 | \$ 95,892 |
| Principal transactions | 179,081 | 145,207 | 98,629 |
| Corporate finance | 228,640 | 97,870 | 72,003 |
| Interest | 70,656 | 47,443 | 65,784 |
| Other | 3,525 | 2,991 | 1,974 |
| Total revenues | 630,842 | 407,023 | 334,282 |
| Interest expense | 61,314 | 37,840 | 54,343 |
| Revenues, net of interest expense | 569,528 | 369,183 | 279,939 |
| NON-INTEREST EXPENSES: | | | |
| Compensation and benefits | 373,619 | 234,446 | 175,101 |
| Floor brokerage and clearing fees | 26,754 | 21,606 | 15,874 |
| Telecommunications and data processing services | 40,305 | 24,474 | 18,762 |
| Occupancy and equipment rental | 15,701 | 13,003 | 13,047 |
| Travel and promotional | 15,300 | 10,703 | 7,770 |
| Other | 29,159 | 22,765 | 21,035 |
| Total non-interest expenses | 500,838 | 326,997 | 251,589 |
| Operating income | 68,690 | 42,186 | 28,350 |
| OTHER INCOME: | | | |
| Gain on initial public offering of Investment Technology Group, Inc. | 0 | 0 | 0 |
| Earnings from continuing operations before income taxes and cumulative effect of change in accounting principle | 68,690 | 42,186 | 28,350 |
| Income taxes | 27,334 | 17,772 | 11,928 |
| Earnings from continuing operations before cumulative effect of change in accounting principle | 41,356 | 24,414 | 16,422 |
| Cumulative effect on prior years of change in accounting principle | 0 | 0 | 0 |
| NET EARNINGS | \$ 41,356 | \$ 24,414 | \$ 16,422 |

(Dollars in thousands)

| | YEAR ENDED DECEMBER 31, | |
|-----------------------------------|-------------------------|-----------|
| | 1994 | 1993 |
| REVENUES: | | |
| Commissions | \$ 89,459 | \$ 82,066 |
| Principal transactions | 67,412 | 83,361 |
| Corporate finance | 39,818 | 72,442 |
| Interest | 50,918 | 21,600 |
| Other | 948 | 1,458 |
| Total revenues | 248,555 | 260,927 |
| Interest expense | 41,587 | 17,457 |
| Revenues, net of interest expense | 206,968 | 243,470 |
| NON-INTEREST EXPENSES: | | |
| Compensation and benefits | 127,826 | 143,008 |

| | | |
|---|-----------|-----------|
| Floor brokerage and clearing fees | 15,999 | 12,430 |
| Telecommunications and data processing services | 16,014 | 15,217 |
| Occupancy and equipment rental | 11,657 | 10,021 |
| Travel and promotional | 7,538 | 6,869 |
| Other | 14,927 | 15,007 |
| | ----- | ----- |
| Total non-interest expenses | 193,961 | 202,552 |
| | ----- | ----- |
| Operating Income | 13,007 | 40,918 |
| OTHER INCOME: | | |
| Gain on initial public offering of Investment Technology Group, Inc. | 38,420 | 0 |
| | ----- | ----- |
| Earnings from continuing operations before income taxes and cumulative effect of change in accounting principle | 51,427 | 40,918 |
| Income taxes | 22,097 | 16,656 |
| | ----- | ----- |
| Earnings from continuing operations before cumulative effect of change in accounting principle | 29,330 | 24,262 |
| Cumulative effect on prior years of change in accounting principle | 0 | 1,358 |
| | ----- | ----- |
| NET EARNINGS | \$ 29,330 | \$ 25,620 |
| | ===== | ===== |

NOTE: Subsequent to the completion of the transaction, ITGI will be shown as a discontinued operation on the JEFECO financial statements.