

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended Commission file number: 0 - 23644
March 26, 1999

INVESTMENT TECHNOLOGY GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

----- DELAWARE ----- (State or Other Jurisdiction of Incorporation or Organization)	95 - 2848406 ----- (I.R.S. Employer Identification No.)
380 Madison Avenue, New York, New York ----- (Address of Principal Executive Offices)	(212) 588 - 4000 ----- (Registrant's Telephone Number, Including Area Code)
10017 ----- (Zip Code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

As of May 10, 1999, the Registrant had 30,874,196 shares of common stock, \$.01 par value, outstanding.

QUARTERLY REPORT ON FORM 10-Q

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QUANTEX -Registered Trademark- ("QUANTEX") IS A REGISTERED TRADEMARK OF INVESTMENT TECHNOLOGY GROUP, INC.
 POSIT -Registered Trademark- ("POSIT") IS A REGISTERED SERVICE MARK OF THE POSIT JOINT VENTURE.
 SMARTSERVER IS A SERVICE MARK OF INVESTMENT TECHNOLOGY GROUP, INC.

INVESTMENT TECHNOLOGY GROUP, INC. AND SUBSIDIARIES

FORWARD-LOOKING STATEMENTS

In addition to the historical information contained throughout this Form 10-Q, there are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements regarding our expected future financial position, results of operations, cash flows, dividends, financing plans, business strategies, competitive positions, plans and objectives of management for future operations, and concerning securities markets and economic trends are forward-looking statements. Although we believe our expectations reflected in such forward-looking statements are based on reasonable assumptions, there can be no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements herein include, among others, the actions of both current and potential new competitors, rapid changes in technology, fluctuations in market trading volumes, market volatility, changes in the regulatory environment, risk of errors or malfunctions in our systems or technology, cash flows into or redemptions from equity funds, effects

of inflation, customer trading patterns, securities industry participants' responses to Year 2000 issues, as well as general economic and business conditions; securities, credit and financial and market conditions; adverse changes or volatility in interest rates.

INVESTMENT TECHNOLOGY GROUP, INC. AND SUBSIDIARIES

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PART I. - FINANCIAL INFORMATION
Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(DOLLARS IN THOUSANDS)

	MARCH 26, 1999	DECEMBER 31, 1998
	----- (UNAUDITED)	-----
ASSETS		
Cash and cash equivalents.....	\$ 113,175	\$ 77,324
Securities owned, at fair value.....	31,765	39,615
Receivables from brokers, dealers and other, net.....	16,172	24,127
Due from affiliates.....	467	722
Investments.....	1,029	1,000
Premises and equipment.....	19,595	19,662
Capitalized software.....	6,263	6,450
Goodwill.....	1,236	1,373
Deferred taxes.....	2,732	2,784
Other assets.....	7,261	7,455
Total assets.....	\$ 199,695	\$ 180,512
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses.....	\$ 32,666	\$ 24,154
Payable to brokers, dealers and other.....	2,283	1,881
Software royalties payable.....	3,456	4,070
Securities sold, not yet purchased, at fair value.....	148	288
Due to affiliates.....	2,117	2,557
Income taxes payable to affiliate.....	3,860	3,853
Total liabilities.....	44,530	36,803
STOCKHOLDERS' EQUITY:		
Preferred stock, par value \$0.01; shares authorized: 1,000,000; shares issued: none.....	-	-
Common stock, par value \$0.01; shares authorized: 100,000,000; shares issued: 31,026,579 and 30,961,253 at March 26, 1999 and December 31, 1998.....	310	309
Additional paid-in capital.....	54,419	51,396
Retained earnings.....	113,284	104,925
Common stock held in treasury, at cost; shares: 1,300,332 at March 26, 1999 and at December 31, 1998.....	(12,760)	(12,760)
Accumulated other comprehensive loss: Currency translation adjustment.....	(88)	(161)
Total stockholders' equity.....	155,165	143,709
Total liabilities and stockholders' equity	\$ 199,695	\$ 180,512

SEE ACCOMPANYING UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

INVESTMENT TECHNOLOGY GROUP, INC. AND SUBSIDIARIES

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CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED	
	MARCH 26, 1999	MARCH 27, 1998
REVENUES:		
Commissions.....	\$ 50,665	\$ 40,282
Interest and dividends.....	1,101	801
Other.....	862	304
Total revenues.....	52,628	41,387
EXPENSES:		
Compensation and employee benefits.....	12,248	10,585
Transaction processing.....	7,536	5,654
Software royalties.....	3,752	2,985
Occupancy and equipment.....	3,113	2,797
Telecommunications and data processing services.....	1,920	1,781
Net loss on long-term investments	886	1,002
Spin-off costs	2,254	251
Other general and administrative.....	3,682	3,282
Total expenses.....	35,391	28,337
Income before income tax expense.....	17,237	13,050
Income tax expense.....	8,878	5,688
Net income.....	\$ 8,359	\$ 7,362
Basic net earnings per share of common stock	\$ 0.28	\$ 0.25
Diluted net earnings per share of common stock	\$ 0.27	\$ 0.24
Basic weighted average shares outstanding	29,708	29,091
Diluted weighted average shares and common stock equivalents outstanding.....	31,513	30,560

SEE ACCOMPANYING UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

INVESTMENT TECHNOLOGY GROUP, INC. AND SUBSIDIARIES

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CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 26, 1999
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Common Stock Held in Treasury	Accumulated Comprehensive Income/(loss)	Total Stockholders' Equity
Balance at December 31, 1998.....	\$ -	\$ 309	\$ 51,396	\$ 104,925	\$ (12,760)	\$ (161)	\$ 143,709
Issuance of common stock in connection with the employee stock option plan (44,876 shares).....	-	1	2,712	-	-	-	2,713
Issuance of common stock in connection with the employee stock purchase plan (20,449 shares).....	-	-	311	-	-	-	311
Comprehensive income/(loss):							
Net income.....	-	-	-	8,359	-	-	8,359

Other comprehensive income, net of tax:								
Currency translation adjustment....	-	-	-	-	-	73		73
Comprehensive income.....	-	-	-	-	-	-		8,432
Balance at March 26, 1999.....	\$ -	\$ 310	\$ 54,419	\$ 113,284	\$ (12,760)	\$ (88)		\$ 155,165

SEE ACCOMPANYING UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

INVESTMENT TECHNOLOGY GROUP, INC. AND SUBSIDIARIES

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CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(DOLLARS IN THOUSANDS)

	THREE MONTHS ENDED	
	MARCH 26, 1999	MARCH 27, 1998
Cash flows from operating activities:		
Net earnings.....	\$ 8,359	\$ 7,362
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Deferred income tax expense.....	52	283
Depreciation and amortization.....	3,238	1,983
Undistributed loss (income) of affiliates.....	863	(39)
Provision for doubtful accounts receivable.....	30	24
Decrease (increase) in operating assets:		
Securities owned, at fair value.....	7,850	(1,142)
Receivables from brokers, dealers and other....	7,925	(1,348)
Due from affiliates.....	255	195
Investments.....	(29)	(218)
Other assets.....	(57)	684
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses.....	8,535	5,380
Payable to brokers, dealers and other.....	402	892
Software royalties payable.....	(614)	354
Securities sold, not yet purchased, at fair value.....	(139)	(3)
Due to affiliates.....	(440)	(1,381)
Income taxes payable to affiliate.....	7	(359)
NET CASH PROVIDED BY OPERATING ACTIVITIES....	36,237	12,667
Cash flows from investing activities:		
Purchase of premises and equipment.....	(1,778)	(802)
Investment in joint venture.....	(637)	-
Capitalization of software development costs...	(1,068)	(1,247)
NET CASH USED IN INVESTING ACTIVITIES.....	(3,483)	(2,049)
Cash flows from financing activities:		
Issuance of common stock.....	3,024	1,166
NET CASH PROVIDED BY FINANCING ACTIVITIES....	3,024	1,166
Effect of foreign currency translation on cash and cash equivalents.....	73	(87)

Net increase in cash and cash equivalents....	35,851	11,697
Cash and cash equivalents - beginning of period..	77,324	14,263
	-----	-----
Cash and cash equivalents - end of period.....	\$ 113,175	\$ 25,960
	-----	-----
Supplemental cash flow information:		
Interest paid.....	\$ 28	\$ 13
	-----	-----
Income taxes paid to affiliate.....	\$ 7,074	\$ 5,263
	-----	-----

SEE ACCOMPANYING UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

INVESTMENT TECHNOLOGY GROUP, INC. AND SUBSIDIARIES

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

ORGANIZATION AND BASIS OF PRESENTATION

The Consolidated Financial Statements include the accounts of Investment Technology Group, Inc. and its wholly-owned subsidiaries ("ITG"), which principally include: (1) ITG Inc., a broker-dealer in securities registered under the Exchange Act, (2) Investment Technology Group International Limited, which is a 50% partner in the ITG Europe joint venture, and (3) ITG Australia Holdings Pty Limited, which is a 50% partner in ITG Pacific Holdings Pty Limited. Investments in companies of fifty percent or less are accounted for using the equity method. Jefferies Group, Inc. ("Jefferies Group") owned over 80% of our common stock at March 26, 1999. See Note - Spin-Off from Jefferies Group.

We are a leading financial technology firm that provides a fully integrated set of value-added electronic equity analysis and trade execution tools. We provide services that help our clients optimize their portfolio construction and trading strategies, efficiently access liquidity in multiple markets and achieve superior, low-cost trade execution. Our clients are major institutional investors and broker/dealers. Our products include: POSIT, the world's largest intra-day electronic equity matching system; QuantEX, a fully-integrated trade routing, analysis and management system; ITG Platform, a tool that provides connection to POSIT, ITG's electronic trading desk and SuperDOT; pre- and post-trade analysis, a set of analytical tools for systematically lowering the costs of trading; SmartServers, which offer server based implementation of trading strategies; ITG/OPT, a computer-based equity portfolio selection system; and research, development, sales and consulting services to clients.

All material intercompany balances and transactions are eliminated in consolidation. The consolidated financial statements reflect all adjustments, which are in the opinion of management, necessary for the fair presentation of the results for the interim periods and should be read in conjunction with our 1998 annual report on Form 10-K.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of our financial instruments are carried at fair value or amounts approximating fair value. Cash and cash equivalents, securities owned and certain receivables, are carried at fair value or contracted amounts which approximate fair value due to the short period to maturity and repricing

characteristics. Similarly, liabilities are carried at amounts approximating fair value. Securities sold, not yet purchased are valued at quoted market prices.

USE OF ESTIMATES

Management of ITG have made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets, liabilities, revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's amounts to conform to the current year's presentation.

INCOME TAXES

Until to April 27, 1999, we were a member of the Jefferies affiliated group ("Group") for purposes of filing a Federal income tax return (i.e., Jefferies Group owned more than 80% of ITG). With respect to tax periods ending prior to April 28, 1999, our tax liability is determined on a "separate return" basis. That is, we are required to pay to Jefferies Group its proportionate share of the consolidated tax liability plus any excess of its "separate" tax liability (assuming a separate tax return were to be filed by the us) over its proportionate amount of the consolidated Group tax liability. Alternatively, Jefferies Group is required to pay us an "additional amount" for the amount by which the consolidated tax liability of the Group is decreased by reason of inclusion of ITG in the Group.

INVESTMENT TECHNOLOGY GROUP, INC. AND SUBSIDIARIES

Income taxes are accounted for on the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statement of Operations in the period that includes the enactment date.

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at March 26, 1999 and December 31, 1998 consisted of the following;

	MARCH 26, 1999	DECEMBER 31, 1998

(DOLLARS IN THOUSANDS)		
Accounts payable and accrued expenses.....	\$ 10,325	\$ 6,581
Deferred compensation plan.....	3,924	3,801
Deferred options.....	2,797	2,778
Accrued soft dollars expenses.....	7,482	6,692
Accrued bonus expense.....	5,677	1,757
Accrued rent expense.....	2,386	2,445
Deferred revenues.....	75	100
	-----	-----

Total	\$	32,666	\$	24,154

OTHER COMPREHENSIVE LOSS

The following summarizes other comprehensive income (loss) for the quarter ended March 26, 1999 (Dollars in thousands):

	PRE-TAX AMOUNT	TAX (EXPENSE) OR BENEFIT	NET OF TAX AMOUNT
Currency translation adjustment.....	\$ 73	\$ -	\$ 73
Other Comprehensive loss.....	\$ 73	\$ -	\$ 73

	CURRENCY TRANSLATION ADJUSTMENT	ACCUMULATED OTHER COMPREHENSIVE INCOME/ (LOSS)
Balance at December 31,1998.....	\$ (161)	\$ (161)
Change during quarter ended March 26, 1999.....	73	73
Balance at March 26, 1999.....	\$ (88)	\$ (88)

EARNINGS PER SHARE

Net earnings per share of common stock, is based upon an adjusted weighted average number of shares of common stock outstanding. The adjusted average number of outstanding shares for the three months ended March 26, 1999 and March 27, 1998 was 29.7 million and 29.1 million, respectively.

INVESTMENT TECHNOLOGY GROUP, INC. AND SUBSIDIARIES

The following is a reconciliation of the basic and diluted earnings per share computations for the three months ended March 26, 1999 and March 27, 1998.

	MARCH 26, 1999	MARCH 27, 1998
	-----	-----
	(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	
Net earnings.....	\$ 8,359	\$ 7,362
	-----	-----

Shares of common stock and common stock equivalents:		
Average number of common shares used in basic computation.....	29,708	29,091
Effect of dilutive securities -- options.....	1,805	1,469
Average number of common shares used in diluted computation...	31,513	30,560
Earnings per share:		
Basic.....	\$ 0.28	\$ 0.25
Diluted.....	\$ 0.27	\$ 0.24

The following is a reconciliation of the basic and diluted earnings per share computations for the three months ended March 26, 1999 and March 27, 1998 on a pre spin-off basis. In calculating the per share data, the historical numbers of shares outstanding, stated below, have been adjusted to reflect the spin-off and merger transactions effective on April 27, 1999 and discussed in "-- Spin-Off from Jefferies Group."

PRE SPIN-OFF BASIS	MARCH 26, 1999	MARCH 27, 1998
	(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	
Net earnings.....	\$ 8,359	\$ 7,362
Shares of common stock and common stock equivalents:		
Average number of common shares used in basic computation.....	18,620	18,233
Effect of dilutive securities -- options.....	1,131	921
Average number of common shares used in diluted computation....	19,751	19,154
Earnings per share:		
Basic.....	\$ 0.45	\$ 0.40
Diluted.....	\$ 0.42	\$ 0.38

SPIN-OFF FROM JEFFERIES GROUP

On April 27, 1999, we were effectively spun off from Jefferies Group. The spin-off was effected through a series of transactions including our merger with and into Jefferies Group, with Jefferies Group surviving the merger and being renamed Investment Technology Group, Inc. ("New ITG"). The merger occurred following the transfer by Jefferies Group of substantially all of its assets and liabilities to its wholly-owned subsidiary ("New Jefferies"), and the pro rata distribution by Jefferies Group to its stockholders of all of the New Jefferies common stock. After these transactions, New Jefferies owned all of the assets of Jefferies Group other than Jefferies Group's equity interest in ITG, and Jefferies Group's existing stockholders owned all of the equity interest in New Jefferies. Following the merger, New Jefferies was renamed Jefferies Group, Inc., and, through its subsidiaries, carries on the businesses of Jefferies Group prior to the transactions (other than the businesses of our company).

In connection with these transactions, on April 21, 1999, we paid a special cash dividend of \$4.00 per share, payable pro rata to all of our stockholders of record as of April 20, 1999, including Jefferies Group. The aggregate

amount of the special cash dividend was \$74.6 million, of which we paid \$60.0 million to Jefferies Group. As a result of the merger and based upon the number of shares of Jefferies Group common stock outstanding on the date of the merger (23,931,814) and the number of shares of the ITG's common stock held by Jefferies Group (15,000,000), ITG's stockholders other than Jefferies Group received 1.5955 shares of common stock of New ITG for each share of the of ITG common stock held by them. Through March 26, 1999, we had incurred spin-off costs of approximately \$4.2 million consisting of approximately \$1.9 million through December 31, 1998 and approximately \$2.3 million in First Quarter 1999. The merger and related transactions resulted in the stockholders of Jefferies Group becoming direct stockholders of our company and Jefferies Group ceasing to be our parent company. The merger was accounted for as a "merger of entities under common control" in accordance with generally accepted accounting principles.

CONTINGENCIES

In 1998, we received a "30-day letter" proposing certain adjustments which, if sustained, would result in a tax deficiency of approximately \$9.6 million plus interest. The adjustments proposed relate to (i) the disallowance of deductions taken in connection with the termination of certain compensation plans at the time of our initial public offering in 1994 and (ii) the disallowance of tax credits taken in connection with certain research and development expenditures. We believe that the tax benefits in question were taken properly and intend to vigorously contest the proposed adjustments. Based on the facts and circumstances known at this time, we are unable to predict when this matter will be resolved or the costs associated with its resolution.

Our company may continue to be liable for certain liabilities of its former parent, Jefferies Group, Inc. despite the express assignment of such liabilities to and the express assumption of such liabilities by New Jefferies. Pursuant to the distribution agreement, benefits agreement and tax sharing and indemnification agreement, New Jefferies will be obligated to indemnify ITG for liabilities related to its former parent and its subsidiaries, but not for liabilities related to our company. Under those agreements, ITG will be obligated to indemnify New Jefferies for liabilities related to our company. ITG's ability to recover any costs under such indemnity will depend upon the future financial strength of New Jefferies.

DIVIDENDS

Any future payments of dividends will be at the discretion of our Board of Directors and will depend on the our financial condition, results of operations, capital requirements and other factors deemed relevant. Our revolving credit facility substantially limits our ability to pay dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

REVENUES: We generate substantially all of our revenues from the following four services through our single line of business:

- POSIT: a confidential electronic stock crossing system;

- Electronic Trading Desk: an agency-only trading desk ;
- Front End Software;
 - QuantEX: a Unix-based front-end software system providing market analysis, trade management and electronic connectivity to POSIT and multiple trade execution destinations ; and
 - ITG Platform: a PC-based front-end software system providing market analysis, trade management and electronic connectivity to POSIT and multiple trade execution destinations.

Revenues primarily consist of commissions from customers' use of our trade execution and analytical services. Because these commissions are paid on a per-transaction basis, revenues fluctuate from period to period depending on the volume of securities traded through our services. We record as POSIT revenue any order that is executed on the POSIT system regardless of the manner in which the order was submitted to POSIT. ITG collects a commission from each side of a trade matched on POSIT. We record as Desk revenue any order that is handled by our trading desk personnel and executed at any trade execution destination other than POSIT. We record as Client revenue any order that is sent by our clients, through ITG's front-end systems but without assistance from the Electronic Trading Desk, to any third party trade execution destination. Other revenue includes interest income and market losses resulting from temporary positions in securities assumed in the normal course of our agency trading business.

EXPENSES:

Expenses consist of compensation and employee benefits, transaction processing, software royalties, occupancy and equipment, telecommunications and data processing services, net loss on long-term investments, spin-off costs and other general and administrative expenses. Compensation and employee benefits expenses include base salaries, bonuses, employment agency fees, part-time employee compensation, commissions paid to employees of Jefferies Group, fringe benefits, including employer contributions for medical insurance, life insurance, retirement plans and payroll taxes, reduced by the employee portion of capitalized software. Transaction processing expenses consist of floor brokerage and clearing fees and connection fees for use of certain third party execution services. Software royalties are payments to our POSIT joint venture partner, BARRA at the contractually fixed rate of 13% of POSIT Revenues. Occupancy and equipment expenses include rent, depreciation, amortization of leasehold improvements, maintenance, utilities, occupancy taxes and property insurance. Telecommunications and data processing services include costs for computer hardware, office automation and workstations, data center equipment, market data services and voice, data, telex and network communications. Net loss on long-term investments includes gains on the sale of equity investments, as offset by amortization of goodwill, equity gain/loss pickup and initial start-up costs. Spin-off costs include legal, accounting, consulting and various other expenses in connection with the spin-off from Jefferies Group and related transactions. Other general and administrative expenses include amortization of goodwill, legal, audit, tax, consulting and promotional expenses.

SPIN-OFF FROM JEFFERIES GROUP

INVESTMENT TECHNOLOGY GROUP, INC. AND SUBSIDIARIES

On April 27, 1999, we were effectively spun off from Jefferies Group. The spin-off was effected through a series of transactions including our merger with

and into Jefferies Group, with Jefferies Group surviving the merger and being renamed Investment Technology Group, Inc. ("New ITG"). The merger occurred following the transfer by Jefferies Group of substantially all of its assets and liabilities to its wholly-owned subsidiary ("New Jefferies"), and the pro rata distribution by Jefferies Group to its stockholders of all of the New Jefferies common stock. After these transactions, New Jefferies owned all of the assets of Jefferies Group other than Jefferies Group's equity interest in our company, and Jefferies Group's existing stockholders owned all of the equity interest in New Jefferies. Following the merger, New Jefferies was renamed Jefferies Group, Inc., and, through its subsidiaries, carries on the businesses of Jefferies Group prior to the transactions (other than the businesses of our company).

In connection with these transactions, on April 21, 1999, we paid a special cash dividend of \$4.00 per share, payable pro rata to all of our stockholders of record as of April 20, 1999, including Jefferies Group. The aggregate amount of the special cash dividend was \$74.6 million, of which we paid \$60.0 million to Jefferies Group. As a result of the merger and based upon the number of shares of Jefferies Group common stock outstanding on the date of the merger (23,931,814) and the number of shares of ITG's common stock held by Jefferies Group (15,000,000), ITG's stockholders other than Jefferies Group received 1.5955 shares of common stock of the surviving corporation for each share of ITG's common stock held by them. Through March 26, 1999, we had incurred spin-off costs of approximately \$4.2 million, consisting of approximately \$1.9 million through December 31, 1998 and approximately \$2.3 million in First Quarter 1999. The merger and related transactions resulted in the stockholders of Jefferies Group becoming direct stockholders of our company and Jefferies Group ceasing to be our parent company. The merger was accounted for as a "merger of entities under common control" in accordance with generally accepted accounting principles.

RESULTS OF OPERATIONS

The table below sets forth, certain items in the statement of income expressed as a percentage of revenues for the periods indicated:

	THREE MONTHS ENDED	
	March 26,	March 27,
	1999	1998
Revenues:	100.0%	100.0%
Commissions.....	96.3	97.3
Interest and dividends and other.....	3.7	2.7
Expenses:		
Compensation and employee benefits.....	23.3	25.6
Transaction processing.....	14.3	13.7
Software royalties.....	7.1	7.2
Occupancy and equipment.....	5.9	6.8
Telecommunications and data processing services..	3.6	4.3
Net loss on long-term investments.....	1.7	2.4
Spin-off costs.....	4.3	0.6
Other general and administrative.....	7.0	7.9
Total expenses.....	67.2	68.5
Operating income.....	32.8	31.5
Income tax expense.....	16.9	13.7
Net income.....	15.9	17.8

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QUARTER ENDED MARCH 26, 1999 COMPARED TO QUARTER ENDED MARCH 27, 1998

EARNINGS PER SHARE:

Basic net earnings per share increased \$0.03, or 12.0%, from \$0.25 for the three months ended March 27, 1998 ("First Quarter 1998") to \$0.28 for the three months ended March 26, 1999 ("First Quarter 1999"). Diluted net earnings per share increased \$0.03, or 12.5%, from \$0.24 to \$0.27. Diluted net earnings per share for First Quarter 1999, excluding non-recurring charges of \$2.3 million incurred in connection with our spin-off from Jefferies Group, were \$0.34, or a 42% increase over \$0.24 per share for First Quarter 1998. In calculating the per share data, the historical numbers of shares outstanding have been adjusted to reflect the spin-off and merger transactions effective on April 27, 1999 and discussed in "-- Spin-Off from Jefferies Group."

REVENUES:

Total revenues increased \$11.2 million, or 27%, from \$41.4 million to \$52.6 million. There were 59 trading days in First Quarter 1998 compared to 58 in First Quarter 1999. Revenues per trading day increased by \$206,000, or 29%, from \$701,000 to \$907,000. Revenues per employee increased \$9,000, or 5%, from \$185,000 to \$194,000.

The following table itemizes revenues by category (in thousands):

	THREE MONTHS ENDED,		CHANGE	% CHANGE
	MARCH 26, 1999	MARCH 27, 1998		
POSIT.....	\$28,746	\$22,800	\$5,946	26.1%
Desk.....	10,572	9,682	890	9.2
Client.....	12,718	8,109	4,609	56.8
Other.....	592	796	(204)	(25.6)

The increases in POSIT, Desk and Client revenues were attributable to an increase in trading volume by existing customers and an increase in the number of customers. The number of shares crossed on the POSIT system increased 287 million, or 25%, from 1.1 billion to 1.4 billion. The number of shares crossed on the POSIT system per day increased 5.2 million, or 27%, from 19.2 million to 24.4 million. Of Client revenues, ITG Platform increased 341% representing 11.5% of all Client revenues.

Other revenues decreased primarily as a result of an increase in trading losses of \$0.9 million over First Quarter 1998, reflecting market losses from temporary positions in securities assumed in the normal course of our agency trading business. This was essentially offset by development fee income charged to ITG Europe of \$0.3 million and reimbursement from our joint venture partner of \$0.4 million for POSIT development work.

EXPENSES:

Total expenses increased \$7.1 million, or 25%, from \$28.3 million to \$35.4

million.

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The following table itemizes expenses by category (in thousands):

	THREE MONTHS ENDED,			
	MARCH 26, 1999	MARCH 27, 1998	CHANGE	% CHANGE
Compensation and employee benefits.....	\$12,248	\$10,585	\$1,663	15.7%
Transaction processing.....	7,536	5,654	1,882	33.3
Software royalties.....	3,752	2,985	767	25.7
Occupancy and equipment.....	3,113	2,797	316	11.3
Telecommunications and data processing services.....	1,920	1,781	139	7.8
Net loss on long-term investments.....	886	1,002	(116)	(11.6)
Spin-off costs.....	2,254	251	2,003	798.0
Other general and administrative.....	3,682	3,282	400	12.2
Income taxes.....	8,878	5,688	3,190	56.1

COMPENSATION AND EMPLOYEE BENEFITS: Salaries, bonuses and related employee benefits increased primarily due to growth in our employee base of 21% from 226 to 272, and additional compensation necessary to attract and retain quality personnel. Over 50% of the increase in new employees were staffed in technology, product development and production infrastructure. This is consistent with our ongoing effort to respond to continuous changes in the securities industry and demand for increased efficiencies by enhancing existing software and developing new software and services. Average compensation and employee benefits expenses per person decreased \$9,000, or 4%, from \$189,000 to \$180,000 on an annualized basis.

TRANSACTION PROCESSING: Transaction processing as a percentage of revenues increased from 13.7% to 14.3% of revenues. Clearing costs as a percentage of revenues increased 0.6% due to an increase in ticket volume and 0.2% due to an increase in international ticket charges. This was partially offset (0.6%) due to clearing volume discounts. Execution and other costs increased 0.4% as a percentage of revenues.

SOFTWARE ROYALTIES: As software royalties are contractually fixed at 13% of POSIT revenues, the increase is wholly attributable to an increase in POSIT revenues.

OCCUPANCY AND EQUIPMENT: The increase in occupancy and equipment expense is primarily attributed to purchase of equipment and software and related maintenance contracts associated with the expansion of our research and development facility in Culver City, California.

TELECOMMUNICATIONS AND DATA PROCESSING SERVICES: The increase in telecommunications and data processing services stems primarily from the data feed upgrades for clients, including market data line connections, totaling \$0.6 million. This increase was offset in part by a decrease in spending on contingency-related planning and implementation.

NET LOSS ON LONG-TERM INVESTMENTS: The net loss on long-term investments in First Quarter 1999 primarily reflects losses incurred by ITG Europe, which is now fully operational. In August 1998, we sold our equity ownership in the LongView Group, Inc., however, the investment in LongView Group had incurred a loss in First Quarter 1998.

SPIN-OFF COSTS: The spin-off expenses are attributable to our legal, accounting, consulting and other expenses incurred for the spin-off and merger transactions, as discussed in "Spin-Off from Jefferies Group."

OTHER GENERAL AND ADMINISTRATIVE: The increase reflects software amortization for certain products that were released in late 1998, offset by a decline in consulting for projects such as network migration and strategic market studies.

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INCOME TAX EXPENSE: The increase was the result of an increase in pretax income and an increase in the effective tax rate from 43.6% in First Quarter 1998 to 51.5% in First Quarter 1999. The effective tax rate increased due to certain non-deductible expenses, such as spin-off costs and the inability to offset the larger First Quarter 1999 international losses with United States profits in calculating income tax expense.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resource requirements are the result of the funding of working capital needs, primarily consisting of compensation, benefits and transaction processing fees and software royalty fees. Historically, cash from operations has met all working capital requirements. A substantial portion of our assets are liquid, consisting of cash and cash equivalents or assets readily convertible into cash.

We believe that our cash flow from operations and existing cash balances will be sufficient to meet our cash requirements. We generally invest our excess cash in money market funds and other short-term investments that generally mature within 90 days or less. Additionally, securities owned, at fair value, include highly liquid, variable rate municipal securities, auction rate preferred stock and common stock. At March 26, 1999, such cash equivalents amounted to \$113.2 million and receivables from brokers, dealers and other, net of \$16.2 million were due within 30 days. A special cash dividend of \$74.6 million was paid on April 21, 1999 in connection with the spin-off from Jefferies Group. See "Spin-Off from Jefferies Group."

Historically, all regulatory capital needs of ITG Inc. have been provided by cash from operations. We believe that cash flows from operations and the receipt of the exercise price for the exercise of options which were scheduled to expire on April 30, 1999 in the amount of approximately \$8.7 million will provide ITG Inc. with sufficient regulatory capital. We have an agreement with a bank to borrow up to \$20 million on a revolving basis to enable ITG Inc. to satisfy its regulatory net capital requirements. This commitment will expire on March 14, 2000. Any amounts drawn may be prepaid at any time, but no later than March 15, 2001. We incur a fee at a rate per annum equal to 0.35% on the daily amount of the unused commitment to March 13, 2000. The interest rate on any amounts drawn will be prime; if such amounts are not repaid within two weeks, the interest rate will increase to prime plus 2%. The credit facility is secured by a pledge of the stock of ITG Inc., ITG Ventures, Inc. and ITG Global Trading Incorporated. This agreement limits our ability to pay cash dividends or incur indebtedness and requires us to comply with certain financial covenants. On March 26, 1999, assuming that the spin-off from Jefferies Group had been consummated on that date, ITG Inc. would have had pro forma excess net regulatory capital of approximately \$16.5 million (not including the \$20 million available under the new revolving credit facility). Although we believe that the combination of our existing net regulatory capital, operating cash flows and the revolving credit facility will be sufficient to meet regulatory capital requirements, a shortfall in net regulatory capital would have a material adverse effect on us.

THE YEAR 2000 ISSUE

Some computer systems and software products were originally designed to accept only two digit entries in the data code field. As a result, certain computer systems and software packages will not be able to interpret dates

beyond December 31, 1999 and thus will interpret dates beginning January 1, 2000 incorrectly. This could potentially result in

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computer failure or miscalculations, causing operating disruptions, including an inability to process transactions, send invoices or engage in normal business operations. Therefore, companies may have to upgrade or replace computer and software systems in order to comply with the "Year 2000" requirements.

STRATEGY

We are well aware of and are actively addressing the Year 2000 issue and the potential problems that can arise in any computer and software system. Planning and evaluation work began in 1997 including the identification of those systems affected. We established a "Year 2000 working group" to address the Year 2000 issue. We have targeted our efforts into three major areas: (1) vendors; (2) company proprietary products; and (3) clients.

VENDORS. Our ability to successfully meet the Year 2000 challenge is in part dependent on our vendors. We have contacted our vendors to determine the status of their Year 2000 programs and have created a database recording each vendor's readiness status. Over 95% of our vendors have responded that their systems are currently Year 2000 compliant, and substantially all of our vendors have indicated that they expect their systems to be Year 2000 compliant by September 30, 1999. Based upon the results of our testing to date, we are satisfied with the representations we have received from our vendors. We are in the process of integrating Year 2000 compliant versions of our vendors' software and hardware with our proprietary products.

COMPANY PROPRIETARY PRODUCTS. We have evaluated our trading systems and have endeavored to examine all code contained in our internally produced software. We have completed regression testing of all mission critical systems and released Year 2000 compliant versions of all such systems other than QuantEX. We plan to complete date-forward testing of all mission critical systems and release a Year 2000 compliant version of QuantEX by the end of June 1999. We also participated in the Securities Industry Association's industry-wide testing program in March and April 1999.

CLIENTS. We sent a letter explaining our Year 2000 strategy to all clients in July 1998. In addition, we contacted clients on a project-by-project basis to ascertain compatibility between our systems and changes made to the clients' systems. We started to provide point-to-point testing opportunities for our clients in April 1999.

YEAR 2000 CONTINGENCY PLANNING

We are preparing a Year 2000 contingency plan to deal with both internal and external failures of critical systems. The Year 2000 issue can affect all businesses that rely heavily on automated systems. Our Year 2000 contingency plan is therefore intended to address failures of internal systems, client connections and connections to trading destinations, as well as failures of major infrastructure components. We intend to have our contingency plan in place by July 1999 and to update and refine such plan as needed on a continuing basis. We believe, however, that such contingency plan will not provide satisfactory solutions for our worst-case scenario. The general failure of computer and communication systems relied upon by the securities industry, such as the systems provided by long distance telephone companies, the stock exchanges, Nasdaq, The Depository Trust Company and ADP Brokerage Services, and the failure of our securities clearing and execution firms to provide services under agreements with us. Such failure would prevent us from operating in whole or in part until such systems or services have been restored and could have a material adverse effect on us.

In the event any of our internally developed systems fails, we will undertake to remediate such system on an emergency basis at the time of such failure. To ensure that adequate staff will be available to handle any such emergencies in January of 2000, we have imposed a moratorium on employee vacations during the first two weeks of January 2000, and have made arrangements to have a number of software development personnel (normally based in our Culver City office) at our New York headquarters during the final week of December 1999 and the first week of January 2000. Our inability to remediate a failure of any of our internally developed mission critical systems would prevent us from operating in whole or in part until such systems have been restored and could have a material adverse effect on us.

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COSTS

We do not believe that the costs incurred to ready our systems for the Year 2000 will have a material effect on our financial condition. Total costs for the whole project are estimated to be between \$2.5 and \$3.0 million, which includes the cost of personnel, consultants and software and hardware costs. Costs incurred for the Year 2000 project were approximately \$0.6 million for the First Quarter 1999 and totaled \$2.1 million to date.

PART II. - OTHER INFORMATION

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

(a) Date of the Meeting - April 20, 1999

Type of Meeting - Annual Meeting of Stockholders

(b) At the meeting, the following directors were elected by the stockholders to hold office until the next annual meeting of stockholders or until their successors have been duly elected and qualified:

- Frank E. Baxter
- Neal S. Garonzik
- William I Jacobs
- Raymond L. Killian, Jr.
- Robert L. King
- Mark A. Wolfson

(c) At the meeting, with respect to the election of the directors, ratification of the appointment of KPMG LLP as our independent auditors for the 1999 fiscal year, and approval and adoption of the Agreement and Plan of Merger between our company and Jefferies Group, the following votes were cast in the following manner:

Election of Directors:

NAME	FOR	WITHHELD
Frank E. Baxter	18,161,646	526
Neal S. Garonzik	18,161,646	526
William I Jacobs	18,161,646	526
Raymond L. Killian, Jr.	18,161,646	526
Robert L. King	18,161,646	526
Mark A. Wolfson	18,161,646	526

Ratification of the appointment of KPMG LLP as our independent auditors for the 1999 fiscal year:

	NUMBER OF SHARES

For	18,160,592
Against	1,025
Abstain	555

Approval and adoption the Agreement and Plan of Merger between ITG and Jefferies Group:

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	NUMBER OF SHARES

For	17,441,413
Against	20,621
Abstain	630
Delivered Not-Voted	699,508

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- Exhibit 3.2 - Amended and Restated Bylaws of the Company.
- Exhibit 10.1 - Amendment No.1, dated as of April 20, 1999, to the Credit Agreement between the Company and The Bank of New York.
- Exhibit 10.2 - Assumption Agreement, dated as of April 27, 1999, between the Company and The Bank of New York.
- Exhibit 27 - Financial Data Schedule.

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SIGNATURE

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

INVESTMENT TECHNOLOGY GROUP, INC.

(Registrant)

Date: MAY 10, 1999

By: /s/ John R. MacDonald

 John R. MacDonald
 Chief Financial Officer and
 Duly Authorized Signatory of Registrant

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AMENDED AND RESTATED
BY-LAWS

OF

INVESTMENT TECHNOLOGY GROUP, INC.

(a Delaware corporation)

ARTICLE I

Offices and Fiscal Year

SECTION 1.01. REGISTERED OFFICE. The registered office of the corporation shall be in the City of Wilmington, County of New Castle, State of Delaware until otherwise established by a vote of a majority of the board of directors in office, and a statement of such change is filed in the manner provided by statute.

SECTION 1.02. OTHER OFFICES. The corporation may also have offices at such other places within or without the State of Delaware as the board of directors may from time to time determine or the business of the corporation requires.

SECTION 1.03. FISCAL YEAR. The fiscal year of the corporation shall end on the 31st of December in each year.

ARTICLE II

Meetings of Stockholders

SECTION 2.01. PLACE AND TIME. Subject to the laws governing the corporation, meetings of stockholders of the corporation shall be held at the registered office of the corporation or at such other place within or without the State of Delaware and at such time as the Chairman of the board of directors or the President of the corporation may determine from time to time or as the Secretary of the corporation may determine within 10 calendar days after receipt of the written request of a majority of the directors, acting in accordance with such request. Written notice of the place, date

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and hour of every meeting of the stockholders, whether annual or special, shall be given to each stockholder of record entitled to vote at the meeting not less than ten nor more than sixty days before the date of the meeting. Every notice of a special meeting shall state the purpose or purposes thereof.

SECTION 2.02. SPECIAL MEETINGS. Special meetings of the stockholders of the corporation may be called only by the secretary of the corporation at the request of (i) a majority of the total number of directors which the corporation at the time would have if there were no vacancies or (ii) any person authorized by the board of directors (through a vote of a majority of the total number of directors which the corporation at the time would have if there were no vacancies). Notwithstanding the foregoing, stockholders shall have no right to call a special meeting of stockholders.

SECTION 2.03. QUORUM, MANNER OF ACTING AND ADJOURNMENT. The holders of a majority of the stock issued and outstanding (not including treasury stock) and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute, by the certificate of incorporation or by these by-laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At any such adjourned meeting, at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. When a quorum is present at any meeting, the vote of the holders of the majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the applicable statute or these by-laws, a different vote is required in which case such express provision shall govern and control the decision of such question. Except upon those questions governed by the aforesaid express provisions, the stockholders present in person or by proxy at a duly organized meeting can continue to do business until adjournment, notwithstanding withdrawal of enough stockholders to leave less than a quorum.

SECTION 2.04. ORGANIZATION. At every meeting of the stockholders, the chairman of the board, if there be one, or in the case of a vacancy in the office or absence of the chairman of the board, one of the following persons present in the order stated: the vice chairman, if one has been appointed, the president, the executive or senior vice presidents in their order of rank and seniority, a chairman designated by the board of directors or a chairman chosen by the stockholders entitled to cast a majority of the votes which all stockholders present in person or by proxy are entitled to cast, shall act as chairman, and the secretary, or, in his absence, an assistant secretary, or in the absence of the secretary and the assistant secretaries, a person appointed by the chairman, shall act as secretary.

SECTION 2.05. VOTING. Each stockholder shall, at every meeting of the stockholders, be entitled to one vote in person or by proxy for each share of capital stock having voting power held by such stockholder. No proxy shall be voted on after three years from its date, unless the proxy

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provides for a longer period. Every proxy shall be executed in writing by the stockholder or by his duly authorized attorney-in-fact and filed with the secretary of the corporation; provided, however, the foregoing clause shall not preclude the giving of proxies by electronic, telephonic or other means so long as such procedure is expressly approved by the corporation's board of directors and is permitted by law. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of such death or incapacity is given to the secretary of the corporation.

SECTION 2.06. NOTICE OF STOCKHOLDER BUSINESS AND NOMINATIONS.

(A) ANNUAL MEETING OF STOCKHOLDERS.

(1) Nominations of persons for election to the board of directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) by or at the direction of the board of directors pursuant to a resolution adopted by a majority of the total number of directors which the corporation at the time would have if there were no vacancies or (b) by any stockholder of the

corporation who is entitled to vote at the meeting with respect to the election of directors or the business to be proposed by such stockholder, as the case may be, who complies with the notice procedures set forth in clauses (2) and (3) of paragraph (A) of this Section 2.06 and who is a stockholder of record at the time such notice is delivered to the secretary of the corporation as provided below.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (b) of paragraph (A) (1) of this Section 2.06, the stockholder must have given timely notice thereof in writing to the secretary of the corporation and such business must be a proper subject for stockholder action under the Delaware General Corporation Law (the "DGCL"). To be timely, a stockholder's notice shall be delivered to the secretary of the corporation at the principal executive office of the corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting (or action taken by consent in lieu of annual meeting); PROVIDED, HOWEVER, that in the event that the date of the annual meeting is advanced by more than 30 days, or delayed by more than 30 days, from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than either the close of business on (a) the 10th day following the day on which notice of the date of such meeting was mailed or (b) the 10th day following the day on which public announcement of the date of such meeting is first made, whichever first occurs in (a) or (b). Such stockholder's notice shall set forth (x) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (y) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (z) as to the

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stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner and (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A) (2) of this Section 2.06 to the contrary, in the event that the number of directors to be elected to the board of directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased board of directors made by the corporation at least 80 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by paragraph (A) (2) of this Section 2.06 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary of the corporation at the principal executive offices of the corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the corporation.

(B) SPECIAL MEETING OF STOCKHOLDERS. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the corporation's notice of meeting and in accordance with these By-laws. Nominations of persons for election to the board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting (a) by or at

the direction of the board of directors or (b) provided that the board of directors has determined that directors shall be elected at such meeting, by any stockholder of the corporation who is a stockholder of record at the time of giving of notice provided for in this Section 2.06, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.06. In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the board of directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by paragraph (A)(2) of this Section 2.06 shall be delivered to the secretary at the principal executive offices of the corporation not earlier than the close of business on the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholders notice as described above.

(C) GENERAL.

(1) Only persons who are nominated in accordance with the procedures set forth in this Section 2.06 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.06.

(2) Except as otherwise provided by law, the Certificate of Incorporation or this Section 2.06, the chairman of the meeting shall have the power and duty to determine whether a

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nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 2.06 and, if any proposed nomination or business is not in compliance with this Section 2.06, to declare that such defective nomination or proposal shall be disregarded.

(3) For purposes of this Section 2.06, "public announcement" shall mean disclosure on a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(4) Notwithstanding the foregoing provisions of this Section 2.06, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.06. Nothing in this Section 2.06 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the corporation's proxy materials with respect to a meeting of stockholders pursuant to Rule 14a-8 under Exchange Act or (ii) of the holders of any series of Preferred Stock or any other series or class of stock (excluding Common Stock) as set forth in the Certificate of Incorporation to elect directors under specified circumstances or to consent to specific actions taken by the corporation.

SECTION 2.07. PROCEDURE FOR ELECTION OF DIRECTORS; REQUIRED VOTE. Subject to the rights of the holders of any series of Preferred Stock or any other series or class of stock as set forth in the Certificate of Incorporation to elect directors under specified circumstances, election of directors at all meetings of the stockholders at which directors are to be elected shall be by a plurality of the votes cast. Except as otherwise provided by law, the Certificate of Incorporation, or these By-Laws, in all matters other than the

election of directors, the affirmative vote of a majority of the stock present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders.

SECTION 2.08. NO STOCKHOLDER ACTION BY WRITTEN CONSENT. Subject to the rights of the holders of any series of Preferred Stock or any other series or class of stock (excluding Common Stock) set forth in the Certificate of Incorporation to elect additional directors under specified circumstances or to consent to specific actions taken by the corporation, any action required or permitted to be taken by the stockholders of the corporation must be taken at an annual or special meeting of the stockholders and may not be taken by any consent in writing by stockholders of the corporation.

SECTION 2.09. VOTING LISTS. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting. The list shall be arranged in alphabetical order showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall

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also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 2.10. JUDGES OF ELECTION. All elections of directors may be, but need not be, by written ballot, unless otherwise provided in the certificate of incorporation; the vote upon any other matter need not be by ballot. In advance of any meeting of stockholders, the board of directors may appoint judges of election, who need not be stockholders, to act at such meeting or any adjournment thereof. If judges of election are not so appointed, the chairman of any such meeting may, and upon the demand of any stockholder or his proxy at the meeting and before voting begins shall, appoint judges of election. The number of judges shall be either one or three, as determined, in the case of judges appointed upon demand of a stockholder, by stockholders present entitled to cast a majority of the votes which all stockholders present are entitled to cast thereon. No person who is a candidate for office shall act as a judge. In case any person appointed as judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the board of directors in advance of the convening of the meeting, or at the meeting by the chairman of the meeting.

If judges of election are appointed as aforesaid, they shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as may be proper to conduct the election or vote with fairness to all stockholders. If there be three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

On request of the chairman of the meeting or of any stockholder or his proxy, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them.

Board of Directors

SECTION 3.01. POWERS. The board of directors shall have full power to manage the business and affairs of the corporation; and all powers of the corporation, except those specifically reserved or granted to the stockholders by statute, the certificate of incorporation or these by-laws, are hereby granted to and vested in the board of directors.

SECTION 3.02. NUMBER AND TERM OF OFFICE. The board of directors shall consist of such number of directors, not less than 5 nor more than 17, as may be determined from time to time by (i) a resolution adopted by a majority of the total number of directors which the corporation at the time would have if there were no vacancies or (ii) the affirmative vote of the holders of shares representing at least 66 2/3% of the voting power of the then outstanding stock of the corporation entitled to vote generally in the election of directors, voting together as a single class. The directors shall be elected at

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each annual meeting of stockholders of the corporation and shall hold office for a term expiring at the annual meeting of stockholders held in the year following the year of their election, and until their successors are elected and qualified. All directors of the corporation shall be natural persons, but need not be residents of Delaware or stockholders of the corporation.

SECTION 3.03. VACANCIES. Vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause, and newly created directorships resulting from any increase in the authorized number of directors, may be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum of the board of directors, or stockholders of the corporation at any annual meeting, and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires and until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors shall shorten the term of any incumbent director.

SECTION 3.04. RESIGNATIONS. Any director of the corporation may resign at any time by giving written notice to the president or the secretary of the corporation. Such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 3.05. ORGANIZATION. At every meeting of the board of directors, the chairman of the board, if there be one, or, in the case of a vacancy in the office or absence of the chairman of the board, one of the following officers present in the order stated: the vice chairman of the board, if there be one, the president, the executive or senior vice presidents in their order of rank and seniority, or a chairman chosen by a majority of the directors present, shall preside, and the secretary, or, in his absence, an assistant secretary, or in the absence of the secretary and the assistant secretaries, any person appointed by the chairman of the meeting, shall act as secretary.

SECTION 3.06. PLACE OF MEETING. The board of directors may hold its meetings, both regular and special, at such place or places within or without the State of Delaware as the board of directors may from time to time appoint, or as may be designated in the notice calling the meeting.

SECTION 3.07. ORGANIZATION MEETING. The first meeting of each newly elected board of directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally

to constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected board of directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

SECTION 3.08. REGULAR MEETINGS. Regular meetings of the board of directors may be held without notice at such time and place as shall be designated from time to time by resolution of

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the board of directors. If the date fixed for any such regular meeting be a legal holiday under the laws of the State where such meeting is to be held, then the same shall be held on the next succeeding business day, not a Saturday, or at such other time as may be determined by resolution of the board of directors. At such meetings, the directors shall transact such business as may properly be brought before the meeting. Any notice by telephone shall be deemed effective if a message regarding the substance of the notice is given on a director's behalf to the director's secretary or assistant or to a member of the director's family.

SECTION 3.09. SPECIAL MEETINGS. Special meetings of the board of directors shall be held whenever called by the Chairman or by two or more of the directors. Notice of each such meeting shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone or facsimile) or 48 hours (in the case of notice by telegram or overnight delivery) or three days (in the case of notice by mail) before the time at which the meeting is to be held. Each such notice shall state the time and place of the meeting to be so held.

SECTION 3.10. QUORUM, MANNER OF ACTING AND ADJOURNMENT. At all meetings of the board, a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board.

SECTION 3.11. EXECUTIVE AND OTHER COMMITTEES. The board of directors may, by resolution adopted by a majority of the whole board, designate an executive committee and one or more other committees, each committee to consist of one or more directors and to have such authority as may be specified by the board of directors, subject to the DGCL. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member, and the alternate or alternates, if any, designated for such member, of any committee the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member. Any such committee shall be governed by the procedural provisions of these By-laws that govern the operation of the full board of directors, including with respect to notice and quorum, except to the extent specified otherwise by the board of

directors.

SECTION 3.12. COMPENSATION OF DIRECTORS. Unless otherwise restricted by the certificate of incorporation, the board of directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board

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of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE IV

Notice - Waivers - Meetings

SECTION 4.01. NOTICE, WHAT CONSTITUTES. Whenever, under the provisions of the statutes of Delaware or the certificate of incorporation or of these by-laws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given in accordance with Section 3.08 hereof.

SECTION 4.02. WAIVERS OF NOTICE. Whenever any written notice is required to be given under the provisions of the certificate of incorporation, these by-laws, or by statute, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except in the case of a special meeting of stockholders, neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice of such meeting.

Attendance of a person, either in person or by proxy, at any meeting, shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

SECTION 4.03. CONFERENCE TELEPHONE MEETINGS. One or more directors may participate in a meeting of the board, or of a committee of the board, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

SECTION 4.04. PRESUMPTION OF ASSENT. A director of the corporation who is present at a meeting of the board of directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

ARTICLE V

Officers

SECTION 5.01. NUMBER, QUALIFICATIONS AND DESIGNATION. The officers of the corporation shall be chosen by the board of directors and shall be a president, one or more managing directors, one or more vice presidents, a secretary, a treasurer, and such other officers as may be elected in accordance with the provisions of Section 5.03 of this Article. One person may hold more than one office. Officers may be, but need not be, directors or stockholders of the corporation. The board of directors may elect from among the members of the board a chairman of the board and a vice chairman of the board who shall be officers of the corporation.

SECTION 5.02. ELECTION AND TERM OF OFFICE. The officers of the corporation, except those elected by delegated authority pursuant to Section 5.03 of this Article, shall be elected annually by the board of directors, and each such officer shall hold his office until his successor shall have been elected and qualified, or until his earlier resignation, or removal. Any officer may resign at any time upon written notice to the corporation.

SECTION 5.03. SUBORDINATE OFFICERS, COMMITTEES AND AGENTS. The board of directors may from time to time elect such other officers and appoint such committees, employees or other agents as it deems necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as are provided in these by-laws, or as the board of directors may from time to time determine. The board of directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

SECTION 5.04. THE CHAIRMAN AND VICE CHAIRMAN OF THE BOARD. The chairman of the board or, in his absence, the vice chairman of the board shall preside at all meetings of the stockholders and of the board of directors, and shall perform such other duties as may from time to time be assigned to them by the board of directors.

SECTION 5.05. THE PRESIDENT. The president shall be the chief executive officer of the corporation and shall have general supervision over the business and operations of the corporation, subject, however, to the control of the board of directors. In the absence of the chairman of the board and the vice chairman of the board, the president shall preside at all meetings of the stockholders and of the board of directors. He shall sign, execute, and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the board of directors, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these by-laws, to some other officer or agent of the corporation; and, in general, shall perform all duties incident to the office of president, and such other duties as from time to time may be assigned to him by the board of directors.

SECTION 5.06. THE MANAGING DIRECTORS. The managing directors, subject to the direction of the board of directors and reporting to the chairman of the board and the president, shall assist in the general charge of the business of the corporation and general supervision of its officers and agents. In the absence of the chairman of the board, the vice chairman of the board and the president, at the direction of the board of directors, a managing director may preside at all meetings of the stockholders and of the board of directors.

At the direction of the board of directors, the chairman of the board or the president, a managing director may sign, execute, and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the board of directors, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these by-laws, to some other officer or agent of the corporation; and, in general, shall perform such other duties as from time to time may be assigned to him by the board of directors, the chairman of the board or the president. In the absence or disability of the president, the managing directors, in order of rank as fixed by the board of directors, shall perform all duties of the president, and when so acting, shall have all of the powers of and be subject to all of the restrictions upon the president.

SECTION 5.07. THE VICE PRESIDENTS. The board of directors may appoint one or more executive vice presidents, one or more senior vice presidents and such other vice presidents as the board shall deem proper. Executive vice presidents and senior vice presidents shall have such other powers and perform such duties as from time to time may be prescribed for them respectively by the board of directors or the president. All other vice presidents shall have only those duties and powers expressly and specifically authorized by resolution of the board of directors, and, absent such authorization, no such vice presidents shall have the power to bind the corporation to any obligation, contractual or otherwise, whether or not in writing.

SECTION 5.08. THE SECRETARY. The secretary, or an assistant secretary, shall attend all meetings of the stockholders and of the board of directors and shall record the proceedings of the stockholders and of the directors and of committees of the board in a book or books to be kept for that purpose; see that notices are given and records and reports properly kept and filed by the corporation as required by law; be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under its seal; and, in general, perform all duties incident to the office of secretary, and such other duties as may from time to time be assigned to him by the board of directors or the president.

SECTION 5.09. THE TREASURER. The treasurer or an assistant treasurer shall have or provide for the custody of the funds or other property of the corporation and shall keep a separate book account of the same to his credit as treasurer; collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the corporation; deposit all funds in his custody as treasurer in such banks or other places of deposit as the board of directors may from time to time designate; whenever so required by the board of directors, render an account showing his transactions as treasurer and the financial condition of the corporation; and, in general, discharge such other duties as may from time to time be assigned to him by the board of directors or the president.

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SECTION 5.10. OFFICERS' BONDS. No officer of the corporation need provide a bond to guarantee the faithful discharge of his duties unless the board of directors shall by resolution so require a bond, in which event such officer shall give the corporation a bond (which shall be renewed if and as required) in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office.

SECTION 5.11. SALARIES. The salaries of the officers and agents of the corporation elected by the board of directors shall be fixed from time to time by the board of directors except to the extent that the board of directors shall have delegated power to officers of the corporation to fix, from time to time, the salaries of such officers' assistant or subordinate officers.

ARTICLE VI

Certificates of Stock, Transfer, Etc.

SECTION 6.01. ISSUANCE. Each stockholder shall be entitled to a certificate or certificates for shares of stock of the corporation owned by him upon his request therefor. The stock certificates of the corporation shall be numbered and registered in the stock ledger and transfer books of the corporation as they are issued. They shall be signed by the Chairman of the board or a vice president and by the secretary or an assistant secretary or the treasurer or an assistant treasurer. It shall not be necessary for such certificates to bear the corporate seal, unless required by law. Any of or all the signatures upon such certificate may be a facsimile, engraved or printed. In case any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon, any share certificate shall have ceased to be such officer, transfer agent or registrar, before the certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent or registrar at the date of its issue.

SECTION 6.02. TRANSFER. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. No transfer shall be made which would be inconsistent with the provisions of Article 8, Title 6 of the Delaware Uniform Commercial Code--Investment Securities.

SECTION 6.03. STOCK CERTIFICATES. Stock certificates of the corporation shall be in such form as provided by statute and approved by the board of directors. The stock record books and the blank stock certificates books shall be kept by the secretary or by any agency designated by the board of directors for that purpose.

SECTION 6.04. LOST, STOLEN, DESTROYED OR MUTILATED CERTIFICATES. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed.

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When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

SECTION 6.05. RECORD HOLDER OF SHARES. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

SECTION 6.06. DETERMINATION OF STOCKHOLDERS OF RECORD. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to

receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.

If no record date is fixed:

(1) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(2) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjournment meeting.

ARTICLE VII

General Provisions

SECTION 7.01. DIVIDENDS. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of

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directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock of the corporation, subject to the provisions of the certificate of incorporation. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

SECTION 7.02. ANNUAL STATEMENTS. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

SECTION 7.03. CONTRACTS. Except as otherwise provided in these by-laws, the board of directors may authorize any officer or officers including the chairman and vice chairman of the board of directors, or any agent or agents, to enter into any contract or to execute or deliver any instrument on behalf of the corporation and such authority may be general or confined to specific instances.

SECTION 7.04. CHECKS. All checks, notes, bills of exchange or other orders in writing shall be signed by such person or persons as the board of directors may from time to time designate.

SECTION 7.05. CORPORATE SEAL. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and

the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 7.06. DEPOSITS. All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the board of directors may approve or designate, and all such funds shall be withdrawn only upon checks signed by such one or more officers or employees as the board of directors shall from time to time determine.

SECTION 7.07. CORPORATE RECORDS. Every stockholder shall, upon written demand under oath stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business, for any proper purpose, the stock ledger, books or records of account, and records of the proceedings of the stockholders and directors, and make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent shall be the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business. Where the stockholder seeks to inspect the books and records of the corpora-

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tion, other than its ledger or list of stockholders, the stockholder shall first establish (1) compliance with the provisions of this section respecting the form and manner of making demand for inspection of such document; and (2) that the inspection sought is for a proper purpose. Where the stockholder seeks to inspect the stock ledger or list of stockholders of the corporation and has complied with the provisions of this section respecting the form and manner of making demand for inspection of such documents, the burden of proof shall be upon the corporation to establish that the inspection sought is for an improper purpose.

SECTION 7.08. AMENDMENT OF BY-LAWS. These By-laws may be amended, added to, rescinded or repealed at any meeting of the board of directors or of the stockholders, PROVIDED THAT notice of the proposed change was given in the notice of the meeting and, in the case of the board of directors, in a notice given no less than twenty-four hours prior to the meeting; PROVIDED, HOWEVER, that in the case of amendments by stockholders, notwithstanding any other provisions of these By-laws or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any series of Preferred Stock or any other series or class of stock set forth in the Certificate of Incorporation which is required by law, the Certificate of Incorporation or these By-laws, the affirmative vote of the holders of shares representing at least 66 2/3% of the voting power of the then outstanding stock of the corporation entitled to vote generally in the election of directors, present or represented by proxy, voting together as a single class, shall be required to alter, amend or repeal Sections 2.02, 2.06, 2.08, 3.02, 3.03 or this Section 7.08 of these By-laws.

AMENDMENT NO. 1 TO THE CREDIT AGREEMENT

AMENDMENT NO. 1 (this "AMENDMENT"), dated as of April 20, 1999, to the Credit Agreement, dated as of March 16, 1999, by and among Investment Technology Group, Inc. (the "BORROWER") and The Bank of New York (the "LENDER") (as amended, the "CREDIT AGREEMENT").

RECITALS

A. Except as otherwise provided herein, capitalized terms used herein that are not defined herein shall have the meanings ascribed thereto in the Credit Agreement.

B. The parties to the Credit Agreement desire to amend the Credit Agreement to the extent set forth herein upon the terms and conditions herein contained.

Accordingly, in consideration of the Recitals and the terms and conditions herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, it is agreed that the Credit Agreement be and the same hereby is amended as set forth below.

1. References to "Section 5.03" in Sections 2.03 and 5.01(e) of the Credit Agreement are hereby amended to read "Section 5.04".

2. Section 2.04 of the Credit Agreement is hereby amended by adding a new subsection (d) to read as follows:

(d) In the event that Net Capital of ITG on the date on which the first Loans are made is less than \$20,000,000, the Commitment shall automatically be reduced by an amount equal to the difference (if positive) between \$20,000,000 and the amount of Net Capital of ITG as set forth in the certificate delivered pursuant to Section 5.02(e) (the "5.02(e) CERTIFICATE"). If on or before May 30, 1999, the Borrower delivers a certificate (the "FOCUS REPORT CERTIFICATE") of a Financial Officer attaching a copy of the FOCUS Report of ITG filed by ITG for the month ending April 30, 1999 demonstrating that Net Capital of ITG is greater than the amount set forth in the Section 5.02(e) Certificate and certifying that as of the date of such FOCUS Report Certificate, Net Capital of ITG is not less than the amount set forth on such Focus Report, from and after the date of the delivery of the FOCUS Report Certificate, the Commitment shall, subject to Section 2.04(b), be equal to the amount of Net Capital of ITG as set forth in such FOCUS Report but in no event greater than \$20,000,000. If the Borrower fails to deliver the FOCUS Report Certificate on or before May 30, 1999, the reduction in the Commitment referred to in the first sentence of this subsection (d) shall automatically become permanent.

3. Section 5.02 of the Credit Agreement is hereby amended in its entirety to read as follows:

Section 5.02 CONDITIONS TO FIRST LOANS

The obligations of the Lender to make the initial Loans shall be subject to the prior or contemporaneous satisfaction of the conditions set forth in Section 5.01 and the satisfaction (or waiver in accordance with Section 9.02) of the following additional conditions:

- (a) Intentionally Omitted.
- (b) Intentionally Omitted.
- (c) Intentionally Omitted.

(d) The Lender shall have received counterparts of the Security Agreement signed on behalf of the Borrower, together with the following:

(i) all stock certificates representing shares of capital stock of all Domestic Subsidiaries owned by or on behalf of the Borrower;

(ii) undated stock powers and instruments of transfer, endorsed in blank, with respect to such stock certificates, promissory notes and other instruments;

(iii) all instruments and other documents, including Uniform Commercial Code financing statements, required by law or reasonably requested by the Lender to be filed, registered or recorded to create or perfect the Liens intended to be created under the Security Agreement; and

(iv) a completed Perfection Certificate, dated as of the date of the Security Agreement and signed by the President, a Vice President or a Financial Officer and the chief legal officer of the Borrower, together with all attachments contemplated thereby, including the results of a search of the Uniform Commercial Code (or equivalent) filings made with respect to the Borrower in the jurisdictions contemplated by the Perfection Certificate and copies of the financing statements (or similar documents) disclosed by such search and evidence reasonably satisfactory to the Lender that the Liens indicated by such financing statements (or similar documents) are permitted by Section 7.02 or have been released.

(e) Prior to giving effect to the first Loans, the Net Capital of ITG shall be greater than or equal to \$10,000,000, Consolidated Shareholders' Equity shall be greater than or equal to \$70,000,000, each on a pro forma basis after giving effect to the Initial Restricted Payment, and the Lender shall have received a certificate of a Financial Officer, in form and substance reasonably satisfactory to the Lender, to the foregoing

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effects and setting forth such pro forma amounts of such Net Capital and Consolidated Shareholders' Equity at such time.

(f) Intentionally Omitted.

(g) The Lender shall have received a certificate, signed by a Financial Officer, setting forth reasonably detailed calculations demonstrating compliance with Sections 7.12, 7.13, 7.14 and 7.15, on a pro forma basis immediately after giving effect to the making of the first Loans and the Initial Restricted Payment.

(h) The Lender shall have received a favorable written opinion (addressed to the Lender and dated the date of the Security Agreement) from Cahill Gordon & Reindel, counsel to the Borrower, in form and substance satisfactory to the Lender. The Borrower hereby requests such counsel to deliver such opinion.

(i) Intentionally Omitted.

(j) Intentionally Omitted.

(k) Intentionally Omitted.

4. Section 5.03 of the Credit Agreement is hereby renumbered as "SECTION 5.04" and a new Section 5.03 is hereby added to read as follows:

Section 5.03 CONDITIONS TO INITIAL TRANSACTIONS

The consummation of the Initial Transactions shall be subject to the prior or contemporaneous satisfaction of the conditions set forth in Section 5.01 and Section 5.02 and the satisfaction (or waiver in accordance with Section 9.02) of the following additional conditions:

(a) The Lender shall have received counterparts of the Assumption Agreement signed on behalf of Jefferies Group.

(b) The Lender shall have received such documents and certificates as the Lender or its counsel may reasonably request relating to the organization, existence and good standing of Jefferies Group, the authorization by Jefferies Group of the Transactions and any other legal matters relating to Jefferies Group, the Loan Documents or the Transactions, all in form and substance reasonably satisfactory to the Lender and its counsel.

(c) The Lender shall have received such documents and certificates as the Lender or its counsel may reasonably request relating to the absence of changes to the documentation delivered by the Borrower

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pursuant to Section 5.01(d) and the continued effectiveness thereof, and attaching resolutions of its board of directors authorizing the Initial Transactions and the Initial Transaction Documents, all in form and substance reasonably satisfactory to the Lender and its counsel.

(d) The Lender shall have received a certificate, dated the Initial Transaction Date and signed by the President, a Vice President or a Financial Officer, (i) confirming that each Initial Transaction has been consummated in accordance with the terms and conditions of the applicable Initial Transaction Documents (with no waiver or amendment of any provision thereof without the prior written consent of the Lender), (ii) confirming that there has been no change to the Initial Transaction Documents as delivered to the Lender pursuant to Section 5.01 and (iii) attaching a copy of a certificate of merger issued by the Secretary of State of the State of Delaware with respect to the merger of the Borrower with and into Jefferies Group.

(e) The Lender shall have received all reasonable fees and other amounts due it from the Borrower and payable on or prior to the Initial Transaction Date, including, to the extent invoiced and not theretofore paid, reimbursement or payment of all reasonable fees and disbursements of Lender's counsel and other out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(f) In the event that the Borrower shall have delivered any of the certificates required by Section 5.03(b) prior to the Initial Transaction Date, the Lender shall have received a certificate, dated the date of the consummation of the Initial Transactions and signed by the President, a Vice President or a Financial Officer, certifying that the information contained in any such certificate is true and correct as of the Initial Transaction Date.

(g) After giving effect to the Transactions to be consummated on the Initial Transaction Date, none of the Borrower or any of the Subsidiaries shall have outstanding any shares of preferred equity securities or any Indebtedness, other than (i) Indebtedness incurred under the Loan Documents and (ii) Indebtedness permitted under Section 7.01.

(h) The Lender shall have received a completed Perfection Certificate, dated the Initial Transaction Date and signed by the President, a Vice President or a Financial Officer and the chief legal officer of Jefferies Group, together with all attachments contemplated thereby, including the results of a search of the Uniform Commercial Code (or equivalent) filings made with respect to Jefferies Group in the jurisdictions contemplated by the Perfection Certificate and copies of the

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financing statements (or similar documents) disclosed by such search and evidence reasonably satisfactory to the Lender that the Liens indicated by such financing statements (or similar documents) are permitted by Section 7.02 or have been released, and setting forth with respect to the Borrower any changes in the information provided to the Lender in the Perfection Certificate delivered pursuant to Section 5.02(d) (iv).

(i) The Lender shall have received UCC-1 financing statements and UCC-3 amendments reflecting the Initial Transactions and signed on behalf of the Borrower (as it exists after the consummation of the Initial Transactions) in form and substance satisfactory to the Lender.

(j) The Lender shall have received a favorable written opinion (addressed to the Lender and dated the Initial Transaction Date) from Cahill Gordon & Reindel, counsel to the Borrower, in form and substance satisfactory to the Lender. The Borrower hereby requests such counsel to deliver such opinion.

5. Paragraphs 1 - 4 of this Amendment shall become effective at such time as the Lender shall have received counterparts of this Amendment duly executed by the Borrower.

6. In all other respects the Credit Agreement and other Loan Documents shall remain in full force and effect.

7. In order to induce the Lender to execute and deliver this Amendment, the Borrower (a) certifies that, immediately before and after giving effect to this Amendment, all representations and warranties contained in the Loan Documents shall be true and correct in all respects with the same effect as though such representations and warranties had been made on the date hereof, except as the context otherwise requires or as otherwise permitted by the Credit Agreement or this Amendment, (b) certifies that, immediately before and after giving effect to this Amendment, no Default or Event of Default shall exist under the Loan Documents, as amended, and (c) agrees to pay all of the reasonable fees and disbursements of counsel to the Lender incurred in connection with the preparation, negotiation and closing of this Amendment.

8. The Borrower (a) reaffirms and admits the validity, enforceability and continuing effect of all Loan Documents, and its obligations thereunder, and (b) agrees and admits that as of the date hereof it has no valid defenses to or offsets against any of its obligations to the Lender under the Loan Documents.

9. This Amendment may be executed in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same document. It shall not be necessary in making proof of this Amendment to produce or account for more than one counterpart signed by the party to be charged.

10. This Amendment shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

11. The parties have caused this Amendment to be duly executed as of the date first written above.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

INVESTMENT TECHNOLOGY GROUP, INC.

By: /s/ John R. MacDonald
Name: John R. MacDonald
Title: Chief Financial Officer

THE BANK OF NEW YORK

By: /s/ Mark T. Rogers
Name: Mark T. Rogers
Title: Vice President

ASSUMPTION AGREEMENT

ASSUMPTION AGREEMENT (this "AGREEMENT"), dated as of April 27, 1999, by and between INVESTMENT TECHNOLOGY GROUP, INC. (formerly know as Jefferies Group, Inc. ("JEFFERIES")), the survivor of the merger of the Borrower with and into Jefferies), a Delaware corporation ("NEW ITGI"), and THE BANK OF NEW YORK, as Lender, pursuant to the Credit Agreement, dated as of March 16, 1999, among Investment Technology Group, Inc., as it existed prior to the merger, (the "BORROWER") and The Bank of New York (as the same may be amended, modified or supplemented from time to time, the "CREDIT AGREEMENT"). Capitalized terms used herein which are defined in the Credit Agreement shall have the meanings defined therein, unless otherwise defined herein.

RECITALS

A. The Borrower is obligated under the Loan Documents. In the Initial Transactions, the Borrower is merging with and into Jefferies with Jefferies as the survivor (the "MERGER").

B. Section 5.03 of the Credit Agreement requires, as a condition to the consummation of the Merger, that New ITGI execute and deliver this Agreement evidencing the assumption by New ITGI of all of the Borrower's obligations under the Loan Documents.

Now, therefore, in consideration of the premises, the parties hereto agree as follows:

1. ASSUMPTION.

(a) New ITGI hereby fully, absolutely, unconditionally and irrevocably accepts and assumes from the Borrower, all of the Borrower's rights, obligations and liabilities under the Loan Documents.

(b) New ITGI hereby agrees that (i) New ITGI shall be deemed the Borrower for all purposes under the Loan Documents and all references to the Borrower therein shall mean New ITGI, (ii) all references in the Security Agreement to the Collateral shall mean the Collateral of New ITGI, and New ITGI hereby grants, assigns and pledges to the Lender a first priority security interest in and to all of New ITGI's right, title and interest in the Collateral, whether now owned or existing or hereafter arising or acquired and wherever located and (iii) New ITGI shall promptly execute and deliver or cause to be executed and delivered, at its expense, all documents, certificates and opinions as the Lender shall at any time request in connection with such assumption by New ITGI of all of the obligations and liabilities of the Borrower under the Credit Agreement, the Security Agreement and the other Loan Documents, including, without limitation, the execution and delivery of UCC financing statements.

2. REPRESENTATIONS AND WARRANTIES.

New ITGI hereby represents and warrants (i) that all representations and warranties set forth in the Loan Documents made as of the date hereof and applicable to New ITGI, are true, correct and complete in all material respects except for changes expressly contemplated in such documents, and for representations and warranties which are expressly or by necessary implication limited to a state of facts existing at a time prior to the date hereof, and (ii) that it is in compliance in all material respects with all agreements, including, without limitation, all affirmative and negative covenants, contained in the Loan Documents.

3. MISCELLANEOUS.

(a) The Loan Documents are in all respects ratified and confirmed

and shall remain in full force and effect, and New ITGI shall be fully liable thereunder in the same manner as if it separately executed same.

(b) This Agreement shall become effective simultaneously with the consummation of the Merger.

(c) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York without regard to principles of conflict of laws.

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IN WITNESS WHEREOF, the undersigned have caused this Assumption Agreement to be duly executed as of the date first above written.

INVESTMENT TECHNOLOGY GROUP, INC.

By: /s/ John R. MacDonald
Name: John R. MacDonald
Title: Senior Vice President & Chief Financial Officer

THE BANK OF NEW YORK

By: /s/ Mark T. Rogers
Name: Mark T. Rogers
Title: Vice President

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THE SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AND THE CONSOLIDATED STATEMENT OF OPERATIONS AS OF MARCH 26, 1999 AND FOR THE THREE MONTHS THEN ENDED AND THE NOTES THERETO AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS FILED IN THE 1998 INVESTMENT TECHNOLOGY GROUP, INC. ANNUAL 10-K FILING.

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