

JEFFERIES GROUP INC /DE/

Form DEF 14A

April 12, 2006

SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(AMENDMENT NO. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive

Proxy

Statement

Confidential, for

Use of the

Commission Only

(as permitted by

Rule 14a-6(e)(2))

Definitive

Additional

Materials

Soliciting

Material Pursuant

to §240.14a-12

JEFFERIES GROUP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

Fee not required.

Fee computed

on table below

per Exchange Act

Rules 14a-6(i)(4)

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(1) Title of each

class of securities

to which

transaction

applies:

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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

(1) Amount Previously Paid:

(2) Form,
Schedule or
Registration
Statement No.:

(3) Filing Party:

(4) Date Filed:

JEFFERIES GROUP, INC.
520 Madison Avenue, 12th Floor
New York, New York 10022

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
Monday, May 22, 2006

Dear Shareholder:

You are cordially invited to attend our Annual Meeting of Shareholders. The meeting will be held at our offices at 520 Madison Avenue, 12th Floor, New York, New York, 10022, on Monday, May 22, 2006, at 9:30 a.m. At the meeting, we will:

1. Elect seven directors to serve until our next Annual Meeting, and
2. Conduct any other business that properly comes before the meeting.

You are entitled to notice of the meeting and to vote at the meeting if you held our common stock at the close of business on April 3, 2006.

Even if you will not be able to attend, we have taken a number of steps to make it easy for you to vote. The enclosed proxy card contains instructions on how to vote by telephone, on the Internet or by mail. We urge you to vote early using one of these methods if you do not expect to attend. You can still attend the meeting and vote in person if you choose.

We have provided this Proxy Statement to help you understand what your vote means and to review how we have performed during 2005. We hope you will find it interesting and informative.

For the Board of Directors,

Lloyd H. Feller
Secretary

April 12, 2006

JEFFERIES GROUP, INC.
520 Madison Avenue, 12th Floor
New York, New York 10022

April 12, 2006

PROXY STATEMENT

The Board of Directors of Jefferies Group, Inc. requests that each shareholder provide a proxy for use at our Annual Meeting of Shareholders. The meeting will be held at our principal executive offices at 520 Madison Avenue, 12th Floor, New York, New York, 10022, on Monday, May 22, 2006, at 9:30 a.m., local time. You are entitled to receive notice of the meeting and to vote at the meeting if you were a shareholder of record at the close of business on April 3, 2006. We are first mailing this Notice of Annual Meeting, Proxy Statement and proxy card to shareholders on or about April 12, 2006.

Eligible shareholders may vote by telephone, on the Internet, by mail or by attending the meeting and voting by ballot as described below. If you vote by telephone or on the Internet you do not need to return a proxy card. Telephone and Internet voting facilities will be available 24 hours a day, and will close at 11:59 p.m. on the night before the meeting, May 21, 2006. To vote by telephone, please call 1-800-PROXIES (1-800-776-9437). To vote on the Internet, go to www.voteproxy.com and follow the on-screen instructions. To vote by mail, simply mark the enclosed proxy, date and sign it, and return it to American Stock Transfer & Trust Company in the postage-paid envelope provided. If the envelope is missing, please mail the completed proxy card to us at:

Jefferies Group, Inc.
c/o American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219-9821

We will use any votes received by telephone, internet or mail at the annual meeting and any adjournment of the meeting if an adjournment is necessary. If you change your mind after voting by telephone or on the Internet, simply call the number again or return to the website again to change your vote. You may also revoke your vote, whether by telephone, internet or by mail, by (i) delivering a written notice of revocation to our Secretary on or before the closing of the polls at the meeting, (ii) delivering a new proxy card with a later date to our Secretary on or before the closing of the polls at the meeting, or (iii) attending the meeting and voting in person.

If you indicate how you would like your shares voted by returning a proxy card, voting by telephone or voting on the Internet, we will vote your shares in accordance with your directions at the meeting. If you do not indicate how you want your shares voted, but return a proxy card, your shares will be voted FOR the election of the seven nominees for Director whose names are listed in this Proxy Statement, and if any other matters are properly raised at the meeting, your shares will be voted as directed by Richard Handler, our Chief Executive Officer, or Brian P. Friedman, the Chairman of the Executive Committee of Jefferies & Company, Inc.

Each person we list in this Proxy Statement as a nominee for Director has agreed to serve if elected. Although we expect that all the nominees will be able to serve if elected, if a nominee becomes unable to serve between now and the meeting date, we will vote any shares for which we have received proxies in favor of a substitute nominee recommended by our Board of Directors.

We are paying for all costs associated with soliciting proxies from our shareholders. Although there are no formal agreements to do so, we will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for

their reasonable expenses incurred in sending proxy materials and annual reports to our shareholders. In addition to solicitation by mail, our directors and officers may solicit proxies in person, by telephone, or by fax, but they will not receive special compensation for such solicitation.

On April 3, 2006, the record date for determining which shareholders are entitled to vote at the annual meeting, there were 59,251,182 shares of our Common Stock outstanding. We do not have cumulative voting, and there are no appraisal or dissenters rights associated with the matters we have scheduled for a vote at the meeting. Each share

you hold on the record date will give you the right to one vote for each Director to be elected and one vote on each separate matter of business properly brought before the meeting.

The seven Directors who receive the most votes from the shares properly voting at the meeting will be elected, even if one or more directors does not receive a majority of the votes cast. Withholding a vote for a particular Director will not count as a vote against that Director, since there is no minimum number of votes necessary to elect a Director. However, in accordance with our Board of Directors Corporate Governance Guidelines, any nominee for Director who receives a greater number of votes withheld from his election than votes for his election is required to promptly tender his resignation to the Chairman of the Board. The Corporate Governance and Nominating Committee will promptly consider the resignation and recommend to the Board whether to accept the tendered resignation or reject it in accordance with the Corporate Governance Guidelines.

Approval of other items at the meeting will require a YES vote from at least a majority of the shares present in person or represented by proxy that are entitled to vote on the subject matter at the meeting. Abstaining on a matter that requires a majority approval will count as a vote against that matter.

If your shares are held in your broker's name and you do not give your broker timely voting instructions on certain matters, the broker cannot vote your shares. Such a broker non-vote will have no effect on the election of Directors or on the outcome of the vote on any other item properly raised at the meeting.

We have retained our transfer agent, American Stock Transfer & Trust Company, as independent inspector of election to receive and tabulate the votes. Our transfer agent will also certify the results and perform any other acts required by the Delaware General Corporation Law.

Security Ownership Of Certain Beneficial Owners And Management

The following table sets forth certain information regarding beneficial ownership of our common stock by

each person we know of who beneficially owns more than 5% of our common stock,

each of our Directors,

each Executive Officer named in the Summary Compensation Table and

all Directors and Executive Officers as a group.

The information set forth below is as of February 1, 2006, unless otherwise indicated. Information regarding shareholders other than Directors, Executive Officers and employee benefit plans is based upon information contained in Schedules 13G filed with the Securities and Exchange Commission (SEC). The number of shares beneficially owned by each shareholder and the percentage of the outstanding common stock those shares represent include shares that may be acquired by that shareholder within 60 days through the exercise of any option, warrant or right. Unless otherwise indicated, the mailing address of the parties listed below is our principal business address and the parties have sole voting power and sole dispositive power over their shares.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned
Earnest Partners, LLC 75 Fourteenth Street, Suite 2300 Atlanta, Georgia 30309	6,466,385(1)	10.9%
Jefferies Group, Inc. Employee Stock Ownership Plan Richard B. Handler Baron Capital Group, Inc. 767 Fifth Avenue New York, New York 10153	5,482,727(2)	9.3%
Brian P. Friedman	4,191,500(3)	6.8%
John C. Shaw, Jr.	4,006,909(4)	6.8%
Joseph A. Schenk	909,267(5)	1.5%
Richard G. Dooley	466,710(6)	*
Frank J. Macchiarola	221,518(7)	*
Maxine Syrjamaki	211,122(8)	*
Lloyd H. Feller	173,650(9)	*
W. Patrick Campbell	144,507(10)	*
Robert Joyal	100,267(11)	*
Michael T. O Kane	45,001(12)	*
All Directors and Executive Officers	2,000(13)	*
	0	
	6,463,543(14)	10.9%

* The percentage of shares beneficially owned does not exceed one percent of the class.

- (1) The indicated interest was reported on a Schedule 13G filed with the SEC by Earnest Partners, LLC on February 8, 2006. In its Schedule 13G, Earnest Partners reported that as of December 31, 2005, it had sole voting power over 2,328,753 shares, shared voting power over 2,218,932 shares, sole dispositive power over 6,466,385 shares and shared dispositive power over no shares.
- (2) Under the Jefferies Group, Inc. Employee Stock Ownership Plan (the "ESOP"), shares are allocated to accounts in the name of the individuals who participate in the ESOP. The voting rights for shares in each individual participant's account are passed through to that participant. Because participants can vote shares in their ESOP accounts, but cannot sell them, participants in the ESOP have sole voting power and no dispositive power over shares allocated to their accounts. As of December 31, 2005, 5,482,727 shares were held in the ESOP Trust, and all of those shares were allocated to the accounts of ESOP participants. Those shares allocated to the accounts of Directors and Executive Officers are indicated on their respective entries in the table and are also included in the ESOP figure. Because of its role as trustee for the ESOP, Wells Fargo Bank, N.A. may also be deemed to have shared dispositive power over the shares held by the ESOP. The ESOP is directed by a committee which serves as its Plan Administrator. Our Board of Directors appoints the members of the committee, which currently consist of Gordon McDonnell, Robert Welch, David Losito and Scott Sullivan. These individuals are each employees of Jefferies & Company, Inc., and each disclaim beneficial ownership of the shares held by the ESOP except those shares allocated to his ESOP account. Wells Fargo & Company, on behalf of Wells Fargo Bank, N.A. and Wells Fargo Funds Management, LLC has filed a Schedule 13G with the SEC. In its 13G, Wells Fargo

reported that as of December 31, 2005, it had sole voting power over 6,637 shares, shared voting power over 5,589,906 shares, sole dispositive power over no shares and shared dispositive power over 60 shares. We believe that the shares referred to in the Wells Fargo filing include the shares held by the ESOP.

- (3) Assuming Mr. Handler's continued employment with us through the expiration of all applicable vesting and deferral periods, Mr. Handler would beneficially own 5,568,333 shares (representing 9.4% of the currently outstanding class). The table above includes 600,000 shares subject to immediately exercisable options; 25,076 shares subject to immediately exercisable options held under the Deferred Compensation Plan

(DCP); 1,773,721 vested restricted stock units (RSUs) which Mr. Handler has a right to acquire within 60 days from February 1, 2006; 53,746 shares held under the ESOP; 22,537 RSUs resulting from dividend reinvestments on unvested RSUs which Mr. Handler has a right to acquire within 60 days from February 1, 2006; 41,160 RSUs resulting from dividend reinvestments on vested RSUs which Mr. Handler has a right to acquire within 60 days from February 1, 2006; and 20 shares held in an account for the benefit of Mr. Handler's immediate family. The table above excludes 1,250,449 RSUs which do not represent a right to acquire within 60 days from February 1, 2006; 1,562 share denominated deferrals under Mr. Handler's deferred compensation plan which do not represent a right to acquire within 60 days from February 1, 2006; 100 deferred shares of restricted stock held by the trustee of the ESPP as to which Mr. Handler has neither voting nor dispositive power; and 124,721 share denominated deferrals under the DCP.

- (4) The indicated interest was reported on a Schedule 13G filed on February 14, 2006, with the SEC by Baron Capital Group, Inc. (BCG) on behalf of itself, BAMCO, Inc., Baron Capital Management, Inc. (BCM) and Ronald Baron. In its Schedule 13G, the entities reported beneficial ownership as of December 31, 2005 as follows: BCG 4,005,387 shares; BAMCO 3,798,000 shares; BCM 207,387 shares; and Ronald Baron 4,006,909 shares. Only Ronald Baron reported any sole voting or dispositive power, in each case over 1,522 shares. The entities reported shared voting power as follows: BCG 3,586,987 shares; BAMCO 3,398,000 shares, BCM 188,987 shares; and Ronald Baron 3,586,987 shares. BCG, BCM, BAMCO and Baron also reported shared dispositive power as follows: BCG 4,005,387 shares; BAMCO 3,798,000 shares, BCM 207,387 shares; and Ronald Baron 4,005,387 shares.
- (5) Assuming Mr. Friedman's continued employment with us through the expiration of all applicable vesting and deferral periods, Mr. Friedman would beneficially own 1,373,218 shares (representing 2.32% of the currently outstanding class). The table above includes 320,000 shares which Mr. Friedman has a right to acquire within 60 days from February 1, 2006 in connection with the closing of Fund IV, as described in Certain Relationships and Related Transactions below; 95,000 shares subject to options which became exercisable on February 1, 2006; 3,320 shares subject to immediately exercisable options held under the DCP; 578 shares held under the ESOP; and 2,835 shares held by the Trustee of our profit sharing plan (the PSP). Participants in the PSP have sole voting power and limited dispositive power over shares allocated to their PSP accounts. The table above excludes 417,119 unvested RSUs which do not represent a right to acquire within 60 days from February 1, 2006; 36,499 shares resulting from dividend reinvestments on vested RSUs which Mr. Friedman does not have a right to acquire within 60 days from February 1, 2006; 10,334 share denominated deferrals under the DCP; and an additional 200,000 shares Mr. Friedman may acquire in connection with the closing of Fund IV, as discussed in Certain Relationships and Related Transactions below.
- (6) The table above includes 222,403 shares of restricted stock as to which Mr. Shaw has voting but no dispositive power; 134,514 shares held under the ESOP; and 1,771 shares held under the PSP.
- (7) Assuming Mr. Schenk's continued employment with us through the expiration of all applicable vesting and deferral periods, Mr. Schenk would beneficially own 358,877 shares (representing less than 1% of the currently outstanding class). The table above includes 105,466 shares subject to immediately exercisable options; 11,948 shares subject to immediately exercisable options held under the DCP; 25,616 vested RSUs which Mr. Schenk has a right to acquire within 60 days after February 1, 2006; 1,234 shares reflecting dividend reinvestments on unvested RSUs which reflect a right to acquire within 60 days from February 1, 2006; 1,841 shares held under the ESOP; 10,425 shares held under the PSP; and 60 shares held in accounts for the benefit of Mr. Schenk's immediate family. The table above excludes 83,055 unvested RSUs which do not represent a right to acquire within 60 days from February 1, 2006; 5,329 shares resulting from vested and deferred dividend reinvestments which do not represent a right to acquire within 60 days from February 1, 2006; 137 deferred shares of restricted stock held by the trustee of the ESPP as to which Mr. Schenk has neither voting

nor dispositive power; and 48,638 share denominated deferrals under the DCP.

- (8) Assuming the expiration of all applicable vesting and deferral periods, Mr. Dooley would beneficially own 252,191 shares (representing less than 1% of the currently outstanding class). The table above includes 66,730 shares subject to immediately exercisable options and 2,188 shares of restricted stock as to which Mr. Dooley has sole voting and no dispositive power. The table above excludes 21,733 deferred shares and 19,336 RSUs under our Director Stock Compensation Plan (the "DSCP"), which do not represent a right to acquire within 60 days after February 1, 2006.

- (9) Assuming the expiration of all applicable vesting and deferral periods, Mr. Macchiarola would beneficially own 189,850 shares (representing less than 1% of the currently outstanding class). The table above includes 86,306 shares subject to immediately exercisable options and 3,874 restricted shares under the DSCP as to which Mr. Macchiarola has sole voting and no dispositive power. The table above excludes 5,094 deferred shares and 11,106 RSUs under the DSCP, which do not reflect a right to acquire within 60 days after February 1, 2006.
- (10) Assuming Ms. Syrjamaki's continued employment with us through the expiration of all applicable vesting and deferral periods, Ms. Syrjamaki would beneficially own 155,761 shares (representing less than 1% of the currently outstanding class). The table above includes 1,708 shares subject to immediately exercisable options held under the DCP; 79,005 shares held under the ESOP; 25 shares representing dividend reinvestments on unvested RSUs which Ms. Syrjamaki has a right to acquire within 60 days from February 1, 2006; and 28,482 shares under the PSP. The table above excludes 4,419 unvested and 248 vested RSUs which do not represent a right to acquire within 60 days from February 1, 2006; 16 dividend reinvestments on unvested RSUs which do not represent a right to acquire within 60 days from February 1, 2006; and 6,571 share denominated deferrals under the DCP.
- (11) Assuming Mr. Feller's continued employment with us through the expiration of all applicable vesting and deferral periods, Mr. Feller would beneficially own 126,030 shares (representing less than 1% of the currently outstanding class). The table above includes 20,000 shares of unvested restricted stock as to which Mr. Feller has sole voting and no dispositive power; and 50,000 shares subject to immediately exercisable options. The table above excludes 18,271 unvested RSUs, 7,492 share denominated deferrals under the DCP and 267 shares held under the ESOP.
- (12) Assuming the expiration or termination of all applicable vesting and deferral periods, Mr. Campbell would beneficially own 52,328 shares (representing less than 1% of the currently outstanding class). The table above includes 37,284 shares subject to immediately exercisable options and 3,874 restricted shares under the DSCP as to which Mr. Campbell has voting but no dispositive power. The table above excludes 7,096 RSUs and 164 deferred shares under the DSCP which do not reflect a right to acquire within 60 days after February 1, 2006.
- (13) Information regarding Mr. Joyal is as of February 10, 2006.
- (14) Includes 945,786 shares subject to immediately exercisable options; 95,000 options which became exercisable on February 1, 2006; 1,809,530 vested RSUs which employees have a right to acquire within 60 days from February 1, 2006; 71,258 unvested RSUs which will become vested within 60 days from February 1, 2006 and as a result of which employees will have a right to acquire within 60 days from February 1, 2006; 9,936 restricted shares under the DSCP, 42,052 options held under the DCP; 269,951 shares held under the ESOP; and 43,513 shares under the PSP for the listed directors and executive officers as a group. Assuming the expiration of all applicable vesting and deferral periods, the directors and named executive officers as a group would beneficially own 8,605,868 shares (representing 14.57% of the currently outstanding class).

Election Of Directors

Under our By-Laws, the Board of Directors may determine its own size so long as it remains not less than five nor more than seventeen Directors. Our Board currently consists of six members, but has determined to increase the size of the Board to seven members effective at the time of the Annual Meeting and to propose the election of seven directors at this year's Annual Meeting. The directors elected at this Annual Meeting will serve a term that lasts until the directors elected at next year's Annual Meeting of Shareholders assume their duties.

Information Concerning Nominees For Director And Executive Officers

Nominees

The following information relates to the nominees for election as Directors:

Richard B. Handler, 44, a nominee, has been our Chairman since February 2002, and our Chief Executive Officer since January 2001. Mr. Handler has also served as Chief Executive Officer of Jefferies since January 2001, and as Co-President and Co-Chief Operating Officer of both companies during 2000. Mr. Handler was first elected to our Board in May 1998. He was Managing Director of High Yield Capital

Markets at Jefferies from May 1993 until February 2000, after co-founding that group as an Executive Vice President in April 1990. He is also the President and Chief Executive Officer of the Jefferies Partners Opportunity family of funds. Mr. Handler received an MBA from Stanford University in 1987 and a BA in Economics from the University of Rochester in 1983 where he also serves on the Board of Trustees.

Brian P. Friedman, age 50, a nominee, was appointed to serve as a Director in July 2005 and has been Chairman of the Executive Committee of Jefferies & Company, Inc., our principal operating subsidiary (Jefferies) since 2002. Since 1997, Mr. Friedman has also been President of Jefferies Capital Partners, formerly known as FS Private Investments and also of Furman Selz Investments, LLC, which he founded after heading the investment banking division of Furman Selz LLC for seven years. Prior to his 17 years with Furman Selz and its successors, Mr. Friedman was an attorney with the New York City law firm of Wachtell Lipton Rosen & Katz. As a result of his management of various funds and the significant equity positions those funds hold in their portfolio companies, Mr. Friedman serves on numerous boards of directors of private and public portfolio companies. In particular, Mr. Friedman has served on the Board of the general partner of K-Sea Transportation L.P. since 2004, as a board member of Telex Communications since 2001 and as chairman of its board since 2003, on the Board of Iowa Telecommunications Services, Inc. from June 2000 through September 2005, on the Board of Real Mex Restaurants, Inc. since 1998 and on the Board of Pacific Basin Shipping Limited since July 2004.

W. Patrick Campbell, age 60, a nominee, has been one of our Directors since January 2000. Mr. Campbell was Chairman and Chief Executive Officer of Magex Limited from August 2000 through April 2002 and is currently an independent consultant in the media and telecom field. From 1994 until October 1999, Mr. Campbell was Executive Vice President of Corporate Strategy and Business Development at Ameritech Corp. where he was a member of the Management Committee and directed all corporate strategy and merger and acquisition activity. From 1989 to 1994, Mr. Campbell served as President and Chief Executive Officer of Columbia TriStar Home Video, a Sony Pictures Entertainment Company, and has previously been President of RCA/Columbia Pictures International Video. Mr. Campbell has also been a director of Black & Veatch since November 1999. Mr. Campbell is Chairman of our Audit Committee, and a member of our Compensation Committee and Corporate Governance and Nominating Committee.

Richard G. Dooley, age 76, a nominee, has been one of our Directors since November 1993. From 1978 until his retirement in June 1993, Mr. Dooley was Executive Vice President and Chief Investment Officer of Massachusetts Mutual Life Insurance Company (Mass Mutual). Mr. Dooley was a consultant to Mass Mutual from 1993 to 2003. Mr. Dooley has been a director of Kimco Realty Corporation since 1990 and is a member of its Compensation Committee. Mr. Dooley is Chairman of our Compensation Committee and a member of our Audit Committee and Corporate Governance and Nominating Committee.

Robert E. Joyal, age 61, a nominee, was appointed by the Board to serve as a Director in January 2006. Previously, Mr. Joyal was the President of Babson Capital Management LLC, an investment management firm, a position that he held from 2001 until his retirement in June 2003. Mr. Joyal served as Managing Director of Babson from 2000 to 2001. He also served as Executive Director (1997-1999) and Vice President and Managing Director (1987-1997) of the Massachusetts Mutual Life Insurance Company. Mr. Joyal is a trustee of each of MassMutual Corporate Investors and MassMutual Participation Investors (Closed End Investment Companies) and a director of MassMutual Select Funds and the MML Series Investment Funds (Open End Investment Companies). Mr. Joyal is also a director of Pemco Aviation Group, Inc. (Aircraft Maintenance and Overhaul), York Enhanced Strategies Fund (a Closed End Investment Company) and various private equity, mezzanine and turn around funds sponsored by First Israel Mezzanine Investors.

Frank J. Macchiarola, 64, a nominee, has been one of our Directors since August 1991. He is currently the President of St. Francis College, where he has served in that capacity since July 1996. He also serves as special counsel to the

law firm of Tannenbaum, Halpern, Syracuse & Hirschtritt, LLP. Previously, Mr. Macchiarola was a Professor of Law and Political Science and the Dean of the Benjamin N. Cardozo School of Law at Yeshiva University in New York City from 1991 to 1996, Professor of Business in the Graduate School of Business at Columbia University from 1987 to 1991, and President and Chief Executive Officer of the New York City Partnership, Inc. from 1983 to 1987. Prior to 1985, Mr. Macchiarola was a faculty member at the

City University of New York and Chancellor of the New York City Public School System. Mr. Macchiarola has been a Trustee of the Manville Personal Injury Trust since 1991. Mr. Macchiarola is Chairman of our Corporate Governance and Nominating Committee and a member of our Audit Committee and Compensation Committee.

Michael T. O Kane, age 60, a nominee, will begin to serve as a Director in May of 2006 if elected. From 1986 through 2004, Mr. O Kane served in various capacities for TIAA-CREF, first as a Managing Director Private Placements from 1986 through 1990, then as Managing Director Structured Finance from 1990 through 1996 and finally as Senior Managing Director Securities Division from 1986 through 2004, when he was responsible for approximately \$120 billion of fixed income and \$3.5 billion of private equity assets under management. Since August 2005, Mr. O Kane has also served on the Board of Directors and on the Audit and Finance Committee of Assured Guaranty, Ltd. Mr. O Kane has also served as a director of Scholarship America since 2003.

Other Executive Officers

Our Executive Officers are appointed by the Board of Directors and serve at the discretion of the Board. Other than Messrs. Handler and Friedman, for whom information is provided above, the following sets forth information as to the Executive Officers:

Joseph A. Schenk, age 47, has been our Chief Financial Officer and Executive Vice President since January 2000, Executive Vice President of Jefferies since January 2000, and was a Senior Vice President, Corporate Services, of Jefferies from September 1997 through December 1999. From January 1996 through September 1997, Mr. Schenk was Chief Financial Officer and Treasurer of Tel-Save Holdings, Inc., now Talk America Holdings, Inc. From September 1993 to January 1996, Mr. Schenk was Vice President, Capital Markets Group, with Jefferies.

Lloyd H. Feller, 63, has been our Executive Vice President, General Counsel and Secretary since December 2002. Mr. Feller was a Senior Vice President, Secretary and General Counsel of SoundView Technology Group, Inc. from 1999 to December 2002. Prior to joining SoundView's predecessor, Wit Capital Group Inc., in 1999, Mr. Feller was a partner at Morgan Lewis & Bockius LLP, where he was the leader of that firm's securities regulation practice group. Before joining Morgan Lewis in 1979, Mr. Feller worked at the SEC as the Associate Director of the Division of Market Regulation, a position in which he was in charge of the Office of Market Structure and Trading Practices.

Maxine Syrjamaki, 61, has been our Controller since May 1987, an Executive Vice President of Jefferies since November 1986, and Chief Financial Officer of Jefferies since September 1984. Ms. Syrjamaki was also Chief Financial Officer of Bonds Direct Securities LLC from 2001 through 2004, and Chief Financial Officer of Quarterdeck Investment Partners, LLC since 2001. Prior to joining Jefferies in 1983, Ms. Syrjamaki was a C.P.A. in the audit group of Peat Marwick (now KPMG) specializing in financial institutions.

Equity Compensation Plan Information

The following table provides information regarding our compensation plans (other than certain tax qualified plans, such as our 401(k) and ESOP), under which our equity securities were authorized for issuance as of December 31, 2005.

Plan Category	Number of Securities to be Issued Upon	Weighted-Average	Number of Securities	
	Exercise of Outstanding Options, Warrants and Rights (a)		Exercise Price of Outstanding Options, Warrants and Rights (b)	Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	2,137,363	\$ 19.54		7,756,856
Equity compensation plans not approved by security holders				
Total	2,137,363	\$ 19.54		7,756,856

- (1) The weighted average exercise price of outstanding options, warrants and rights is calculated based solely on those awards that have a specified exercise price. If outstanding RSUs and similar rights were included, and deemed to have an exercise price of zero, the weighted average exercise price for plans approved by security holders would be \$1.96.
- (2) Of the shares remaining available for future issuance, as of December 31, 2005, the numbers of shares that may be issued as restricted stock, RSUs or deferred stock were as follows: 570,257 shares under the 2003 Incentive Compensation Plan (the 2003 Plan) for general use; 3,913,424 shares under the 2003 Plan designated for use under the DCP; and 708,662 shares under the Director Stock Compensation Plan. These plans also authorize the grant of options and other types of equity awards. The number of shares available for future grants under the 2003 Plan changes pursuant to a formula set forth in the plan. The formula establishes that the number of shares available for grant under the plan shall be equal to 30% of the total number of shares outstanding immediately prior to the grant, less shares subject to outstanding awards under the 2003 Plan and the 1999 Incentive Compensation Plan. For this purpose, an option is outstanding until it is exercised and any other award is outstanding in the calendar year in which it is granted and for so long thereafter as it remains subject to any vesting condition requiring continued employment. The DCP provides eligible employees with the opportunity to defer receipt of cash compensation for five years, with an optional deferral of an additional five years. Participants chose whether their deferred compensation is allocated to a cash denominated investment subaccount, to an equity subaccount which permits a combination of restricted share equivalents or other specified equity investment vehicles. Credits of RSUs to a participant's subaccount occur at a predetermined discount of up to 15% of the volume weighted average market price per share of our Common Stock on the last day of the quarter. The predetermined discount amount for 2005 was 10%. A maximum of 8,000,000 shares are reserved for restricted share units and options under the DCP. Restricted share equivalent units will be credited

with dividend equivalents on the last day of each quarter, which will be converted into additional share units in accordance with the terms of the DCP. Restricted share units and options, and the terms thereof, are subject to equitable adjustment by the Compensation Committee in the event of certain extraordinary corporate events. The discounted portion of any amounts credited is forfeitable upon termination of employment until the earliest of the time the participant has participated in the DCP for three consecutive years, the participant's age plus the number of years of service equals 65, the participant's death or a change in control. Options will become exercisable on the first anniversary of the third year after the year in which the option was granted, or earlier upon the participant's death or retirement. Options expire at the end of the fifth year after the year of grant or 60 days after termination of employment other than due to death.

Corporate Governance

The Board of Directors is responsible for supervision of our business. During 2005, the Board held five regular meetings and two special meetings. To assist in carrying out its duties, the Board has three committees: an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. Each incumbent

member of the Board of Directors attended all of the 2005 meetings of the Board of Directors and its committees that he was required to attend. Though we do not have a policy regarding attendance by Directors at the Annual Meeting of Shareholders, three of the six directors attended the Annual Meeting of Shareholders in 2005.

The Board has adopted Corporate Governance Guidelines that contain categorical standards for the determination of director independence, which are available to the public through the Jefferies website at www.jefferies.com and are attached as Appendix 1. The Board has determined that directors who comply with the standards in the Corporate Governance Guidelines have no material relationship with us as required by New York Stock Exchange Rules. The Board has noted relationships by and among its Board members and nominees that may give rise to conflicts, in particular, that Mr. Campbell also serves on the Compensation Committee of Black & Veatch, Mr. Dooley also serves on the Compensation Committee of Kimco Realty Corp. and Mr. Dooley was an associate of Mr. Joyal prior to Mr. Dooley's retirement from Mass Mutual. The Board has determined that these facts do not impair the independence of these directors or lessen their qualifications to serve on the Board or any committees. The Board has determined that Messrs. Campbell, Dooley, Joyal, Macchiarola and O'Kane each meet the independence standards as set forth in the Corporate Governance Guidelines and is a Financial Expert as defined by applicable New York Stock Exchange and Securities and Exchange Commission rules.

The current Audit Committee members are W. Patrick Campbell, Chairman, Richard G. Dooley and Frank J. Macchiarola. The Audit Committee is appointed by the Board to assist the Board in monitoring (1) the integrity of our financial statements, (2) our independent auditor's qualifications and independence, (3) the performance of our internal audit function and independent auditors, and (4) our compliance with legal and regulatory requirements. The Audit Committee has adopted a written charter which is available on our website as described below. During 2005, there were 14 meetings of the Audit Committee.

The current Compensation Committee members are Richard G. Dooley, Chairman, W. Patrick Campbell and Frank J. Macchiarola. The Compensation Committee is appointed by the Board to (1) advise senior management on the administration of our compensation programs, (2) review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and determine and approve the CEO's compensation level based on this evaluation, (3) make recommendations to the board with respect to non-CEO executive officer compensation, and incentive-compensation and equity-based plans that are subject to board approval; and (4) produce a compensation committee report on executive compensation required by the rules and regulations of the SEC. The Compensation Committee has adopted a written charter which is available on our website as described below. During 2005, there were eight meetings of the Compensation Committee.

The current Corporate Governance and Nominating Committee members are Frank J. Macchiarola, Chairman, W. Patrick Campbell and Richard G. Dooley. The Corporate Governance and Nominating Committee (1) identifies individuals to the Board who are qualified to become board members consistent with criteria approved by the board, (2) recommends individuals to the Board for nomination as members of the Board and its committees, (3) develops and recommends to the Board a set of corporate governance principles applicable to the corporation, and (4) oversees the evaluation of the board and management. In nominating candidates, the Committee takes into consideration such factors as it deems appropriate, which may include judgment, skill, diversity, experience with businesses and other organizations of comparable size, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. Like candidates proposed by management, the Committee may consider candidates proposed by shareholders, but is not required to do so. To suggest a nominee, address your correspondence to Lloyd H. Feller, our corporate Secretary, at our address listed at the top of the front page of this Proxy Statement. The Corporate Governance and Nominating Committee has adopted a written charter which is available on our website as described below. During 2005, there were six meetings of the Corporate Governance and Nominating Committee.

The non-management directors of the Board of Directors meet in executive session at each meeting of the Board of Directors. These executive sessions are led by the chairman of the Audit, Compensation or Corporate Governance and Nominating Committee on a rotating basis. The non-management directors have the authority to retain outside consultants and to schedule additional meetings.

Important documents related to our corporate governance are posted on our website at <http://www.jefferies.com/> and may be viewed by following the About Us link near the top of the left menu, and then the Corporate Governance link in the menu that follows. Documents posted include our Code of Ethics, Corporate Governance Guidelines and the Charters for each of the board committees mentioned above, which may be accessed directly at <http://www.jefferies.com/charters/>. We will also provide you with any of these documents in print upon request without charge. You may direct your request to Investor Relations, Jefferies & Company, Inc., 520 Madison Avenue, 12th Floor, New York, NY 10022, or by calling 203-708-5975 or sending an email to info@jefferies.com.

We have established a process by which shareholders can contact our Board of Directors, the non-management directors as a group, or a committee of the Board of Directors. To contact our Board, you can send an email to Lloyd H. Feller, our General Counsel, at lfeller@jefferies.com, or write to: Lloyd H. Feller, Executive Vice President and General Counsel, Jefferies Group, Inc., 520 Madison Avenue, 12th Floor, New York, NY, 10022. To contact our non-management directors as a group or a committee of the Board of Directors directly, write to the party you wish to contact, c/o the General Counsel's Office, Attention: Corporate Secretary, Jefferies Group, Inc. 520 Madison Avenue, 12th Floor, New York, NY, 10022.

Director Compensation

Each member of the Board of Directors of Jefferies Group, Inc. who is also a non-employee is entitled to receive the following compensation under the terms of policies approved by the Board from time to time and the terms of the Jefferies Group, Inc. 1999 Directors' Stock Compensation Plan:

an annual retainer of \$50,000;

an annual grant of \$100,000 in restricted common stock or deferred shares of Jefferies Group, Inc.;

an annual retainer of \$7,500 for each committee membership;

an annual retainer of \$20,000 to the Chairman of the Audit Committee; and

an annual retainer of \$10,000 to the Chairman of the Compensation Committee and the Chairman of the Governance and Nominating Committee.

Annual retainers are paid quarterly in equal installments. Under our 1999 Directors' Stock Compensation Plan (the DSCP), each non-employee Director may elect to receive annual retainer fees in the form of cash or deferred cash. If deferred cash is elected, the Director's account is credited with interest on deferred cash at the prime interest rate in effect at the date of each annual meeting of shareholders. If deferred shares are elected, the Director's account is credited with the number of deferred shares having a market value equal to the deferred fees and, when dividends are declared and paid on our common stock, with dividend equivalents on deferred shares which are then deemed reinvested as additional deferred shares.

The amounts set forth above became effective at the beginning of 2006. In 2005, each member of our Board who was also a non-employee was entitled to receive an annual retainer of \$30,000, paid quarterly; an annual grant of \$80,000 in our restricted common stock or deferred shares; \$1,500 for attendance at each regular meeting of the Board of Directors; \$2,000 for attendance at each special meeting of the Board of Directors; an annual fee of \$3,000 to each Chairman of a Committee of the Board of Directors; and \$1,000 for each Committee meeting attended.

Directors who are also our employees are not paid Directors' fees and are not granted restricted stock for serving as Directors.

Each Director may participate in our Charitable Gifts Matching Program pursuant to which we will match 50% of allowable charitable contributions made by a Director, up to a maximum matching contribution of \$3,000 per person per year. Previously, our directors have also been given the opportunity to participate in certain company investments or investment funds on the same basis as our other employees.

The children of Directors may also participate (along with the children of all our employees) in the Boyd & Stephen Jefferies Educational Grant Program which provides scholarship awards for secondary and post-secondary

education based on factors such as financial need, academic merit and personal statements. The grants are made by an independent scholarship committee, none of whose members are affiliated with us.

Executive Compensation

Shown below is information concerning the compensation we paid to those persons who were, during 2005, (a) the Chief Executive Officer, (b) our other four most highly compensated Executive Officers as specified by SEC rules, and (c) up to two additional individuals who were Executive Officers during 2005 and for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer on December 31, 2005. The compensation described relates to services provided for us by the individuals for the fiscal years ended December 31, 2003, 2004 and 2005.

Summary Compensation Table

(a) Name and Principal Position	(b) Year	Annual Compensation(2)(3)		Long-Term Compensation Awards (f)	(h) All Other Compensation(5) (\$)
		(c) Salary (\$)	(d) Bonus (\$)	Restricted Stock Award(s)(4) (\$)	
Richard B. Handler Chairman & Chief Executive Officer	2005	1,000,000	4,733,009	5,216,133	85
	2004	1,000,000	6,862,000	16,000,000	17,052
				Consisting of: 2005 Long Term 8,000,000	
				2006 Long Term 8,000,000	
	2003	1,000,000	4,466,447	Total 16,000,000 14,653,588	3,218
				Consisting of: 2003 Related 8,515,588	