JEFFERIES GROUP INC /DE/
Form DEF 14A
April 09, 2009

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SCHEDULE 14A INFORMATION

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

(AMENDMENT NO.___)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

x Definitive Proxy Statement
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Additional Materials
o 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):

x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
(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:

o Fee paid previously with preliminary materials.o 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:

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JEFFERIES GROUP, INC.
520 Madison Avenue
New York, New York 10022

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Monday, May 18, 2009

Dear Shareholder:

You are invited to attend our Annual Meeting of Shareholders. The meeting will be held at our offices at 520 Madison Avenue, New York, New York, 10022, on Monday, May 18, 2009, at 9:30 a.m. At the meeting, we will:

1. Elect eight directors to serve until our next Annual Meeting,

2. Ratify the appointment of KPMG as independent auditor, and

3. 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 March 30, 2009.

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 provide background information for you to use when casting your vote. We hope you will find it informative.

For the Board of Directors,

Lloyd H. Feller
Secretary

April 9, 2009

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JEFFERIES GROUP, INC.
520 Madison Avenue
New York, New York 10022

April 9, 2009

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, New York, New York, 10022, on Monday, May 18, 2009, 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 March 30, 2009. We are first mailing this Notice of Annual Meeting, Proxy Statement and proxy card to shareholders on or about April 9, 2009.

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 May 17, 2008, the night before the meeting. 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 your Jefferies shares are held for you in a brokerage, bank or other institutional account, you must obtain a proxy from that entity and bring it with you to hand in with your ballot in order to be able to vote your shares at the annual meeting.

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 at the meeting in accordance with your directions. 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 eight nominees for Director whose names are listed in this Proxy Statement, and FOR the ratification of our independent auditors. If any other matters are properly raised at the meeting, your shares will be voted as directed by the persons named as proxies, Richard Handler, our Chief Executive Officer, or Brian P. Friedman, the Chairman of our Executive Committee.

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 March 30, 2009, the record date for determining which shareholders are entitled to vote at the annual meeting, there were 169,194,358 shares of our Common Stock outstanding. We do not have cumulative voting, and

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there are no appraisal or dissenters rights associated with the matters we have scheduled for a vote at the meeting. A quorum of shareholders must be present in order to conduct business at the annual meeting. The presence in person or by proxy at the annual meeting of holders of shares representing a majority of our common stock will constitute a quorum. Each share you hold on the record date will give you the right to one vote for each Director to be elected, one vote on the ratification of our independent auditors, and one vote on each separate matter of business properly brought before the meeting. The ratification of the appointment of KPMG as our independent auditor and any other item of business (other than the election of directors) properly brought before the annual meeting will be approved by the affirmative vote of holders of a majority of the shares present in person or by proxy and entitled to vote on the matter.

The eight 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.

If your shares are held in your broker s name and you do not give your broker timely voting instructions, your broker can vote your shares for the election of directors but cannot vote your shares on certain other matters. Such a broker non-vote will have no effect on the election of directors, the ratification of our independent auditors or any other item properly raised at the meeting. Shares subject to a broker non-vote will nevertheless be present for purposes of determining a quorum. Abstentions will have the effect of a vote against the ratification of our independent auditors.

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, 2009, unless otherwise indicated. The percentage beneficially owned in all cases is calculated using the number of outstanding shares at February 1, 2009. Information regarding shareholders other than directors, executive officers and employee benefit plans is based upon information contained in documents 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 or right, but do not take into consideration the potential application of Section 409A of the Internal Revenue Code (the Code) which in some cases could result in a delay of the distribution beyond 60 days. 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
Leucadia National Corporation 315 Park Avenue South New York, New York 10010	48,585,385(1)	29.5%
Richard B. Handler	11,015,771(2)	6.4%
Marsico Capital Management, LLC 1200 17th Street, Suite 1600 Denver, Colorado 80202	10,140,611(3)	6.2%
Earnest Partners, LLC 1189 Peachtree Street NE, Suite 2300 Atlanta, Georgia 30309	8,296,315(4)	5.0%
Jefferies Group, Inc. Employee Stock Ownership Plan	6,501,190(5)	4.0%
Baron Capital Group, Inc. 767 Fifth Avenue New York, New York 10153	4,356,000(6)	2.7%
Brian P. Friedman	3,033,323(7)	1.8%
Richard G. Dooley	306,276(8)	*
Lloyd H. Feller	171,393(9)	*
Peregrine C. Broadbent	107,966(10)	*
W. Patrick Campbell	67,560(11)	*

Charles Hendrickson	35,742(12)	*
Robert Joyal	20,598(13)	*
Joseph S. Steinberg	5,479(14)	*
Ian M. Cumming	5,479(15)	*
Michael T. O Kane	0(16)	*
All directors and executive officers as a group	14,769,587(17)	8.6%

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

(1) The indicated interest was reported on a Statement of Beneficial Ownership on Form 4 filed by Leucadia National Corporation (Leucadia) on May 27, 2008, reporting interests held by Baldwin Enterprises, Inc.

(Baldwin) as of May 22, 2008. In accordance with Amendment No. 2 to Schedule 13D filed with the SEC by Leucadia on May 20, 2008, reporting interests held as of May 20, 2008, the position is directly owned by Baldwin and indirectly owned by Phlcorp, Inc. (Phlcorp) and Leucadia. Baldwin is a wholly-owned subsidiary of Phlcorp and Phlcorp is a wholly-owned subsidiary of Leucadia. Leucadia, Baldwin and Phlcorp reported shared voting and dispositive power over the shares.

(2) After the expiration of all applicable vesting and deferral periods, Mr. Handler would beneficially own 12,018,587 shares (representing 7.3% of the currently outstanding class). The table above includes 7,185,284 vested restricted stock units (RSUs) which Mr. Handler has a right to acquire within 60 days from February 1, 2009; 110,216 shares held under the Jefferies Group, Inc. Employee Stock Ownership Plan (the ESOP) as to which Mr. Hander has sole voting power and no dispositive power; 506,936 RSUs resulting from dividend reinvestments which Mr. Handler has a right to acquire within 60 days from February 1, 2009; 3,081,770 shares which Mr. Handler has shared voting and dispositive power with his wife through a family trust; and 40 shares held in an account for the benefit of Mr. Handler s immediate family. As of February 1, 2009, 1,643,876 shares beneficially owned by Mr. Handler were pledged to secure outstanding margin debits. The table above excludes 739,073 RSUs which do not represent a right to acquire shares within 60 days from February 1, 2009; 200 shares of vested and deferred restricted stock held by the trustee of our Employee Stock Purchase Plan (the ESPP) as to which Mr. Handler has neither voting nor dispositive power; and 263,542 share denominated deferrals under the Jefferies Group, Inc. Deferred Compensation Plan (the DCP).

(3) The indicated interest was reported on Amendment No. 2 to Schedule 13G filed with the SEC by Marsico Capital Management, LLC on February 12, 2009. In its filing, Marsico reported that as of December 31, 2008, it had sole voting power over 10,059,759 shares and sole dispositive power over 10,140,611 shares.

(4) The indicated interest was reported on Amendment No. 5 to Schedule 13G filed with the SEC by Earnest Partners, LLC on February 13, 2009. In its Schedule 13G, Earnest Partners reported that as of December 31, 2008, it had sole voting power over 3,425,101 shares, shared voting power over 2,215,514 shares, sole dispositive power over 8,296,315 shares and shared dispositive power over no shares.

(5) Under 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, 2008, 6,501,190 shares were held in the ESOP Trust, of which 6,499,538 shares were allocated to the accounts of ESOP participants. The ESOP had sole dispositive power over all the shares and voting power over 1,652 shares not allocated to participants accounts at December 31, 2008. 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. 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 Robert J. Welch, David J. Losito and Richard B. Shane, Jr. 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.

(6) The indicated interest was reported on a Schedule 13G filed on February 12, 2008, 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 reporting persons reported ownership as of December 31, 2007 as follows:

Beneficial

	Ownership	Sole Voting Power	Shared Voting Power	Sole Dispositive Power	Shared Dispositive Power
BCG	4,356,000	0	3,644,900	0	4,356,000
BAMCO	3,997,100	0	3,296,000	0	3,997,100
BCM	358,900	0	348,900	0	358,900
Ronald Baron	4,360,730	4,730	3,644,900	4,730	4,356,000

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(7) After the expiration of all applicable vesting and deferral periods, Mr. Friedman would beneficially own 3,580,502 shares (representing 2.2% of the currently outstanding class). The table above includes 922,379 vested RSUs which Mr. Friedman has a right to acquire within 60 days from February 1, 2009; 1,218 shares held under the ESOP; and 8,855 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 525,219 unvested RSUs which do not represent a right to acquire shares within 60 days from February 1, 2009; 124 shares of vested and deferred restricted stock held by the trustee of our ESPP as to which Mr. Friedman has neither voting nor dispositive power; and 21,835 share denominated deferrals under the DCP.

(8) After the expiration of all applicable deferral periods, Mr. Dooley would beneficially own 470,355 shares (representing less than 1% of the currently outstanding class). The table above excludes 164,079 stock units held under our Director Stock Compensation Plan (the DSCP), which do not represent a right to acquire shares within 60 days after February 1, 2009.

(9) After the expiration of all applicable vesting and deferral periods, Mr. Feller would beneficially own 207,034 shares (representing less than 1% of the currently outstanding class). The table above includes 21,924 RSUs, 1,855 RSUs arising from dividend reinvestments, and 6,247 share denominated deferrals under the DCP, all of which Mr. Feller had a right to acquire within sixty days of February 1, 2009, and 574 shares held under the ESOP. The table above excludes 14,618 unvested RSUs, 21,023 share denominated deferrals under the DCP.

(10) After the expiration of all applicable vesting and deferral periods, Mr. Broadbent would beneficially own 320,874 shares (representing less than 1% of the currently outstanding class). The table above includes 53,227 RSUs and 4,015 RSUs arising from dividend reinvestments, all of which Mr. Broadbent has a right to acquire within sixty days of February 1, 2009. The table above excludes 212,908 unvested RSUs which do not represent a right to acquire within 60 days from February 1, 2009.

(11) After the expiration of all applicable deferral periods, Mr. Campbell would beneficially own 97,242 shares (representing less than 1% of the currently outstanding class). The table above includes 20,568 shares subject to immediately exercisable options and 8,813 shares of restricted stock under the DSCP as to which Mr. Campbell has voting but no dispositive power. The table above excludes 29,682 deferred shares under the DSCP which Mr. Campbell does not have a right to acquire within 60 days from February 1, 2009.

(12) After the expiration of all applicable vesting and deferral periods, Mr. Hendrickson would beneficially own 39,810 shares (representing less than 1% of the currently outstanding class). The table above includes 10,524 RSUs and 1,108 RSUs resulting from dividend reinvestments on RSUs, all of which Mr. Hendrickson has a right to acquire within 60 days from February 1, 2009. The table above excludes 4,067 unvested RSUs which Mr. Hendrickson does not have a right to acquire within 60 days from February 1, 2009.

(13) After the expiration of all applicable deferral periods, Mr. Joyal would beneficially own 33,023 shares (representing less than 1% of the currently outstanding class). The table above excludes 12,425 deferred shares under the DSCP which do not represent a right to acquire shares within 60 days from February 1, 2009.

(14) As of February 1, 2009, Mr. Steinberg had sole voting and no dispositive power over the shares. Excludes shares held by Leucadia as to which Mr. Steinberg disclaims beneficial ownership.

(15) Excludes shares held by Leucadia as to which Mr. Cumming disclaims beneficial ownership.

(16) After the expiration of all applicable deferral periods, Mr. O Kane would beneficially own 13,063 shares (representing less than 1% of the currently outstanding class). The table above excludes all 13,063 shares which reflect deferred shares under the DSCP and do not represent a right to acquire shares within 60 days from February 1, 2009.

(17) Includes 20,568 shares subject to immediately exercisable options; 8,199,585 vested RSUs which employees have a right to acquire within 60 days from February 1, 2009; 585,277 RSUs representing dividend reinvestments on RSUs which may be acquired within 60 days from February 1, 2009; 1,242,010 shares of restricted stock as to which employees have sole voting and no dispositive power; 112,010 shares held under the ESOP; and 13,023 shares under the PSP for the listed directors and executive officers as a group. After the expiration of all applicable vesting and deferral periods, the directors and named executive officers as a group would beneficially own 16,791,448 shares (representing 10.2% 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 17 directors. Our Board currently consists of eight members and has proposed the election of eight 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, age 47, 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 & Company, Inc., our principal operating subsidiary (Jefferies), since January 2001, as President of Jefferies since May 2006, 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. Mr. Handler has also been the President and Chief Executive Officer of the Jefferies Partners Opportunity family of funds and is Chief Executive Officer of their successor entities, Jefferies High Yield Trading, LLC and Jefferies High Yield Holdings, LLC. He is also Chairman and Chief Executive Officer of the Handler Family Foundation, a non-profit foundation working primarily with underprivileged children. Mr. Handler received an MBA from Stanford University in 1987, where he serves on the Business School Advisory Board. He received his BA in Economics from the University of Rochester in 1983 where he also serves on the Board of Trustees and is Chairman of the University s Finance Committee.

Brian P. Friedman, age 53, a nominee, has been one of our directors and an executive officer since July 2005, and has been Chairman of the Executive Committee of Jefferies since 2002. Since 1997, Mr. Friedman has also been President of Jefferies Capital Partners (formerly known as FS Private Investments). Mr. Friedman splits his time between his role with us and his position with Jefferies Capital Partners. Mr. Friedman was previously employed by Furman Selz LLC and its successors, including serving as Head of Investment Banking and a member of its Management and Operating Committees. 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 private equity funds and the significant equity positions those funds hold in their portfolio companies, Mr. Friedman serves on several boards of directors of private portfolio companies, and has served on the Board of the general partner of one public portfolio company, K-Sea Transportation L.P., since 2004.

W. Patrick Campbell, age 63, 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.

Ian M. Cumming, age 68, a nominee, has been one of our directors since April 2008 and a director of Jefferies High Yield Holdings, LLC since April 2007. Mr. Cumming has served as a director and Chairman of the Board of Leucadia since June 1978. Leucadia is a diversified holding company engaged in a variety of businesses, including manufacturing, telecommunications, property management and services, gaming entertainment, real estate activities, medical product development and winery operations. Mr. Cumming is also Chairman of the Board of The FINOVA Group Inc., formerly a middle market lender. Mr. Cumming is a director of Skywest, Inc., a Utah-based regional air carrier, HomeFed Corporation (HomeFed), a publicly held real estate development company, and AmeriCredit Corp., an auto finance company. Mr. Cumming is an alternate director of Fortescue Metals Group Ltd (Fortescue), an Australian public company that is engaged in the mining of iron ore. Mr. Cumming is also a member of our Compensation Committee and Corporate Governance and Nominating Committee.

Richard G. Dooley, age 79, 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 64, a nominee, has been one of our directors since 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 various Investment Companies sponsored by the Massachusetts Mutual Financial Group and various private equity and mezzanine funds sponsored by First Israel Mezzanine Investors. Mr. Joyal is also a director of Alabama Aircraft Industries, Inc. since 2003, of Kimco Insurance Company since 2007, and of Scottish Reinsurance Group, Ltd. Mr. Joyal is Chairman of our Corporate Governance and Nominating Committee and a member of our Audit Committee and Compensation Committee.

Michael T. O Kane, age 63, a nominee, has been one of our directors since May 2006. 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, Finance and Risk Oversight Committee of Assured Guaranty, Ltd. Mr. O Kane is a member of our Corporate Governance and Nominating Committee, Audit Committee and Compensation Committee.

Joseph S. Steinberg, age 65, a nominee, has been one of our directors since April 2008 and a director of Jefferies High Yield Holdings, LLC since April 2007. Mr. Steinberg has served as a director of Leucadia since December 1978 and as its President since January 1979. In addition, Mr. Steinberg is Chairman of the Board of HomeFed and a director of FINOVA and Fortescue. Mr. Steinberg is a member of our Compensation Committee and Corporate Governance and Nominating Committee

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:

Peregrine C. Broadbent, age 45, has been our and Jefferies Executive Vice President and Chief Financial Officer since November 2007. Prior to joining us, Mr. Broadbent was employed by Morgan Stanley for 16 years, including serving as Managing Director, Head of Institutional Controllers (Fixed Income, Equity and Investment Banking) of Morgan Stanley since November 2003 and was Morgan Stanley s Managing Director, Head of Fixed Income Infrastructure (Operations and Controllers) from March 2002 through November 2003. Mr. Broadbent is a Chartered Accountant in the United Kingdom.

Charles J. Hendrickson, age 59, has been our Treasurer and the Treasurer and a Managing Director of Jefferies since July 2006. Mr. Hendrickson was Managing Director and Treasurer at Donaldson, Lufkin & Jenrette, Inc. from March 1984 to September 2000 when it was acquired by Credit Suisse and provided continuing services to Credit Suisse through the transition until February 2001. Mr. Hendrickson has served as a director of ImaginAsian Entertainment, Inc. since 2004 and served as its interim Chief Financial Officer from 2005 to 2006 when he joined Jefferies. From 2001 through 2005 Mr. Hendrickson also served on the Board of

Youth Directions and Alternatives, a New York based charitable organization, and served as its Treasurer from 2003 through 2005. Mr. Hendrickson served as Treasurer of Clarendon Ltd. from 1983 to 1984 and from 1973 through 1983 Mr. Hendrickson held various positions in credit and marketing at Chase Manhattan Bank finally serving as Vice President and Division Executive of the Financial Analysis Division of its Workout Group.

Lloyd H. Feller, age 66, has been our, and Jefferies , 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.

Equity Compensation Plan Information

The following table provides information regarding our compensation plans (other than our tax qualified ESOP and 401(k) Plan), under which our equity securities were authorized for issuance as of December 31, 2008.

Plan Category	**Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)**	**Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)**
Equity compensation plans approved by security holders	39,796,099(1)	$ .05(2)	36,855,951(3)
Equity compensation plans not approved by security holders			
Total	39,796,099	$ .05	36,855,951

(1) Includes 34,260,077 RSUs, 59,720 options under our DSCP and 5,476,302 share denominated deferrals under our deferred compensation plans.

(2) The weighted average exercise price of outstanding options, warrants and rights is calculated including RSUs and similar rights which have an exercise price of zero. If the weighted average exercise price was calculated including only those awards that have a specified exercise price, which in our case is only options, the weighted average exercise price for plans approved by security holders would be $7.24.

(3) When we changed the terms of our restricted stock grants in late 2008 to eliminate the continuing service requirement, which resulted in the immediate expensing of the shares, shares issued prior to January 1, 2008 no longer qualify as outstanding under the terms of our Amended and Restated 2003 Incentive Compensation Plan (the 2003 Plan). Of the shares remaining available for future issuance under the 2003 Plan, as of December 31,

2008, the numbers of shares that may be issued as restricted stock, RSUs or deferred stock were as follows: 27,416,841 shares under the 2003 Plan for general use; and 7,009,068 shares under the 2003 Plan designated for use under the DCP. 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. A maximum of 16,000,000 shares are reserved for restricted stock units and options under the DCP. Restricted stock equivalent units will be credited with dividend equivalents on the last day of each quarter, which will be converted into additional stock units in accordance with the terms of the DCP. The number of shares remaining available under the 2003 Plan, and outstanding restricted stock units, options, and other share based awards, and the terms thereof, are subject to equitable adjustment by the Compensation Committee in the event of certain extraordinary corporate events.

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Corporate Governance

The Board of Directors is responsible for supervision of our business. During 2008, the Board held 11 meetings. To assist it 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 at least 80% of the 2008 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, two of the eight directors attended the Annual Meeting of Shareholders in 2008.

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. 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, the board has noted that

Mr. Campbell also serves on the Compensation Committee of Black & Veatch

Mr. Dooley also serves on the Compensation Committee of Kimco Realty Corp.

Mr. Dooley was an associate of Mr. Joyal prior to Mr. Dooley s retirement from Mass Mutual

Mr. Cumming and Mr. Steinberg, each serves in various capacities at Leucadia and its affiliates

Mr. Steinberg also serves on the Compensation Committee of HomeFed Corp.

Mr. Cumming and Mr. Steinberg have had prior social and business relationships with various members of our management, including Mr. Handler

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 on any committees. The Board has determined that Messrs. Campbell, Dooley, Cumming, Joyal, O Kane and Steinberg each meet the independence standards as set forth in the Corporate Governance Guidelines.

The current Audit Committee members are W. Patrick Campbell, Chairman, Richard G. Dooley, Robert E. Joyal and Michael T. O Kane. The Board has determined that each member of the Audit Committee is a Financial Expert as defined by applicable New York Stock Exchange and SEC rules. 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 2008, there were 8 meetings of the Audit Committee.

The current Compensation Committee members are Richard G. Dooley, Chairman, W. Patrick Campbell, Ian M. Cumming, Robert E. Joyal, Michael T. O Kane and Joseph S. Steinberg. 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 the sole authority to select, retain and terminate a compensation consultant and to approve the consultant s fees and other retention terms. The Committee did not retain a compensation consultant in 2008. The Compensation Committee has adopted a written charter which is available on our website as described below. During 2008, there were 8 meetings of the Compensation Committee.

The current Corporate Governance and Nominating Committee members are Robert E. Joyal, Chairman, W. Patrick Campbell, Ian M. Cumming, Richard G. Dooley, Michael T. O Kane and Joseph S. Steinberg. 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. In addition to 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 2008, there were 4 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 non-management directors 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, 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 and other interested parties 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 Corporate Secretary, at lfeller@jefferies.com, or write to: Lloyd H. Feller, Executive Vice President and General Counsel, Jefferies Group, Inc., 520 Madison Avenue, New York, NY, 10022. To contact our non-management directors as a group, a committee of the Board of Directors directly, or the chairman of the next executive session of the non-management directors, write to the party you wish to contact, c/o the General Counsel s Office, Attention: Corporate Secretary, Jefferies Group, Inc. 520 Madison Avenue, New York, NY, 10022.

Compensation Discussion and Analysis

This section provides a narrative discussion of our objectives when compensating the named executive officers, and the policies we have implemented to achieve those objectives. It also outlines what the compensation program is designed to reward, each element of compensation, why we chose to pay each element, how we determined the amount we would pay, and how each compensation element fits into our overall compensation objectives. Although we include examples in this discussion to illustrate how our policies have been implemented, you should also refer to the tables following this discussion for specific disclosures about the compensation of each named executive officer. The specific disclosures in the tables and the narrative following the tables together with this general discussion of objectives and policies should provide you with a complete picture of how we approach and implement compensation for our named executive officers.

Objectives of our Compensation Programs

Our compensation policies, plans and programs for executive officers are intended to meet three key objectives:

Provide competitive levels of compensation in order to attract and retain talented executives and firm leaders.

Encourage long-term service and loyalty.

Provide compensation that is perceived as fair in comparison to other companies, within the Company, and consistent with employee contributions to the Company.

Certain components of our compensation programs are targeted to help us achieve one of those objectives, and other components help us achieve multiple objectives simultaneously.

Attract and Retain Talented Employees

Even in a challenging business environment, the Company is engaged in a highly competitive service business, and its success depends on the leadership of its senior executives and the talent of its key employees. We need to attract and retain highly capable individuals. Our goal has been to ensure that our compensation program provides competitive levels of compensation that are realistic in light of current market conditions, but responsive to competitive forces and alternative opportunities. In prior years, we used a peer group of public companies based on comparable business activities and competition for clients and executive talent. We did not make reference to this peer group in 2008 and given the number of companies previously contained in our peer group which have ceased doing business or changed their business models, we will identify an entirely new peer group if we determine to use a peer group in the future.

Encourage Long-Term Service and Loyalty

We encourage long-term service and loyalty to the Company by fostering an employee ownership culture. We are proud of the large percentage of the Company s common stock that is owned by our employees and executives. This ownership encourages our employees and executives to act in the best long-term interest of the Company. We have not adopted stock ownership guidelines for executives due to their historically large relative stock ownership and our strong culture of stock ownership. However, we promote ownership through long-term restrictions on vesting, which encourage employees to take a multi-year perspective, rather than a short term perspective, on the Company s health and opportunities. Consistent with this approach, our historical practice has been to target the mix of types of compensation for our CEO at between 35% and 50% in some form of equity or equity linked compensation.

Relative Fairness

As the brokerage and financial services industry has undergone tremendous challenges, it has been difficult to balance the need to retain talented producers and executives with a stagnant marketplace. Our compensation objective continues to focus on rewarding personal productivity and fostering a results-oriented environment, while maintaining a non-variable component of compensation to provide stability. Our two most senior executives continue to have roles that blend both management and production responsibilities and accordingly, the Compensation Committee generally considers the compensation opportunities those individuals would have if they chose to focus entirely on their production abilities. As a result, due to the difficult market in 2008, no bonuses were awarded to our two most senior executives. We believe that maintaining our entrepreneurial culture is still essential and makes us unique among our competitors, so we continue to offer compensation opportunities that are driven by performance and results. We expect relative fairness to become a more significant factor in future years when the market and economy stabilize.

Our Compensation Committee reviews the recommendations of our CEO and Chairman of the Executive Committee in setting the compensation for the other named executive officers.

What Our Compensation Program is Designed to Reward

By linking compensation opportunities to performance of the Company as a whole, we believe our compensation program encourages and rewards:

Executive efforts at enhancing firm-wide productivity and profitability, and

Entrepreneurial behavior, in which executives and employees are shareholders and act to maximize long-term equity value in the interest of all shareholders.

Consistent with rewarding these specific activities, we have fashioned our policies to reward productivity and profitability of our executive officers in a performance based environment much the same way we approach other employees responsible for the generation of revenue throughout the firm, and we expect our executives to set the

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example for these revenue producers throughout the firm. We accomplish these objectives by providing both annual cash bonuses based on performance and awards of long term equity-based compensation.

With respect to the annual performance based component of compensation, we established formulas for payment of annual bonuses to executive officers in early 2008, so that the performance goals and potential rewards could positively influence executives during the year and in order to comply with Code Section 162(m). These formulas, which were part of Mr. Handler, Mr. Friedman an