



4:30^{AM} Los Angeles



Every day, 1014 people in 21 offices worldwide
look for new opportunities to provide our institutional clients with valuable
trading ideas and superior execution and find new growth opportunities for small and mid-cap companies
through a full range of investment banking and capital raising services.

This is the Jefferies way.

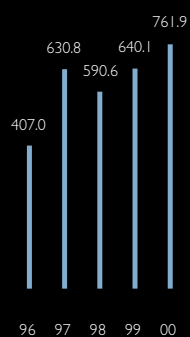
7:35^{AM} New York



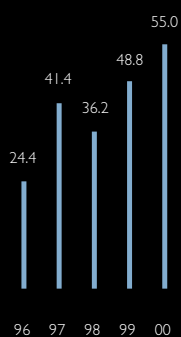
FINANCIAL HIGHLIGHTS

(In Millions, Except Per Share Amounts)	Year ended December 31,		
	2000	1999	Change
Total Revenues	\$ 761.9	\$ 640.1	19%
Operating Income	95.4	84.1	13%
Net Earnings*	55.0	48.8	13%
Earnings Per Share (Diluted)*	2.26	2.04	11%
Book Value Per Share	18.57	16.52	12%
Stockholders' Equity	458.4	396.6	16%
Closing Stock Price	31.25	22	42%

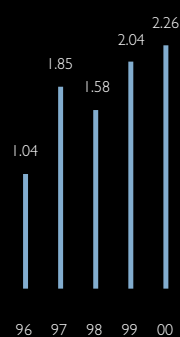
Total Revenues
(in millions)



Net Earnings*
(in millions)



Earnings Per Share*
(in millions)



*From Continuing Operations

MANAGEMENT LETTER TO SHAREHOLDERS

More than ever before, Jefferies is a customer-driven, relationship-focused institutional sales and trading firm. As a complement to this trading platform, Jefferies also offers fundamental research to institutional investors and investment banking services to middle market companies. The firm remained true to this mission in 2000 and accomplished significant changes to position Jefferies for even greater achievement in the future.

We are excited to be leading Jefferies, a firm in whose platform we so strongly believe, and, at the same time, are humbled by assuming the roles of Chief Executive Officer and President/Chief Operating Officer. With the help of Frank Baxter, the transition in leadership has successfully opened Jefferies to new opportunities while ensuring that the firm remains connected to its trading heritage. As longtime Jefferies' producers, we will remain actively engaged with clients and colleagues, continuing to build relationships and facilitate transactions with passion and energy.

But Jefferies' management team goes beyond just two people. We work closely with the other members of the Executive Committee to bring new vision and focus to the Jefferies mission. Our management team remains a critical alliance of the firm's key leaders, working together to formulate and realize the goals of the firm.

In addition to a change in leadership, Jefferies experienced tremendous growth in 2000. Gross revenues increased 19 percent to \$762 million and net earnings grew by 13 percent to \$55 million. Equity trading was a key driver as volume jumped to over 9 billion shares, a 21 percent increase over the prior year. Committed to being an important source of liquidity for institutional investors, Jefferies significantly increased the number of companies in which the firm makes a market during 2000, going from 650 to over 1,000, with a goal to trade in over 2,000 institutional quality stocks by the end of 2001.

Richard B. Handler *Chief Executive Officer* “I joined Jefferies in 1990 because I knew this was a firm with entrepreneurial spirit, focus and integrity. One of my goals going forward is to cultivate that spirit even further to create more value for our clients, investors and employees. John and I are partners in this endeavor—we truly complement each other’s strengths and share the drive and passion to make the most of this great firm. Together, I’m confident we can take Jefferies to a new level of achievement by continuing to leverage our strengths and remaining opportunistic to new avenues of growth.”



From left to right: John C. Shaw, Jr. President and Chief Operating Officer, Richard B. Handler Chief Executive Officer

John C. Shaw, Jr. *President and Chief Operating Officer* “Jefferies epitomizes a relationship-driven platform. I have been a part of it for twenty years and believe this type of environment best serves our clients. We’re focused on delivering value to them, and we intend to stay true to our core beliefs. I’m excited about what Rich and I have accomplished so far in positioning Jefferies for continued growth. We share a vision and a philosophy for the firm and, together with the other members of the Executive Committee, are committed to further leveraging the strengths of our trading, research and investment banking platforms. Realizing additional synergies among these businesses will drive our continued success.”

Jefferies' success, however, is the result of notable efforts throughout the firm. Our high yield secondary trading volume hit an all time high, increasing 57 percent to \$9.6 billion in 2000. Revenues from US convertible trading, under the continued guidance of Jonathan Cunningham, increased by 28 percent during the year. Jefferies' international effort, led by Cliff Siegel, also made significant revenue gains, rising 25 percent over 1999.

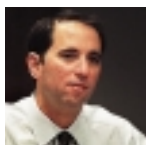
In addition to its excellent operating results, Jefferies' international trading and research group significantly expanded to a team of 150 with the acquisition of The Europe Company. This highly regarded specialist European equity sales and research firm holds great potential for expanding the Jefferies platform.

Like never before, the firm is working together to maximize synergies across trading, research and banking. This "oneness" as a firm helped us realize significant gains in revenues, profitability and product offerings in 2000. We have extended the vehicle of asset management to enhance the benefits of such synergy by funding the best opportunities in trading, research and investment banking. One example is the Jefferies Partners Opportunity Family of Funds, launched in 2000 to capitalize on the firm's trading expertise in high yield, distressed and special situations.

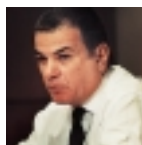
Key to this unification of the firm has been the resurgence of Jefferies' research effort. With the inclusion of The Europe Company, Jefferies' research group includes 50 analysts covering over 500 companies in 30 industries worldwide. The firm's ability to offer high quality fundamental research to institutional investors has brought Jefferies' trading platform and investment banking effort closer together. The value-added sharing of relationships across disciplines has been important in expanding our revenue base.

We have also made further progress toward a key objective of the firm: the addition of quality people throughout our various business units to drive incremental revenues on our way to becoming a billion dollar company. We continue to build our business wisely, attracting the highest caliber of people by offering a uniquely production and relationship-driven platform. Continued consolidation on Wall Street has created opportunities

Board of Directors



Richard B. Handler



John C. Shaw, Jr.



Frank J. Macchiarola



Frank E. Baxter



W. Patrick Campbell



Richard G. Dooley

Sheldon B. Lubar (not pictured)

in this regard, as Jefferies remains one of the last major independent brokerage firms with its entrepreneurial culture intact.

The year 2000 was a terrific period for adding proven professionals to the Jefferies team. Always conscious of cost control, we were able to increase our employee base from 885 to 1,014 while maintaining our variable cost structure. Specifically, the firm hired three key producers in the equity sales group and five Nasdaq market makers. Jefferies also recruited seven senior US equity research analysts in the healthcare, retail and Internet-related sectors. Ten senior investment bankers with experience in healthcare, telecom, media and e-finance joined Jefferies' corporate finance department. Similarly, four senior sales professionals, a trader and a research analyst enhanced the firm's high yield group. With the addition of offices in Nashville, Paris and Richmond, Jefferies' global presence grew to 21 locations.

While these new hires have just begun to contribute to our financial results, our investment banking effort realized 12 percent year-over-year growth as our versatile and opportunistic professionals adapted away from unfavorable capital markets to focus on M&A business. Under the leadership of Chris Kanoff and Andrew Whittaker, our Corporate Finance Department continues to identify opportunities and stands poised to realize incremental business from the relationships of these new bankers. In addition, our recapitalization and restructuring group gained well-deserved recognition as an industry leader through several key transactions during the year.


We believe the alignment of our colleagues' goals with those of the firm is critical to the success of Jefferies. In 2000, we laid the groundwork for a deferred compensation plan designed to significantly increase and broaden employee ownership beyond the current 45 percent held by employees. Over 70 percent of those eligible committed to voluntarily exchange up to \$40 million of 2001 compensation, more than half of which is earmarked for the purchase of Jefferies' equity. Joe Schenk, our Chief Financial Officer, was critical to formalizing this employee commitment to maximize shareholder value.

The ability to trade and distribute blocks of securities, in combination with focused investment banking and research expertise, makes Jefferies a formidable competitor and a true provider of value-added services. We are taking advantage of unprecedented hiring opportunities to expand our platform and enrich our entrepreneurial culture. We are integrating every aspect of our multi-national businesses, involving every employee in our wealth creation and working to build a firm that will be a top competitor in each and every selected area of focus.

We thank all of our clients, shareholders and employees for their continued support.



Richard B. Handler
Chief Executive Officer



John C. Shaw, Jr.
President and
Chief Operating Officer



Business Review

25.13



7:50AM

Rory Corrigan
National Equity
Sales Manager,
exchanging ideas
with Jolene Mirena,
Managing Director,
Oppenheimer Capital

"We work with Jefferies for their excellent order flow and execution. They are focused and tenacious in trading and are an important provider of liquidity for us."

Spirit



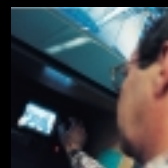
9:45^{AM}

Fred Moran, Managing
Director, Head of
Internet, Media &
Communications Equity
Research, getting wired
to go on the air

A REVIEW OF OUR BUSINESS

At Jefferies, the results are what matter. From our trading desk to the mailroom, everyone shares one goal—to be a client-focused, financially successful company. In the short term, our objective is to generate \$1 billion in annual revenue by 2002. Jefferies' ongoing mission—simply put—is to create enduring wealth for clients, investors and employees.

In the capital markets, volatility presents opportunity, and Jefferies' sales and trading professionals met the challenges of 2000 in the only way they know – by battling every minute of every day on behalf of their clients. Jefferies' professionals understand market dynamics. We are always focused on the needs of our clients and, through inventive solutions, create value for them.



There is no better example of how such tenacity translates into results than that demonstrated by our **equity sales and trading** group in 2000. Revenues were up 20 percent in another record-setting year, and Jefferies continues to be a force in the market. Why? It's the quality of our relationships. Clients know that Jefferies is always ready to step up and do what it does best – provide liquidity through outstanding execution.

Every day, the firm creates liquidity by seeking out motivated buyers and sellers – putting naturals together in a way that minimizes market impact in trading large blocks of stock. It's cost efficient. It's anonymous. And no one does it better than Jefferies. As reported by AuTex®, Jefferies' crossing rate in 2000 approached 40 percent of executed trades – more than twice the industry average and the highest among traditional brokerage firms. In total, Jefferies traded over nine billion shares in 2000 for an average of 36 million shares per trading day.

Building Relationships The Jefferies franchise continually improves based on one major component: exceptional client focus. Our attention to client needs, combined with our entrepreneurial and production-driven environment, distinguishes us from our competitors. This environment also attracts and retains the highest quality industry professionals. Jefferies' sales traders are among the most experienced in the business.

We take the time to forge a bond with our clients. Only when there is trust can the ultimate goal in a transaction – whether price, timing or size – be met. And, while Jefferies believes in true agency trading, the firm will commit capital when necessary – and risk can be controlled – to facilitate a particularly difficult transaction for a client. We live and die by our reputation for providing outstanding execution, so we will get it done, regardless of the difficulty of the transaction.

Performance Driven The facts speak for themselves. According to AuTex[®], Jefferies is a top ten trader in more Nasdaq-listed stocks than any other brokerage firm. We are also the number one trader in over 160 exchange-listed stocks, which places us fifth among all brokerage firms. And, with 80 percent of the firm's business coming from over 350 client institutions – versus an industry average of 150 – Jefferies has one of the broadest customer platforms in the industry, an important stabilizing factor in this important revenue stream.

As of year end, Jefferies was a market maker in over 1,000 quality institutional names, which met the firm's objective to increase from 650 in just twelve months. And, our goal to make markets in over 2,000 names is a top priority for 2001.



Jefferies' successful expansion as a major source of liquidity in the Nasdaq market is attributable to the hard work of the firm's expanded market-making staff in our Dallas and New York offices. In addition, our outstanding operations team deserves equal credit for handling the significantly higher volumes transacted in 2000.

Jefferies continued to build a high quality **equity research** team in 2000. Aided by the financial industry consolidation, we extended our efforts to provide fundamental research to institutional investors by attracting highly respected equity analysts in the healthcare, retail and Internet-related sectors. Our equity research professionals have become a key component of the Jefferies platform by offering value-added ideas to investors and providing objective research coverage to companies in our areas of focus.

The Jefferies philosophy in equity research is quality over quantity. We follow a niche strategy, focusing on a few major industry sectors where we can offer the greatest value on all fronts – research, banking and, of course, sales and trading.



at work



12:10^{PM}

Don Trott, Senior Retail
Analyst, reading between
the lines

Deeper Due Diligence As a relative newcomer in providing equity research, Jefferies must stand out from the pack with a team of only twenty senior analysts in the US and twelve in Europe. One of the key differentiating factors, first and foremost, is hiring analysts who are willing to dig deeper. With recent changes in disclosure for public companies, it's more important than ever to conduct serious due diligence. Only by creating independent financial models, studying a company's distribution channels, performing inventory checks, and talking to customers can the true picture of a company's health be formed. Many firms on Wall Street claim to perform the best due diligence. At Jefferies, we do it. We have the courage to make the difficult calls that create value for our clients and they have indicated their approval of our approach through increased trading flow, particularly in energy, telecom and shipping stocks. We look forward to another successful year of creating a highly respected and valued research product.

While the capital markets were effectively closed to mid-cap companies for most of the year, Jefferies' **investment bankers** shifted gears to emphasize M&A work. We successfully completed 92 transactions with a value of \$10 billion and increased revenues by 12 percent to \$91 million. In the fourth quarter alone, the team closed twenty-four M&A-related transactions valued at \$2.1 billion! A few transactions were particularly noteworthy because they drew on the firm's creativity to find solutions in difficult market conditions.



Expertise Far and Wide The eKabel transaction involved the acquisition by an investor consortium of the broadband cable assets of Deutsche Telekom for €1.2 billion. Jefferies' creativity made the difference in this complex privatization of a German broadband provider, especially amid significant structural, regulatory and tax challenges and increasingly volatile market conditions. Simultaneously acting in a number of roles, Jefferies primarily acted as an advisor to the initial investor group organized by Klesch & Company Limited. Jefferies advised on the terms and structure of the acquisition and negotiated the terms for each component of the capital structure, including the equity investor syndicate, all acquisition and construction indebtedness and the terms of the sellers' rollover participation. In addition, Jefferies co-managed the €417 million high yield transaction. The resulting company services a substantial region in and around Frankfurt, Europe's second largest financial center. Ultimately, eKabel will upgrade and expand the network to a state-of-the-art two-way digital telecommunications platform and provide digital television, telephony and Internet access to residential and business customers.

Closer to home, the \$500 million acquisition of Veterinary Centers of America (VCA) illustrates how Jefferies' presence on the West Coast can lead to involvement in major M&A activity in the region. Our longstanding relationship with VCA is based on working with the company in various M&A and financing proposals, providing equity research coverage and being the leading trader of VCA's common stock and convertible debt when the company was public.

During 2000, Jefferies played an important role in the acquisition of VCA by an affiliate of Leonard Green & Partners, a leading buy-out firm that, like VCA and Jefferies, is also located in Los Angeles. This transaction provided shareholders with an approximate 35% premium to VCA's share price and put in place the capital structure needed to continue VCA's growth strategy beyond the 170 animal hospitals and twelve diagnostic labs that it operates throughout the US.

Coinmach is the largest supplier of outsourced laundry equipment services for multi-family housing properties in the US and has over 790,000 laundry machines nationwide. In July 2000, Jefferies helped certain Coinmach shareholders and members of management to successfully acquire the company in an \$890 million "going private" transaction. This was the culmination of a plan that started in 1999 to *maximize shareholder value*. Despite its strong, stable cash flow and significant growth in prior years, Coinmach did not feel that its market value was being adequately recognized. As a result, Jefferies helped devise and execute a plan to take the company private in a transaction made possible by the support of Coinmach's largest shareholder, equity sponsor GTCR Golder Rauner LLC. Jefferies acted as the exclusive advisor to the purchaser and as the dealer/manager for the tender offer and helped raise a portion of the related mezzanine financing. This transaction represents the third occasion on which Jefferies has assisted Coinmach since 1997.



In another representative relationship, Jefferies acted as financial advisor to Farrell Lines Incorporated in its sale to P&O Nedlloyd for aggregate consideration of approximately \$130 million. With the integration of our recapitalization, M&A and shipping investment banking specialists, we were able to find a buyer as well as a way for Farrell's equity holders to achieve a significant recovery (see pages 24-25).

Extending the Jefferies Franchise Ten senior bankers joined Jefferies in 2000. Their experience in the telecom, healthcare, media and e-finance sectors complements the focus of our equity research group and provides an integrated approach to the industries strategically important to the firm. Our new Nashville office is located near many of the firms central to the healthcare industry, providing us with advantageous proximity to management. Similarly, our presence in Richmond has established easier access to clients – in this case, the communication and Internet companies located in the northern Virginia technology corridor and the Southeast's Research Triangle.

We will continue to enhance our cohesive investment banking business for small to mid-cap companies in ways that add the greatest value. Jefferies' senior management is confident the firm's powerful distribution platform and trading prowess will enable us to continue growing the investment banking franchise in the middle market arena.



Focused



2:15 PM
Jackie Thomson, Nasdaq
Trader, monitoring a
client's position

In a very depressed underwriting market, secondary trading dominated Jefferies' **high yield** business during 2000. Despite one of the toughest markets ever, Jefferies' tenacious high yield professionals achieved record results, trading over \$9.6 billion during the year and strengthening the firm's position as a key player in this segment. In addition, our total capital devoted to making markets and trading high yield securities has grown to \$640 million, including firm and outside funds.

Through in-depth research, Jefferies uncovered valuable trading opportunities while successfully avoiding many of the bumps felt so acutely by many other companies. Our high yield research team has a long-standing reputation for understanding all types of credits, including companies in distress. In 2000, we broadened our industry coverage by adding healthcare, cinema and telecom to the sectors that we follow and trade. We also deepened our knowledge within the sectors we follow by increasing the number of issues we research and trade. With the addition of four senior sales professionals, one research analyst and one trader, Jefferies now has one of the largest sales forces on the Street dedicated solely to high yield.

Despite a tough trading environment punctuated by credit issues and declining stock prices, we diligently searched for pricing disparities and value plays. Focus and determination ultimately resulted in a 28 percent increase, on a gross and net basis, for Jefferies' **US convertibles securities** business in 2000. The key to our success: market expertise and personal service. Clients come to Jefferies for our market insight, personal attention and "get-it-done" attitude.



When markets move, institutions need a firm like Jefferies that is clearly in the driver's seat. In a year when investors avoided anything remotely "dot-comish," Jefferies completed a \$20 million private placement for Online Resources Corporation, a leading provider of Internet bill payment services to financial institutions. By working closely with management and a network of high quality investors, Jefferies successfully secured capital to support Online Resources' future growth. Transactions like this and others helped make our converts unit a top performer within the firm.

In 2000, Jefferies' **international** division realized a second consecutive year of more than 25 percent growth in revenues. This success resulted from our diversifying the depth and breadth of product offerings and adding key producers in sales and trading for European equities and convertibles. We also established a European corporate finance capability in our London office with the addition of a veteran investment banker.

The major event of the year was our acquisition of The Europe Company, a specialist in equity sales and primary research on small and mid-cap companies listed throughout Continental Europe. An ideal addition, The Europe Company shares Jefferies' entrepreneurial and client-focused philosophy and complements the firm's existing skills in the sales and trading of equities, convertible securities and other equity-linked securities. In addition to building a stronger European distribution platform in 2001, we plan to expand The Europe Company coverage more aggressively into the US with the addition of a US based specialist European equity sales team.

Tenacious



3:50 PM

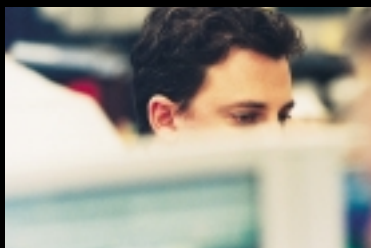
Eddie Bralower (left),
Senior Account
Executive, Equity Sales,
riding a wave with
Rich Meisenberg,
Executive Vice
President,
*Palisade Capital
Management, L.L.C.*

*"Jefferies is always there for us. The firm offers
outstanding trading execution and provides
liquidity in both small and large cap stocks."*

Jefferies' international enterprise reached another milestone in July 2000 with the granting of a securities trading license in Switzerland by the Swiss Federal Banking Commission. This license allows Jefferies (Switzerland) Ltd. to make markets, underwrite securities and act as a public distribution agent for asset management products in addition to its core brokerage activities, thereby greatly expanding the scope of our business practices in the Swiss market.

Jefferies' **asset management** business expanded in 2000 with investments now totaling over \$1 billion. The Jefferies International Convertible Bond Fund, which is managed by Jefferies Asset Management Ltd. in Zurich, saw a 30 percent increase in the institutional assets under management during the year. This growth trend is expected to continue based on the increasing confidence of European clients in our investment approach and philosophy exhibited to date.

In addition, the Jefferies Partners Opportunity Family of Funds also performed well during the first year, delivering a gross return in excess of 27 percent to outside investors for the eleven months ended December 31, 2000. Achieving superior results in the first full year of operation, when virtually all other high yield funds were down for the year, is a testament to the expertise of those members of our high yield group who manage this fund.



The Jefferies Venture Capital Fund of approximately \$22 million in employee and firm investments also allowed the firm to act as a private equity investor in businesses in the early to mid stages of development. Investments in such companies, identified by the fund's investment committee to have significant growth potential, can yield not only high returns but also investment banking opportunities. These small or start-up companies are prime candidates for the firm's research, trading and/or investment banking services as they progress through the traditional business cycle.

The year 2000 also saw the establishment of Jefferies' **prime brokerage services** as another way to leverage the firm's infrastructure. In keeping with Jefferies' unrelenting entrepreneurial spirit, we now offer members of the professional investment community, namely hedge funds, money managers and registered investment advisors, the ability to use our state-of-the-art operations network to support their growing businesses. Jefferies provides a full range of transactional services, including trade execution, clearance, settlement and Web-based portfolio reporting. Prime brokerage clients can access turnkey operations that are fully supported by a team of dedicated professionals, as well as the services of a global securities lending unit.

Inventive



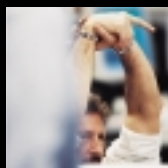
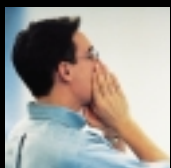
5:20 PM

Bobby Bowers (left), Senior Vice President, Mergers & Acquisitions, and Bill Derrough (right), Managing Director, Recapitalization & Restructuring, finding solutions for Richard Gronda, President and Chief Operating Officer, Farrell Lines Incorporated

“Jefferies has done a terrific job for us. The relationship of their recapitalization experts with our creditors allowed their M&A and shipping industry specialists to arrange the acquisition of our 75-year-old, family-owned shipping business. Throughout our relationship, their senior investment bankers were thoroughly professional and provided us with outstanding and enthusiastic service.”

Jefferies' **securities lending** business grew over 40 percent in 2000 and has become a significant contributor to operating revenues. Leveraging off our equity trading platform and our long-standing relationships with over one hundred institutions and broker-dealers worldwide, the securities lending group has entrée into every major world market. Our senior managers in this group average over 16 years of lending experience and have grown this business on the basis of their extensive network. With a \$2.5 billion matched book and access to over \$1 trillion of domestic and foreign securities, clients can now turn to Jefferies to assist with their portfolio hedging strategies.

Jefferies' technology and operations expertise continues to be a core contributor to the success of all of the firm's businesses. Our outstanding technology professionals and communications network enable Jefferies to quickly open new offices to meet the needs of clients and new employees while maintaining low overhead. Our ability to offer a lifestyle location choice to recruits has been an important asset in recruiting investment banking and research talent.



The technology team continues to improve Jefferies' proprietary Account Executive Workstation, or AEW, which provides our sales traders with cutting edge, real time information on all aspects of trading. We are continuously developing and enhancing this key component of our delivery system. One of our primary objectives is the completion of an electronic front-end order management system that will be integrated into the AEW and will intelligently route orders to find the best execution across a variety of exchanges and other liquidity sources.

Operationally, we have tripled our transactional capacity since the beginning of 2000 and successfully upgraded our systems to handle the increasing daily volumes. A smooth conversion to decimalization and straight-through processing, as well as the continued growth of our business, depend on the effort and dedication of our outstanding operations group.

Thanks to the effort of employees in every department at every level of the firm, Jefferies realized outstanding financial results during 2000 with meaningful growth in all areas. But 2000 was also a year in which the firm significantly added to its platform with the addition of key businesses and new employees. With new investments in human capital and a management team with a vision, we are well positioned for even greater success in 2001 and beyond.

QUALITATIVE

Financial Summary



CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In Thousands, Except Per Share Amounts)	Year Ended December 31,				
	2000	1999	1998	1997	1996
Revenues					
Commissions	\$ 221,471	\$ 202,803	\$ 190,870	\$ 148,940	\$ 113,512
Principal transactions	264,130	232,239	177,189	179,081	145,207
Corporate finance	90,743	80,749	126,651	228,640	97,870
Interest	172,124	115,425	91,024	70,656	47,443
Asset management	9,560	1,973	926	–	–
Other	3,835	6,958	3,955	3,525	2,991
Total revenues	761,863	640,147	590,615	630,842	407,023
Interest expense	144,460	96,496	75,153	61,314	37,840
Revenues, net of interest expense	617,403	543,651	515,462	569,528	369,183
Non-interest expenses					
Compensation and benefits	376,571	329,769	321,943	373,619	234,446
Floor brokerage and clearing fees	36,908	33,815	32,425	26,754	21,606
Communications	45,398	42,427	47,210	40,305	24,474
Occupancy and equipment rental	19,193	16,003	14,036	15,701	13,003
Travel and promotional	18,432	16,676	17,710	15,300	10,703
Other	25,508	20,866	22,945	29,159	22,765
Total non-interest expenses	522,010	459,556	456,269	500,838	326,997
Earnings before income taxes	95,393	84,095	59,193	68,690	42,186
Income taxes	40,412	35,256	22,992	27,334	17,772
Earnings from continuing operations	54,981	48,839	36,201	41,356	24,414
Discontinued operations of ITGI, net of tax	–	12,888	33,481	22,211	19,146
Net earnings	\$ 54,981	\$ 61,727	\$ 69,682	\$ 63,567	\$ 43,560
Earnings per share of Common Stock					
Basic:					
Continuing operations	\$ 2.30	\$ 2.05	\$ 1.62	\$ 1.92	\$ 1.06
Discontinued operations of ITGI, net of tax	–	0.55	1.50	1.03	0.84
Net earnings	\$ 2.30	\$ 2.60	\$ 3.12	\$ 2.95	\$ 1.90
Diluted:					
Continuing operations	\$ 2.26	\$ 2.04	\$ 1.58	\$ 1.85	\$ 1.04
Discontinued operations of ITGI, net of tax	–	0.51	1.38	0.95	0.80
Net earnings	\$ 2.26	\$ 2.55	\$ 2.96	\$ 2.80	\$ 1.84
Weighted average shares of Common Stock					
Basic	23,912	23,778	22,346	21,552	22,980
Diluted	24,335	23,992	22,954	22,349	23,410

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In Thousands)	December 31,				
	2000	1999	1998	1997	1996
Assets					
Cash and cash equivalents	\$ 24,996	\$ 77,197	\$ 55,581	\$ 58,225	\$ 70,187
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	206,444	18,317	62,518	30,977	29,107
Receivable from brokers and dealers	2,860,677	1,965,469	2,018,090	1,269,664	965,625
Receivable from customers, officers and directors	254,562	226,449	93,526	166,284	113,872
Securities owned	321,062	376,506	100,797	245,055	192,962
Investments	136,047	119,100	93,463	134,836	43,259
Investment in discontinued operations of ITGI	—	—	108,333	65,057	40,789
Premises and equipment	43,635	39,117	20,524	23,322	22,429
Other assets	110,446	74,097	65,032	64,686	55,676
	<u>\$ 3,957,869</u>	<u>\$ 2,896,252</u>	<u>\$ 2,617,864</u>	<u>\$ 2,058,106</u>	<u>\$ 1,533,906</u>
Liabilities and Stockholders' Equity					
Bank loans	\$ —	\$ —	\$ 21,000	\$ —	\$ —
Payable to brokers and dealers	2,423,488	1,663,955	1,602,906	981,705	805,713
Payable to customers	501,786	271,811	226,774	202,255	170,384
Securities sold, not yet purchased	171,685	186,420	39,365	188,700	123,089
Accrued expenses and other liabilities	249,918	228,004	243,657	293,400	186,288
	<u>3,346,877</u>	<u>2,350,190</u>	<u>2,133,702</u>	<u>1,666,060</u>	<u>1,285,474</u>
Long-term debt	152,545	149,485	149,387	149,290	52,987
	<u>3,499,422</u>	<u>2,499,675</u>	<u>2,283,089</u>	<u>1,815,350</u>	<u>1,338,461</u>
Stockholders' Equity					
Preferred stock	—	—	—	—	—
Common stock	3	2	234	224	188
Additional paid-in capital	86,004	62,367	28,943	39	62,569
Retained earnings	384,846	334,742	344,441	271,589	232,741
Less:					
Treasury stock	(10,383)	(587)	(37,125)	(26,954)	(99,404)
Currency translation adjustments	(885)	236	(49)	(622)	(96)
Additional minimum pension liability	(1,138)	(183)	(1,669)	(1,520)	(553)
Net stockholders' equity	<u>458,447</u>	<u>396,577</u>	<u>334,775</u>	<u>242,756</u>	<u>195,445</u>
	<u>\$ 3,957,869</u>	<u>\$ 2,896,252</u>	<u>\$ 2,617,864</u>	<u>\$ 2,058,106</u>	<u>\$ 1,533,906</u>

SELECTED QUARTERLY DATA (UNAUDITED)

(In Thousands, Except Per Share and Percentage Data)	March	June	September	December	Year
2000					
Earnings Statement Data					
Revenues	\$ 194,760	\$ 182,618	\$ 198,299	\$ 186,186	\$ 761,863
Interest expense	31,099	38,277	35,047	40,037	144,460
Revenues, net of interest expense	163,661	144,341	163,252	146,149	617,403
Non-interest expenses	137,460	122,960	137,728	123,862	522,010
Earnings before income taxes	26,201	21,381	25,524	22,287	95,393
Income taxes	11,177	9,009	10,811	9,415	40,412
Net earnings	\$ 15,024	\$ 12,372	\$ 14,713	\$ 12,872	\$ 54,981
Earnings per share of Common Stock:					
Basic	\$ 0.63	\$ 0.51	\$ 0.62	\$ 0.54	\$ 2.30
Diluted	\$ 0.62	\$ 0.51	\$ 0.60	\$ 0.52	\$ 2.26
Weighted average shares of Common Stock:					
Basic	23,998	24,052	23,859	24,037	23,912
Diluted	24,232	24,258	24,402	24,648	24,335
Other Selected Data					
Total assets	\$ 4,318,125	\$ 4,185,266	\$ 3,730,222	\$ 3,957,869	\$ 3,957,869
Long term debt	\$ 149,509	\$ 149,533	\$ 152,350	\$ 152,545	\$ 152,545
Total stockholders' equity	\$ 418,941	\$ 423,346	\$ 443,502	\$ 458,447	\$ 458,447
Book value per share of Common Stock	\$ 17.15	\$ 17.43	\$ 18.09	\$ 18.57	\$ 18.57
Common stock shares outstanding	24,426	24,284	24,520	24,688	24,688
Annualized return on equity	14.8%	11.8%	13.7%	11.5%	12.9%
1999					
Earnings Statement Data					
Revenues	\$ 148,678	\$ 175,329	\$ 145,808	\$ 170,332	\$ 640,147
Interest expense	22,574	24,866	22,725	26,331	96,496
Revenues, net of interest expense	126,104	150,463	123,083	144,001	543,651
Non-interest expenses	105,734	125,416	107,592	120,814	459,556
Earnings before income taxes	20,370	25,047	15,491	23,187	84,095
Income taxes	8,704	10,270	6,651	9,631	35,256
Earnings from continuing operations	11,666	14,777	8,840	13,556	48,839
Discontinued operations of ITGI, net of tax	4,955	6,192	91	1,650	12,888
Net earnings	\$ 16,621	\$ 20,969	\$ 8,931	\$ 15,206	\$ 61,727
Earnings per share of Common Stock:					
Basic:					
Earnings from continuing operations	\$ 0.50	\$ 0.62	\$ 0.37	\$ 0.56	\$ 2.05
Discontinued operations of ITGI, net of tax	0.22	0.26	—	0.07	0.55
Net earnings	\$ 0.72	\$ 0.88	\$ 0.37	\$ 0.63	\$ 2.60
Diluted:					
Earnings from continuing operations	\$ 0.50	\$ 0.61	\$ 0.36	\$ 0.56	\$ 2.04
Discontinued operations of ITGI, net of tax	0.19	0.26	0.01	0.07	0.51
Net earnings	\$ 0.69	\$ 0.87	\$ 0.37	\$ 0.63	\$ 2.55
Weighted average shares of Common Stock:					
Basic	23,217	23,936	23,971	23,987	23,778
Diluted	23,514	24,114	24,288	24,156	23,992
Other Selected Data					
Total assets	\$ 3,501,717	\$ 3,615,197	\$ 3,022,831	\$ 2,896,252	\$ 2,896,252
Long term debt	\$ 149,411	\$ 149,436	\$ 149,460	\$ 149,485	\$ 149,485
Total stockholders' equity	\$ 414,081	\$ 376,056	\$ 387,077	\$ 396,577	\$ 396,577
Book value per share of Common Stock	\$ 17.55	\$ 15.71	\$ 16.14	\$ 16.52	\$ 16.52
Common stock shares outstanding	23,589	23,943	23,980	24,000	24,000
Annualized return on equity	17.2%	16.8%	9.3%	13.8%	14.0%

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders Jefferies Group, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial condition of Jefferies Group, Inc. and subsidiaries as of December 31, 2000, 1999, 1998, 1997 and 1996, and the related consolidated statements of earnings, changes in stockholders' equity and cash flows for each of the years in the five-year period ended December 31, 2000 (not presented herein); and in our reports dated January 17, 2001, January 19, 1999, except as to note 17 to the consolidated financial statements, which is as of April 20, 1999, and January 20, 1998, except as to note 19 to the consolidated financial statements, which is as of March 17, 1998, we expressed unqualified opinions on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

KPMG LLP

Los Angeles, California
January 17, 2001



8:05^{PM} This is the Jefferies way.

Directors

Frank E. Baxter
Chairman of the Board

W. Patrick Campbell⁽¹⁾⁽²⁾
Chairman and CEO, Magex Ltd

Richard G. Dooley⁽¹⁾⁽²⁾
*Retired Chief Investment Officer
Massachusetts Mutual Life
Insurance Company*

Richard B. Handler
Chief Executive Officer

Sheldon B. Lubar⁽¹⁾⁽²⁾
Chairman, Lubar & Co. Incorporated

Frank J. Macchiarola⁽¹⁾⁽²⁾
President, St. Francis College

John C. Shaw, Jr.
President and Chief Operating Officer

⁽¹⁾ MEMBER OF AUDIT COMMITTEE

⁽²⁾ MEMBER OF COMPENSATION COMMITTEE

Officers

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Chairman of the Board

Jerry M. Gluck
Secretary

Richard B. Handler
Chief Executive Officer

Joseph A. Schenk
*Executive Vice President and
Chief Financial Officer*

John C. Shaw, Jr.
President and Chief Operating Officer

Maxine Syrjamaki
Controller

**Jefferies & Company, Inc.
Executive Committee**

Frank E. Baxter
Chairman of the Board

Jonathan R. Cunningham
*Executive Vice President
Convertible Division*

Richard B. Handler
Chief Executive Officer

Chris M. Kanoff
*Executive Vice President
Corporate Finance Division*

Joseph A. Schenk
Executive Vice President

John C. Shaw, Jr.
President and Chief Operating Officer

Clifford A. Siegel
*Executive Vice President
International Division*

Andrew R. Whittaker
*Executive Vice President
Corporate Finance Division*

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General Counsel

Morgan, Lewis & Bockius LLP

Transfer Agent, Registrar

EquiServe

**Independent Certified
Public Accountants**

KPMG LLP

Form 10-K

Additional supporting detail to the financial statements is provided annually to the Securities and Exchange Commission on SEC Form 10-K. Copies may be obtained, without charge, upon request.

Company Securities

Jefferies Group, Inc.'s Common Stock is listed on the New York Stock Exchange under the symbol JEF.

Shareholder Inquiries

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