JEFFERIES GROUP INC /DE/
Form 424B2
June 06, 2007

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Filed Pursuant to Rule 424(b)(2)
A filing fee of $18,420 with respect to $600,000,000
of debt securities has been transmitted to the SEC.
Registration No. 333-130325

PROSPECTUS SUPPLEMENT
(To prospectus dated December 14, 2005)

$600,000,000

Jefferies Group, Inc.

$250,000,000 5.875% SENIOR NOTES DUE 2014
$350,000,000 6.450% SENIOR DEBENTURES DUE 2027

We will pay interest on the notes and the debentures on June 8 and December 8 of each year, beginning December 8, 2007. The notes will mature on June 8, 2014. The debentures will mature on June 8, 2027. We may redeem some or all of the notes and the debentures at any time at the redemption prices described in this prospectus supplement.

The notes and the debentures will be unsecured obligations and will rank equally with our other unsecured senior indebtedness. The notes and the debentures will be issued only in registered form in denominations of $5,000 and integral multiples of $1,000 in excess of $5,000.

Investing in the notes and the debentures involves risks that are described in the Risk Factors section beginning on page S-5 of this prospectus supplement.

	Public Offering Price(1)	Underwriting discount	Proceeds, before expenses, to us
Per 5.875% senior note due 2014	99.677%	0.425%	99.252%
Per 6.450% senior debenture due 2027	99.555%	0.750%	98.805%
Total	$ 597,635,000	$ 3,687,500	$ 593,947,500

(1) Plus accrued interest from June 8, 2007, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes and the debentures in book-entry form only through The Depository Trust Company, including for the accounts of Euroclear and Clearstream, against payment in New York, New York on June 8, 2007.

Joint Book-Running Managers

Jefferies & Company **Citi** **Merrill Lynch & Co.**

BNP PARIBAS
BNY Capital Markets, Inc.
Goldman, Sachs & Co.
HSBC
JPMorgan
RBS Greenwich Capital
Banc of America Securities LLC **Fox-Pitt, Kelton**
Keefe, Bruyette & Woods **SOCIETE GENERALE**

The date of this prospectus supplement is June 4, 2007.

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different

information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date later than the date on the front of this prospectus supplement.

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of the notes and the debentures being offered. The second part, the base prospectus, gives more general information, some of which may not apply to the notes and the debentures being offered. Generally, when we refer only to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of the notes and the debentures varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in the prospectus supplement.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference forward-looking statements within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements about our future and statements that are not historical facts. These forward-looking statements are usually preceded by the words believe, intend, may, will, or similar expressions. Forward-looking statements may contain expectations regarding revenues, earnings, operations and other financial projections, and may include statements of future performance, plans and objectives. Forward-looking statements also include statements pertaining to our strategies for future development of our business and products. Forward-looking statements represent only our belief regarding future events, many of which by their nature are inherently uncertain and outside of our control. It is possible that the actual results may differ materially from the anticipated results indicated in these forward-looking statements. Information regarding important factors that could cause actual results to differ from those in our forward-looking statements is contained in this prospectus supplement and the accompanying prospectus and other documents we file. You should read and interpret any forward-looking statement together with these documents, including the following:

- the risk factors contained in this prospectus supplement under the caption Risk Factors;
- our most recent annual report on Form 10-K, including the notes to the consolidated financial statements and the sections entitled Business and Management s Discussion and Analysis of Financial Condition and Results of Operations;
- our quarterly reports on Form 10-Q; and
- cautionary statements we make in our public documents, reports and announcements.

Any forward-looking statement speaks only as of the date on which that statement is made. We will not update any forward-looking statement to reflect events or circumstances that occur after the date on which the statement is made.

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PROSPECTUS SUPPLEMENT SUMMARY

In this prospectus supplement, we refer to our subsidiaries Jefferies & Company, Inc. as Jefferies, Jefferies Execution Services, Inc. as Jefferies Execution, Jefferies Financial Products LLC as JFP, Jefferies International Limited as JIL and Jefferies High Yield Trading as JHYT.

The Company

Jefferies Group, Inc. and its subsidiaries (we , us or our) operate as a full-service global investment bank and institutional securities firm focused on growth and middle-market companies and their investors. We offer these companies capital raising, merger and acquisition, restructuring and other financial advisory services, and provide investors fundamental research and trade execution in equity, equity-linked, high yield and investment grade fixed income securities, as well as commodities and derivatives. We also provide asset management services and products to institutions and other investors.

Our principal operating subsidiary, Jefferies, was founded in 1962. Since 2000, we have pursued a strategy of continuing growth and diversification, whereby we have sought to increase our market share in each of the markets we serve and the products and services we offer, while at the same time expanding the breadth of our activities in an effort to mitigate the cyclical nature of the financial markets in which we operate. Our growth plan has been achieved through internal growth supported by the ongoing addition of experienced personnel in targeted areas, as well as the acquisition from time to time of complementary businesses. More recently, we have increased our global focus on serving companies and investors in Europe, the Middle East, Latin America and Asia.

Since April 2, 2007 we have been operating in three business segments, Capital Markets, Asset Management and High Yield Trading. Our Capital Markets reportable segment includes our traditional securities and investment banking activities. It is managed as a single operating segment that provides the research, sales, trading and investment banking effort for various fixed income, equity and advisory products and services. The Capital Markets segment comprises many divisions, with extensive interactions among each. In addition, we voluntarily choose to disclose our Asset Management segment, even though it is currently an immaterial non-reportable segment as defined by FASB 131, *Disclosures about Segments of an Enterprise and Related Information.* The Asset Management segment is primarily comprised of operating activities related to our non-integrated asset management businesses including Clear Lake CLO, Victoria Falls CLO, Summit Lake CLO, Diamond Lake CLO, Jefferies RTS Fund, Jefferies Paragon Fund and Jefferies Buckeye Fund. This segment does not include activity associated with our international asset management, which is managed by its own desk manager and is included as an integrated component of the Capital Markets reportable segment. On April 2, 2007 we consolidated our secondary market trading activities previously performed by our High Yield division and our High Yield Funds in Jefferies High Yield Trading LLC, or JHYT. Our High Yield Trading segment comprises secondary sales and trading of high yield securities and special situation securities, including bank debt, post-reorganization equity, public and private equity, equity derivatives, credit default swaps and other financial instruments. It makes markets in high yield and distressed securities and provides research coverage on these types of securities. We own 50% of the voting securities of the parent entity of JHYT and will consolidate JHYT for financial reporting purposes beginning with the second quarter of 2007.

As of December 31, 2006, we had 2,254 employees. We maintain offices throughout the world. Our principal executive offices are located at 520 Madison Avenue, 12th Floor, New York, New York 10022, and our telephone number there is (212) 284-2550.

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The Offering

The following summary contains basic information about the notes and the debentures. It does not contain all the information that is important to you. For a more complete understanding of the debentures, please refer to the section of this prospectus supplement entitled Description of Debentures.

Issuer	Jefferies Group, Inc.
Securities Offered	$250,000,000 aggregate principal amount of 5.875% Senior Notes due 2014. $350,000,000 aggregate principal amount of 6.450% Senior Debentures due 2027.
Maturity	Notes: June 8, 2014 Debentures: June 8, 2027
Interest Payment Dates	June 8 and December 8 of each year, commencing December 8, 2007.
Ranking	The notes and the debentures will be our senior unsecured obligations and will rank equally in right of payment with all of our other senior unsecured indebtedness.
Optional Redemption	We may redeem some or all of the notes and the debentures at any time prior to maturity at the redemption prices described in this prospectus supplement. See Description of the Notes and the Debentures Optional Redemption.
Covenants	The indenture governing the notes and the debentures contains certain covenants. See Description of the Notes and the Debentures Covenants.
Use of Proceeds	We expect to use the net proceeds of this offering to repay $100 million of indebtedness due in August 2007 and for general corporate purposes, including specifically, the further development of our businesses. See Use of Proceeds.

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Summary Consolidated Financial Data

The following table sets forth our summary consolidated financial data for the periods presented below. The summary consolidated financial data for each of the three years in the three-year period ended December 31, 2006 have been derived from our audited consolidated financial statements, incorporated by reference herein, which have been audited by KPMG LLP, our independent registered public accounting firm. The summary consolidated financial data for the three months ended March 31, 2007 and March 31, 2006 have been derived from our unaudited consolidated financial statements incorporated by reference herein. Our unaudited consolidated financial statements include all adjustments, which include only normal and recurring adjustments, necessary to present fairly the data included therein.

Our historical results are not necessarily indicative of the results of operations for future periods, and our results of operations for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2007. You should read the following summary consolidated financial data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations included and incorporated by reference in this prospectus supplement and the accompanying prospectus and our consolidated financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Three Months Ended March 31,		Year Ended December 31,		
	2007	2006	2006	2005	2004
	(unaudited)				
			(in thousands)		
Earnings Statement Data					
Revenues:					
Commissions	$ 77,032	$ 69,002	$ 280,681	$ 246,943	$ 258,838
Principal transactions	144,449	159,980	468,002	349,489	358,213
Investment banking	170,115	127,734	540,596	495,014	352,804
Asset management fees and investment income from managed funds	22,485	40,822	109,550	82,052	81,184
Interest	201,162	113,760	528,882	304,053	134,450
Other	8,041	12,779	35,497	20,322	13,150
Total revenues	623,284	524,077	1,963,208	1,497,873	1,198,639
Interest expense	204,475	108,663	505,606	293,173	140,394
Revenues, net of interest expense	418,809	415,414	1,457,602	1,204,700	1,058,245
Non-interest expenses:					
Compensation and benefits	227,666	232,734	791,255	669,957	595,887
Floor brokerage and clearing fees	14,582	13,933	62,564	46,644	52,922
Technology and communications	22,157	19,245	80,840	67,666	64,555
Occupancy and equipment rental	18,171	15,172	59,792	47,040	39,553
Business development	13,109	12,603	48,634	42,512	35,006
Other	19,631	24,320	65,863	62,474	43,333
Total non-interest expenses	315,316	318,007	1,108,948	936,293	831,256

Earnings before income taxes, minority interest and cumulative effect of change in accounting principle		103,493		97,407		348,654		268,407		226,989
Income taxes		40,658		38,432		137,541		104,089		83,955
Earnings before minority interest and cumulative effect of change in accounting principle		62,835		58,975		211,113		164,318		143,034
Minority interest in earnings of consolidated subsidiaries, net		576		2,134		6,969		6,875		11,668
Earnings before cumulative effect of change in accounting principle, net		62,259		56,841		204,144		157,443		131,366
Cumulative effect of change in accounting principle, net				1,606		1,606				
Net earnings	$	62,259	$	58,447	$	205,750	$	157,443	$	131,366

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	Three Months Ended March 31,		Year Ended December 31,		
	2007	2006	2006	2005	2004
	(unaudited)				
	(in thousands, except ratios)				
Cash Flow Data					
Net cash provided by (used in) operating activities	$ (433,017)	$ (181,870)	$ (168,704)	$ 299,014	$ (275,953)
Net cash provided by (used in) investing activities	(96,844)	(28,342)	(164,664)	(180,728)	101,504
Net cash provided by (used in) financing activities	231,680	623,043	586,883	(144,275)	346,667
Other Data					
EBITDA(1)	$ 313,661	$ 211,343	$ 874,151	$ 577,136	$ 381,927
Fixed charge coverage ratio(2)	5.0x	5.3x	4.5x	5.5x	5.6x

(1) EBITDA is defined as earnings before interest expense, income taxes, depreciation and amortization expense, cumulative effect of change in accounting principle and minority interest. EBITDA is presented because we believe it is a useful indicator of funds available to service debt, although it is not a GAAP-based measure of liquidity or financial performance. We believe that EBITDA, while providing useful information, should not be considered in isolation or as an alternative to net income and cash flows as determined in accordance with GAAP. The following table presents a reconciliation of EBITDA, as presented above, to our net earnings, as shown on our consolidated statement of earnings, for the comparable period:

	Three Months Ended March 31,		Year Ended December 31,		
	2007	2006	2006	2005	2004
	(unaudited)				
	(in thousands)				
Net earnings	$ 62,259	$ 58,447	$ 205,750	$ 157,443	$ 131,366
Add:					
Minority interest	576	2,134	6,969	6,875	11,668
Interest expense	204,475	108,663	505,606	293,173	140,394
Income taxes	40,658	38,432	137,541	104,089	83,955
Depreciation and amortization	5,693	5,273	19,891	15,556	14,544
Cumulative effect of change in accounting principle		(1,606)	(1,606)		
EBITDA	$ 313,661	$ 211,343	$ 874,151	$ 577,136	$ 381,927

(2) The ratio of earnings to fixed charges is computed by dividing (a) income from continuing operations before income taxes plus fixed charges by (b) fixed charges. Fixed charges consist of interest expense on all long-term

indebtedness and the portion of operating lease rental expense that is representative of the interest factor (deemed to be one-third of operating lease rentals).

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RISK FACTORS

In addition to the other information contained and incorporated by reference in this prospectus supplement and the accompanying prospectus, you should consider carefully the following factors before deciding to purchase the notes or the debentures.

Risks Associated With Our Business

The following factors describe some of the assumptions, risks, uncertainties and other factors that could adversely affect our business or that could otherwise result in changes that differ materially from our expectations. In addition to the factors mentioned in this report, we are also affected by changes in general economic and business conditions, acts of war, terrorism and natural disasters.

Changing conditions in financial markets and the economy could result in decreased revenues.

As an investment banking and securities firm, changes in the financial markets or economic conditions in the United States and elsewhere in the world could adversely affect our business in many ways, including the following: