

April 28, 1999

To Jefferies Group Shareholders:

On April 27, 1999, Jefferies Group, Inc. (Group) and Investment Technology Group, Inc. (ITGI) completed the planned spin-off of Jefferies & Company, Inc. (JEFCO) and other subsidiaries, and the merger of ITGI with Group.

As a result of the spin-off, you recently received one share of "New JEF", a holding company consisting of JEFCO and all direct subsidiaries of Group other than ITGI, for every share of Group stock you held on the spin-off record date, April 20, 1999. Immediately following the merger, New JEF was renamed Jefferies Group, Inc. and began trading on the New York Stock Exchange under the symbol "JEF". In addition, immediately following the merger of ITGI and Group, Group was renamed Investment Technology Group, Inc. and began trading on the New York Stock Exchange under the symbol "ITG".

The following is an explanation of the way to allocate tax basis between Group (now ITG) Stock and the New JEF Stock distributed in the spin-off (the "Distribution").

Tax Basis Allocation and Holding Period

To determine the U.S. federal income tax basis in your Group (now ITG) stock and your newly received New JEF stock, you must allocate the tax basis in your Group stock immediately before the Distribution. The tax basis in your Group stock before the Distribution generally is equal to the cost of your shares, including commissions. If you acquired those shares at different times and at different costs, you will need to make separate basis calculations for each of the shares. **Please consult with your tax advisor to determine your tax basis in each share of Group stock to be allocated.**

Based on the Volume Weighted Average Price of Group (now ITG) stock and New JEF stock on April 28, 1999 as reported by Bloomberg for composite trading, (1) 63.83% of your tax basis should be allocated to your Group (now ITG) stock and (2) the balance, 36.17%, should be allocated to your newly-received New JEF stock.

Your holding period for U.S. federal income tax purposes for the newly-received New JEF stock is the same as your holding period for your Group stock with respect to which the New JEF stock was received, provided that you held the Group stock as a capital asset on April 27, 1999.

EXAMPLE

Assume that on April 20, 1999 you owned 100 shares of Group stock with a tax basis of \$40.00 for each share, for a total basis of \$4,000.00. You would have been entitled to receive 100 shares of New JEF stock in connection with the Distribution.

Calculation of New Tax Basis

	% of Basis <u>Allocable</u>		Original Cost Basis in Group <u>common stock</u>		Total Allocated <u>Basis</u>		Number of Shares of Group (now ITG) stock Held or New JEF <u>stock Received</u>		New Tax Basis <u>Per Share</u>
Group (now ITG) stock	63.83%	X	\$4,000	=	\$2,553.20	÷	100	=	\$25.532
New JEF stock	36.17%	X	\$4,000	=	\$1,446.80	÷	100	=	\$14.468

Your new tax basis in your 100 shares of Group (now ITG) stock would be \$2,553.20

Your tax basis in the 100 shares of New JEF stock received would be \$1,446.80