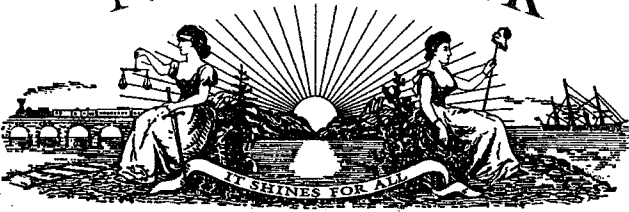


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Business

Against the Contraction Grain

Call it a \$200 million bet on the reinvigoration and growth of New York City by an ambitious, relatively small Wall Street player that wants to get into bed with the big boys.

First, though, as we all know, contraction, spearheaded by widespread layoffs and steadily shrinking stock prices, is a way of life among the city's brokerage firms these days. And there were published reports yesterday that more such layoffs are on the way.

Not so at Jefferies Group Inc., a Big Apple securities firm that is giving more than lip service to an assertion by its president, John Shaw, that "New York City is the financial capital of the world and it's where Corporate America expects you to be."

In fact, rather than chopping jobs and office space in the city, Jefferies is actually expanding in both areas.

For example, from the beginning of 2001, including post-September 11, Jefferies has been on an expansion binge in the city, increasing its real estate presence in its two offices here (520 Madison Avenue and in the financial district) to 126,545

square feet, from 77,300 square feet — a rise of 77% in rented space.

In the same period, the headcount in Jefferies' New York offices has climbed to a staff of 391 from 198 people — an advance of 97%.



DAN DORFMAN

Of the personnel additions in the city, 71 are of a recent vintage, based on the acquisition of the Helfant Group, a Big Board floor broker, and the hiring of some research and investment banking specialists from San Francisco-based Robertson Stephens.

In dollars and cents, Jefferies' annual commitment to the Big Apple runs around \$200 million, estimates Mr. Shaw. These expenses chiefly comprise compensation, real estate, and technology costs.

The firm, which operates 21 offices worldwide that are staffed by 1,300 people — 400 of whom are located in the tri-state area — had long been headquartered in Los Angeles before moving its parent offices to New York last February.

Mr. Shaw figures Jefferies' New York expansion drive is far from over, noting that the firm is on the prowl for additional opportunistic

acquisitions in the city of research boutiques and investment-banking concerns.

As far as New York goes, Mr. Shaw emphasizes "we're in an expansion mode, not in a contraction mode, and we have no intention of staying the same or losing ground."

Comments Mr. Shaw: "If the past year is any indicator, we would expect the number of people and square footage in the city to be higher 12 months out. People say if you're going to be a financial player, you've got to be in New York. And we believe it."

Jefferies, which is generating \$800 million in annual revenues and \$100 million in profits, is on a hot streak as far as its bottom line goes — having put together a string of six consecutive quarters of record results.

Some projections call for total Wall Street cutbacks of 175,000 people, embracing both this year and next year. As you can see by Mr. Shaw's comments, Jefferies intends to excuse itself from such activity. Giving credence to such intentions is the fact that Jefferies, according to Mr. Shaw, didn't lay off anyone during Wall Street's meltdown of the past three years.