RESOLUTION NO. 21288

Background

It is necessary and desirable for The Illinois State Toll Highway Authority (the "*Tollway*") to retain certain financial firms to provide, on an as-needed basis, underwriting services in connection with the issuance of new bonds.

The Tollway issued the Request for Proposals #16-0155 for Bond Underwriting Services (the "*RFP*") to establish two pools of financial firms to be available to provide, on an as-needed basis, bond underwriting services for Tollway financings for an initial term of three years with renewal options of up to two years.

Proposals received pursuant to the RFP were: (a) reviewed by the Procurement Department for administrative compliance and vendor responsibility; and (b) evaluated by an evaluation committee for Responsiveness (as defined in the RFP). As a result of the review and evaluation of the proposals, certain financial firms were determined to be qualified to provide the aforementioned bond underwriting services, after which pricing was negotiated with such firms. As a result of the review and evaluation of the proposals and subsequent price negotiation, it is deemed in the best interest of the Tollway to select the following financial firms to serve, on an as-needed basis, as Senior Managing Underwriter or Co-Senior Managing Underwriter for a Tollway bond issuance:

Citigroup Global Markets Inc.;
Goldman, Sachs & Co.;
Jefferies, LLC;
J.P. Morgan Securities LLC;
Loop Capital Markets LLC;
Merrill Lynch Pierce Fenner & Smith Incorporated;
Morgan Stanley & Co. LLC;
Piper Jaffray & Co.;
PNC Capital Markets LLC;
RBC Capital Markets, LLC;

RESOLUTION NO. 21288

Background-Continued

Samuel A. Ramirez & Co., Inc.;
Siebert Cisneros Shank & Co. LLC;
Wells Fargo Bank, N.A.; and
William Blair & Company. L.L.C. (collectively the "*Senior Pool*");

and to select the following financial firms to serve, on an as-needed basis, as Co-Managing Underwriter for a Tollway bond issuance:

Academy Securities, Inc.;
Bernardi Securities Inc.;
Blaylock Van, LLC;
Cabrera Capital Markets, LLC;
George K. Baum & Company;
Hutchinson Shockey Erley & Co.;
Janney Montgomery Scott LLC;
KeyBanc Capital Markets Inc.;
Mesirow Financial, Inc.;
Oppenheimer & Co. Inc.;
Raymond James & Associates, Inc.;
Rice Securities, LLC;
Robert W. Baird & Co. Incorporated; and
Stifel Nicolaus & Company, Inc. (collectively the "*Co-Manager Pool*")

Resolution

The selection of the aforementioned firms to provide, on an as-needed basis, the described bond underwriting services for an initial term of three years is approved. The Chief Financial Officer is authorized to negotiate the terms and conditions of agreements with each of the firms in the Senior Pool, subject to review and approval of the Acting General Counsel and pricing not to exceed \$2.00 per \$1,000 bond par amount for the takedown portion of the underwriting discount. The Chairman or the Executive Director is authorized to execute any and all documents necessary to effectuate said agreements and the

RESOLUTION NO. 21288

Resolution-Continued

Chief Financial Officer is authorized to issue warrants in payment thereof. As needed for each bond issuance, the Chairman or the Executive Director is authorized to assign a bond underwriting group consisting of firms from the Senior Pool and Co-Manager Pool, each assignment to be made consistent with the considerations for making such assignments contained in the RFP. Firms in the Senior Pool are deemed eligible to serve as bond remarketing agent.

Approved by: [redacted]

Chairman

[redacted]

STATE OF ILLINOIS
CONTRACT

Illinois Tollway
Bond Underwriting Services
16-0155C

The Parties to this contract are the State of Illinois acting through the undersigned Agency (collectively the State) and the Vendor. This contract, consisting of the signature page and numbered sections listed below and any attachments referenced in this contract, constitute the entire contract between the Parties concerning the subject matter of the contract, and in signing the contract, the Contractor affirms that the Certifications and if applicable the Financial Disclosures and Conflicts of Interest attached hereto are true and accurate as of the date of the Contractor's execution of the contract. This contract supersedes any prior contracts between the Parties concerning the subject matter of this contract. This contract can be signed in multiple counterparts upon agreement of the Parties.

1. **DESCRIPTION OF SUPPLIES AND SERVICES**
2. **PRICING**
3. **TERM AND TERMINATION**
4. **STANDARD BUSINESS TERMS AND CONDITIONS**
5. **SUPPLEMENTAL PROVISIONS**
6. **FORMS A or FORMS B**
7. **TAXPAYER IDENTIFICATION NUMBER PAGE**
8. **VENDORS RESPONSE TO RFP #16-0155 AND RFP #16-0155**

NOTE: This contract establishes the terms and conditions under which the Vendor is available to be assigned by The Illinois State Toll Highway Authority (the "Tollway"), on an as-needed basis as determined by the Tollway, to underwrite Tollway bonds or other debt. Any such underwriting shall be pursuant to a bond purchase agreement or other appropriate form of agreement entered into by the Vendor and the Tollway at the time the Vendor underwrites the Tollway bonds or other debt. Such bond purchase agreement or other appropriate form of agreement shall be the exclusive agreement governing any such underwriting with respect to each party's performance, duties, rights, responsibilities, obligations and liabilities.

In consideration of the mutual covenants and agreements contained in this contract, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to the terms and conditions set forth herein and have caused this contract to be executed by their duly authorized representatives on the dates shown on the following CONTRACT SIGNATURES page.

VENDOR

Vendor Name: Jefferies LLC	Address: 520 Madison Avenue, 5th Floor, New York, NY 10022
Signature: [redacted]	Date: 10/13/17
Printed Name: Nicol Malas	Email: nmalas@jefferies.com
Title: Managing Director	Phone: 212-336-7421
	Fax: 646-417-6232

STATE OF ILLINOIS

Procuring Agency: Illinois Tollway	Phone: 630/241-6800
Street Address: 2700 Ogden Avenue	Fax: 630/795-7908
City, State ZIP: Downers Grove, IL 60515	
Official Signature [redacted]	Date: 10/26/17
Printed Name: Greg Bedalov	
Official's Title: Executive Director	
Approved as to Form and Constitutionality Legal Signature: [redacted]	Date: 10-20-2017
Legal Printed Name: Robert Lane	
Legal's Title: Senior Assistant Attorney General	
Procurement Signatur [redacted]	Date: 10/25/17
Procurement Printed Name: John Donato	
Procurement's Title: Chief of Procurement	

AGENCY/UNIVERSITY USE ONLY	**NOT PART OF CONTRACTUAL PROVISIONS**
Agency Reference # 17-101081	Project Title: Bond Underwriting Services
Contract # 16-0155C	Procurement Method (IFB, RFP, Small, etc.): RFP
IPB Ref. #22039948	IPB Publication Date: Award Code: B
Subcontractor Utilization? ☐ Yes ☐ No	Subcontractor Disclosure? ☐ Yes ☐ No
Funding Source	Obligation #
Small Business Set-Aside? ☐ Yes ☐ No	
Minority Owned Business? ☐ Yes ☐ No Percentage	
Female-Owned Business? ☐ Yes ☐ No Percentage	
Persons With Disabilities Owned Business? ☐ Yes ☐ No Percentage	
Other Preferences?	

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1. DESCRIPTION OF SUPPLIES AND SERVICES

1.1. SUPPLIES AND/OR SERVICES REQUIRED: The Vendor agrees to be one of a pool of multiple firms (the "Senior Pool") available to provide services, on an as-needed basis as determined by the Tollway, as Senior Managing Underwriter or Co-Senior Managing Underwriter in connection with Tollway bond issues and for the compensation specified in Section 2. A Senior Managing Underwriter of a bond issue must be able to perform the following duties: book runner; leader of the underwriting syndicate; pricing coordinator; lead marketer of the bond issue; structuring the financing (in consultation with any applicable Tollway financial / municipal advisor(s), and Tollway management / staff); review all documentation related to the bond issuance; compliance with disclosure and other requirements of this contract and any Bond Purchase Agreement; investor liaison; preparation of rating materials and presentations; and all other services conventional for a senior managing underwriter. A Co-Senior Managing Underwriter must be able to be a co-leader of the underwriting syndicate; assist, as may be requested by the Tollway, with the structuring of the financing and review of documentation; assist the Senior Managing Underwriter(s) with the marketing of the issue; and provide any other services conventional for a Co-Senior Managing Underwriter. The Co-Senior Managing Underwriter is expected to be integral to the transaction and participate in any aspects of the financing as determined to be necessary by the Tollway. In addition to duties specific to bond issuances to which firms are assigned, firms in the Senior Pool are expected to keep the Tollway informed of fixed income market conditions, especially with respect to the municipal bond market, and other matters pertinent to public finance, and to meet with the Tollway upon request, and at least once annually, to provide detailed consideration of and recommendations regarding items the Vendor considers pertinent to the Tollway. Firms in the Senior Pool are eligible to provide remarketing services for Tollway variable rate bond issues.

1.2. MILESTONES AND DELIVERABLES: The timing of assignment(s), if any, of the Vendor to provide bond underwriting services and the amount of bonds, if any, for which such services are to be provided will depend on a variety of factors, including but not limited to: the extent, if any, to which the Tollway assigns the Vendor to provide such services; whether the Vendor completes any such assignment(s); the size(s) of the bond transaction(s), if any, to which the Vendor is assigned; the rate of progress of the Tollway's *Move Illinois Capital Program*; factors which may impact likelihood of refunding (e.g. fixed income market conditions, regulatory changes, changes among swap counterparties and/or credit enhancement providers, etc.); and other factors. The current, estimated projection of Tollway new money bond par amount issued during 2017 – 2022 is as follows: $300,000,000 IN 2017; $300,000,000 IN 2018; $400,000,000 IN 2019; $400,000,000 IN 2020; $200,000,000 IN 2021; AND $400,000,000 IN 2022. **This projection is subject to change.** The number and amounts of any refinancings will depend on market conditions and other factors. Two series of bonds will become callable at par during 2017-2022: (i) all $279.3M of Series 2010A-1; and (ii) a $100M portion of Series 2009A. Significant amounts of other bonds, including synthetic fixed rate bonds, may be refunded during 2017-2022, depending on market conditions and other factors.

1.3. VENDOR / STAFF SPECIFICATIONS: The Vendor must be registered, and remain registered and in good standing, as a broker dealer with the Municipal Securities Rulemaking Board. The Offeror and assigned personnel must remain current with any ongoing requirements for such registration to be maintained.

1.4. TRANSPORTATION AND DELIVERY: n.a.

1.5. SUBCONTRACTING:

Subcontractors are not allowed.

For purposes of this section, subcontractors are those specifically hired by the Vendor to perform all or part of the work covered by the contract. If subcontractors will be utilized, Vendor must identify below the names and addresses of all subcontractors it will be entering into a contractual agreement that has an annual value of $50,000 or more in the performance of this Contract, together with a description of the work to be performed by the subcontractor and the anticipated amount of money to the extent the information is known that each subcontractor is expected to receive pursuant to the Contract. Attach additional sheets as necessary.

1.5.1. Will subcontractors be utilized? ☐ Yes ☒ No

- Subcontractor Name: Click here to enter text

  Amount to be paid: Click here to enter text

  Address: Click here to enter text

  Description of work: Click here to enter text

- Subcontractor Name: Click here to enter text

  Amount to be paid: Click here to enter text

  Address: Click here to enter text

  Description of work: Click here to enter text

1.5.2. All contracts with the subcontractors identified above must include the Standard Certifications completed and signed by the subcontractor.

1.5.3. If the annual value of any the subcontracts is more than $50,000, then the Vendor must provide to the State the Financial Disclosures and Conflicts of Interest for that subcontractor.

1.5.4. If the subcontractor is registered in the Illinois Procurement Gateway (IPG) and the Vendor is using the subcontractor's Standard Certifications or Financial Disclosures and Conflicts of Interest from the IPG, then the Vendor must also provide a completed Forms B for the subcontractor.

1.5.5. If at any time during the term of the Contract, Vendor adds or changes any subcontractors, Vendor will be required to promptly notify, in writing, the State Purchasing Officer or the Chief Procurement Officer of the names and addresses and the expected amount of money that each new or replaced subcontractor will receive pursuant to the Contract. Any subcontracts entered into prior to award of the Contract are done at the Vendor's and subcontractor's risk.

1.6. **WHERE SERVICES ARE TO BE PERFORMED:** Unless otherwise disclosed in this section all services shall be performed in the United States. If the Vendor performs the services purchased hereunder in another country in violation of this provision, such action may be deemed by the State as a breach of the contract by Vendor.

Vendor shall disclose the locations where the services required shall be performed and the known or anticipated value of the services to be performed at each location. If the Vendor received additional consideration in the evaluation based on work being performed in the United States, it shall be a breach of contract if the Vendor shifts any such work outside the United States.

Vendor may limit this information to the public finance office(s) and underwriting desk(s) from which it expects to provide services, and need not consider sales professionals.

- Location where services will be performed: Click here to enter text

  Value of services performed at this location: Click here to enter text

- Location where services will be performed: Click here to enter text

  Value of services performed at this location: Click here to enter text

2. PRICING

2.1 **TYPE OF PRICING:** The Illinois Office of the Comptroller requires the State to indicate whether the contract value is firm or estimated at the time it is submitted for obligation. The maximum rate of this contract for its initial three year term is firm at $2.00 per $1,000.00 par amount of bonds underwritten. This maximum rate is approved by the Tollway's Board of Directors. The total dollar value of this contract for its initial three year term is estimated at $200,000, and may be modified pursuant to Tollway Board approval as provided by written resolution or otherwise in accordance with authority delegated by the Board.

2.2 **EXPENSES ALLOWED:** The underwriting discount may include, subject to Tollway approval, expenses customary, reasonable and necessary for the issuance of revenue bonds by a governmental agency.

2.3 **DISCOUNT:** Not applicable. The State may receive a __% discount for payment within __ days of receipt of correct invoice.

2.4 **VENDOR'S PRICING:** Attach additional pages if necessary.

2.4.1 Vendor's Price for the Initial Term:

Underwriting Takedowns *(expressed as $ per $1,000 par amount of bonds)*	
Bond Maturity*	**Underwriting Takedown**
Weekly Mode Variable Rate	**$0.75**
1 Yr Fixed Rate	**$1.25**
2 Yrs Fixed Rate	**$1.25**
3 Yrs Fixed Rate	**$1.25**
4 Yrs Fixed Rate	**$1.50**
5 Yrs Fixed Rate	**$1.75**
6 Yrs Fixed Rate	**$2.00**
7 Yrs Fixed Rate	**$2.00**
8 Yrs Fixed Rate	**$2.00**
9 Yrs Fixed Rate	**$2.00**
10+ Yrs Fixed Rate	**$2.00**

** Maturities to be rounded to nearest year for purposes of determining applicable takedown. For variable rate bonds with modes one year or greater, the mode will be deemed a "maturity" for purposes of determining applicable takedown per the above chart.*

The above takedown compensations will apply whether the bonds are tax-exempt or taxable, and whether the bonds are senior lien or junior lien. Any underwriter discount will consist of the applicable takedown per the above and customary underwriting expenses. No management fee will be included. Compensation and expense reimbursement for underwriting an assigned transaction will be included in the applicable bond purchase agreement or other appropriate form of agreement and will be fully contingent on the closing of such transaction.

2.4.2 Renewal Compensation: If the contract is renewed, the price shall be at the same maximum rate as for the initial term unless a different compensation or formula for determining the renewal compensation is stated in this section.

2.5 **MAXIMUM AMOUNT:** Vendor's compensation under this Contract shall not exceed $240,000.00 during the initial term without a formal amendment.

3. TERM AND TERMINATION

bv

3.1 TERM OF THIS CONTRACT: This contract has an initial term of October 27, 2017 to October ~~26~~14, 2020. NM
If a start date is not identified, the term shall commence upon the last dated signature of the Parties.

3.1.1 In no event will the total term of the contract, including the initial term, any renewal terms and any extensions, exceed 10 years.

3.1.2 Vendor shall not commence billable work in furtherance of the contract prior to final execution of the contract except when permitted pursuant to 30 ILCS 500/20-80.

3.2 RENEWAL:

3.2.1. Any renewal is subject to the same terms and conditions as the original contract unless otherwise provided in the pricing section. The State may renew this contract for any or all of the option periods specified, may exercise any of the renewal options early, and may exercise more than one option at a time based on continuing need and favorable market conditions, when in the best interest of the State. The contract may neither renew automatically nor renew solely at the Vendor's option.

3.2.2. Pricing for the renewal term(s), or the formula for determining price, is shown in the pricing section of this contract.

3.2.3. The State reserves the right to renew for a total of up to two years in any one of the following manners:

3.2.3.1 One renewal covering the entire renewal allowance;

3.2.3.2 Individual one-year renewals up to and including the entire renewal allowance; or

3.2.3.3 Any combination of full or partial year renewals up to and including the entire renewal allowance.

3.3 TERMINATION FOR CAUSE: The State may terminate this contract, in whole or in part, immediately upon notice to the Vendor if: (a) the State determines that the actions or inactions of the Vendor, its agents, employees or subcontractors have caused, or reasonably could cause, jeopardy to health, safety, or property, or (b) the Vendor has notified the State that it is unable or unwilling to perform the contract.

If Vendor fails to perform to the State's satisfaction any material requirement of this contract, is in violation of a material provision of this contract, or the State determines that the Vendor lacks the financial resources to perform the contract, the State shall either: (i) terminate the contract effective immediately; or (ii) provide written notice to the Vendor to cure the problem identified within the period of time specified in such written notice and, if not cured by that date, the State may either: (a) immediately terminate the contract without additional written notice or (b) enforce the terms and conditions of the contract.

A termination of this contract will terminate the Vendor's ability to underwrite Tollway bonds or other debt from the date of such termination through the remaining term of the Senior Pool established by procurement process RFP#16-0155. A termination of this contract will not impact the Vendor's responsibilities in connection with any Tollway bond issuance or other transaction underwritten by the Vendor prior to any such termination of this contract.

For termination due to any of the causes contained in this Section, the State retains its rights to seek any available legal or equitable remedies and damages.

3.4 **TERMINATION FOR CONVENIENCE:** The State may, for its convenience and with 30 days prior written notice to Vendor, terminate this contract in whole or in part and without payment of any penalty or incurring any further obligation to the Vendor.

A termination of this contract will terminate the Vendor's ability to underwrite Tollway bonds or other debt from the date of such termination through the remaining term of the Senior Pool established by procurement process RFP#16-0155. A termination of this contract will not impact the Vendor's responsibilities in connection with any Tollway bond issuance or other transaction underwritten by the Vendor prior to any such termination of this contract.

3.5 **AVAILABILITY OF APPROPRIATION:** This contract is contingent upon and subject to the availability of funds. The State, at its sole option, may terminate or suspend this contract, in whole or in part, without penalty or further payment being required, if (1) the Illinois General Assembly or the federal funding source fails to make an appropriation sufficient to pay such obligation, or if funds needed are insufficient for any reason (30 ILCS 500/20-60), (2) the Governor decreases the Department's funding by reserving some or all of the Department's appropriation(s) pursuant to power delegated to the Governor by the Illinois General Assembly, or (3) the Department determines, in its sole discretion or as directed by the Office of the Governor, that a reduction is necessary or advisable based upon actual or projected budgetary considerations. Contractor will be notified in writing of the failure of appropriation or of a reduction or decrease.

4. STANDARD BUSINESS TERMS AND CONDITIONS

4.1 PAYMENT TERMS AND CONDITIONS:

4.1.1 Late Payment: Payments, including late payment charges, will be paid in accordance with the State Prompt Payment Act and rules when applicable. 30 ILCS 540; 74 Ill. Adm. Code 900. This shall be Vendor's sole remedy for late payments by the State. Payment terms contained on Vendor's invoices shall have no force and effect.

4.1.2 Minority Contractor Initiative: Any Vendor awarded a contract under Section 20-10, 20-15, 20-25 or 20-30 of the Illinois Procurement Code (30 ILCS 500) of $1,000 or more is required to pay a fee of $15. The Comptroller shall deduct the fee from the first check issued to the Vendor under the contract and deposit the fee in the Comptroller's Administrative Fund. 15 ILCS 405/23.9.

4.1.3 Expenses: The State will not pay for supplies provided or services rendered, including related expenses, incurred prior to the execution of this contract by the Parties even if the effective date of the contract is prior to execution.

4.1.4 Prevailing Wage: As a condition of receiving payment Vendor must (i) be in compliance with the contract, (ii) pay its employees prevailing wages when required by law, (iii) pay its suppliers and subcontractors according to the terms of their respective contracts, and (iv) provide lien waivers to the State upon request. Examples of prevailing wage categories include public works, printing, janitorial, window washing, building and grounds services, site technician services, natural resource services, security guard and food services. The prevailing wages are revised by the Department of Labor and are available on the Department's official website, which shall be deemed proper notification of any rate changes under this subsection. Vendor is responsible for contacting the Illinois Department of Labor to ensure understanding of prevailing wage requirements at 217-782-6206 or (http://www.state.il.us/agency/idol/index.htm).

4.1.5 Federal Funding: This contract may be partially or totally funded with Federal funds. If federal funds are expected to be used, then the percentage of the good/service paid using Federal funds and the total Federal funds expected to be used will be provided in the award notice.

4.1.6 Invoicing: By submitting an invoice, Vendor certifies that the supplies or services provided meet all requirements of the contract, and the amount billed and expenses incurred are as allowed in the contract. Invoices for supplies purchased, services performed and expenses incurred through June 30 of any year must be submitted to the State no later than July 31 of that year; otherwise Vendor may have to seek payment through the Illinois Court of Claims. 30 ILCS 105/25. All invoices are subject to statutory offset. 30 ILCS 210.

4.1.6.1 Vendor shall not bill for any taxes unless accompanied by proof that the State is subject to the tax. If necessary, Vendor may request the applicable Agency/University state tax exemption number and federal tax exemption information.

4.1.6.2 Vendor shall invoice at the completion of the contract unless invoicing is tied in the contract to milestones, deliverables, or other invoicing requirements agreed to in the contract.

Send invoices to:

Agency:	Illinois Tollway
Attn:	Finance Department
Address:	2700 Ogden Ave
City, State Zip	Downers Grove, Illinois 60515

4.2 **ASSIGNMENT**: This contract may not be assigned, transferred in whole or in part by Vendor without the prior written consent of the State.

4.3 **SUBCONTRACTING:** For purposes of this section, subcontractors are those specifically hired by the Vendor to perform all or part of the work covered by the contract. Vendor must receive prior written approval before use of any subcontractors in the performance of this contract. Vendor shall describe, in an attachment if not already provided, the names and addresses of all authorized subcontractors to be utilized by Vendor in the performance of this contract, together with a description of the work to be performed by the subcontractor and the anticipated amount of money that each subcontractor is expected to receive pursuant to this contract. If required, Vendor shall provide a copy of any subcontracts within 15 days after execution of this contract. All subcontracts must include the same certifications that Vendor must make as a condition of this contract. Vendor shall include in each subcontract the subcontractor certifications as shown on the Standard Subcontractor Certification form available from the State. If at any time during the term of the Contract, Vendor adds or changes any subcontractors, then Vendor must promptly notify, by written amendment to the Contract, the State Purchasing Officer or the Chief Procurement Officer of the names and addresses and the expected amount of money that each new or replaced subcontractor will receive pursuant to the Contract.

4.4 **AUDIT/RETENTION OF RECORDS:** Vendor and its subcontractors shall maintain books and records relating to the performance of the contract or subcontract and necessary to support amounts charged to the State pursuant the contract or subcontract. Books and records, including information stored in databases or other computer systems, shall be maintained by the Vendor for a period of three years, or longer if necessary to comply with regulatory requirements, from the later of the date of final payment under the contract or completion of the contract, and by the subcontractor for a period of three years, or longer if necessary to comply with regulatory requirements, from the later of final payment under the term or completion of the subcontract. If federal funds are used to pay contract costs, the Vendor and its subcontractors must retain its records for five years, or longer if necessary to comply with regulatory requirements. Books and records required to be maintained under this section shall be available for review or audit by representatives of: the procuring Agency/University, the Auditor General, the Executive Inspector General, the Chief Procurement Officer, State of Illinois internal auditors or other governmental entities with monitoring authority, upon reasonable notice and during normal business hours. Vendor and its subcontractors shall cooperate fully with any such audit and with any investigation conducted by any of these entities. Failure to maintain books and records as required by this section shall establish a presumption in favor of the State for the recovery of any funds paid by the State under the contract for which adequate books and records are not available to support the purported disbursement. The Vendor or subcontractors shall not impose a charge for audit or examination of the Vendor's books and records. 30 ILCS 500/20-65.

4.5 **TIME IS OF THE ESSENCE:** Time is of the essence with respect to Vendor's performance of this contract. Vendor shall continue to perform its obligations while any dispute concerning the contract is being resolved unless otherwise directed by the State.

4.6 **NO WAIVER OF RIGHTS:** Except as specifically waived in writing, failure by a Party to exercise or enforce a right does not waive that Party's right to exercise or enforce that or other rights in the future.

4.7 **FORCE MAJEURE:** Failure by either Party to perform its duties and obligations will be excused by unforeseeable circumstances beyond its reasonable control and not due to its negligence, including acts of nature, acts of terrorism, riots, labor disputes, fire, flood, explosion, and governmental prohibition. The non-declaring Party may cancel the contract without penalty if performance does not resume within 30 days of the declaration.

4.8 **CONFIDENTIAL INFORMATION:** Each Party, including its agents and subcontractors, to this contract may have or gain access to confidential data or information owned or maintained by the other Party in the course of carrying out its responsibilities under this contract. Vendor shall presume all information received from the State or to which it gains access pursuant to this contract is confidential. Vendor information, unless clearly marked as confidential and exempt from disclosure under the Illinois Freedom of Information Act, shall be considered public. No confidential data collected, maintained, or used in the course of performance of the contract shall be disseminated except as authorized by law and with the written consent of the disclosing Party, either during the period of the contract or thereafter. The foregoing obligations shall not apply to confidential data or information lawfully in the receiving Party's possession prior to its acquisition from the disclosing Party; received in good faith from a third Party not subject to any confidentiality obligation to the disclosing Party; now is or later becomes publicly known through no breach of confidentiality obligation by the receiving Party; is independently developed by the receiving Party without the use or benefit of the disclosing Party's confidential information. The Receiving Party's obligations hereunder with respect to any confidential information shall expire three years from the receipt of such confidential information. In connection with any offering of securities by the Tollway in which Vendor is involved as an underwriter, agent, dealer or similar participant, nothing in this contract shall: (i) prevent Vendor from complying with all applicable disclosure laws, regulations and principles in connection with such offering; (ii) restrict the ability of Vendor to consider information for due diligence purposes or share information with other underwriters, agents or dealers participating in such offering; (iii) prevent Vendor from retaining documents or other information in connection with due diligence; (iv) prevent Vendor from using any such documents or other information in investigating or defending itself against claims made or threatened by purchasers, regulatory authorities or others in connection with such offering. Any provision of this section that conflicts with the Vendor's disclosure obligations under state or federal securities laws or rules is excepted from this section.

4.9 **USE AND OWNERSHIP:** All work performed or supplies created by Vendor under this contract, whether written documents or data, goods or deliverables of any kind, shall be deemed work for hire under copyright law and all intellectual property and other laws, and the State of Illinois is granted sole and exclusive ownership to all such work, unless otherwise agreed in writing. Vendor hereby assigns to the State all right, title, and interest in and to such work including any related intellectual property rights, and/or waives any and all claims that Vendor may have to such work including any so-called "moral rights" in connection with the work. Vendor acknowledges the State may use the work product for any purpose. Confidential data or information contained in such work shall be subject to confidentiality provisions of this contract.

4.10 INDEMNIFICATION: The Vendor shall indemnify and hold harmless the State of Illinois, The Illinois State Tollway Highway Authority, its officers, employees, and agents from any and all costs, demands, expenses, losses, claims, damages, liabilities, settlements, and judgments, including in-house and contracted attorneys' fees and expenses, arising out of: (a) any breach or violation by Vendor of any of its certifications, representations, warranties, covenants or agreements; (b) any actual or alleged death or injury to any person, damage to any real or personal property, or any other damage or loss claimed to result in whole or in part from Vendor's negligent performance; (c) any act, activity or omission of Vendor or any of its employees, representatives, subcontractors or agents; or (d) any actual or alleged claim that the services or goods provided under this contract infringe, misappropriate, or otherwise violate any intellectual property (patent, copyright, trade secret, or trademark) rights of a third party.

4.11 INSURANCE: The Vendor shall procure and maintain for the duration of the contract, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work by the Vendor, his/her agents, representatives, employees or subcontractors. Work shall not commence until insurance required by this section has been obtained and documentation submitted to the Tollway for acceptance. All coverages must be with Insurance Companies with an A.M. Best Company financial strength rating of "A minus" or better. Insurance coverage shall not limit Vendor's obligation to indemnify, defend or settle any claims.

A. Minimum Scope of Insurance Coverage shall be at least as broad as:
   1. Commercial General Liability coverage on an unmodified, Insurance Service Office "Occurrence" form, current edition or an alternative form providing equivalent protection.
   2. Automobile Liability on an unmodified, Insurance Service Office form, current edition or an alternative form providing equivalent protection.
   3. Worker's Compensation insurance as required by the State of Illinois and including Employers Liability.

B. Minimum Limits of Insurance Contractor or vendor shall maintain no less than:
   1. Commercial General Liability: $1,000,000 each occurrence for bodily injury, personal injury, and property damage and $2,000,000 general aggregate and $2,000,000 products/completed operations aggregate.
   2. Automobile Liability: $1,000,000 combined single limit per accident for bodily injury and property damage.
   3. Worker's Compensation and Employers Liability: Statutory Limits with Employers Liability limit of not less than $500,000 per occurrence.

In addition to the above, the Vendor shall maintain, for the duration of the contract, professional liability insurance in a minimum amount of the greater of $1,000,000 and any higher amount required by law or regulatory authority. Work shall not commence until documentation acceptable to the Tollway evidencing such professtional liability insurance has been provided.

The Illinois State Toll Highway Authority including all appointed officials and employees, shall be named "Additional Insured" as part of the commercial general liability and automobile liability coverage. This coverage shall be primary for the Additional Insured and not contributing with any other insurance or similar protection available to the Additional Insured, whether said other coverage be primary, contributing or excess.

All deductibles or self-insured retentions must be declared and recognized by the Authority. Proof of insurance shall include originals of the applicable "additional insured" endorsements for approval of the Authority. Any failure by the Authority to request proof of insurance will not waive the requirement of maintenance of minimum protection specified.

4.12 INDEPENDENT CONTRACTOR: Vendor shall act as an independent contractor and not an agent or employee of, or joint venture with the State. All payments by the State shall be made on that basis.

4.13 SOLICITATION AND EMPLOYMENT: Vendor shall not employ any person employed by the State during the term of this contract to perform any work under this contract. Vendor shall give notice immediately to the Agency's director if Vendor solicits or intends to solicit State employees to perform any work under this contract.

4.14 COMPLIANCE WITH THE LAW: The Vendor, its employees, agents, and subcontractors shall comply with all applicable federal, state, and local laws, rules, ordinances, regulations, orders, federal circulars and all license and permit requirements in the performance of this contract. Vendor shall be in compliance with applicable tax requirements and shall be current in payment of such taxes. Vendor shall obtain at its own expense, all licenses and permissions necessary for the performance of this contract.

4.15 BACKGROUND CHECK: Whenever the State deems it reasonably necessary for security reasons, the State may conduct, at its expense, criminal and driver history background checks of Vendor's and subcontractors officers, employees or agents. Vendor or subcontractor shall reassign immediately any such individual who, in the opinion of the State, does not pass the background check.

4.16 APPLICABLE LAW: This contract shall be construed in accordance with and is subject to the laws and rules of the State of Illinois. The Department of Human Rights' Equal Opportunity requirements (44 Ill. Adm. Code 750) are incorporated by reference. Any claim against the State arising out of this contract must be filed exclusively with the Illinois Court of Claims. 705 ILCS 505/1. The State shall not enter into binding arbitration to resolve any contract dispute. The State of Illinois does not waive sovereign immunity by entering into this contract. The official text of cited statutes is incorporated by reference. An unofficial version can be viewed at (www.ilga.gov/legislation/ilcs/ilcs.asp).

4.17 ANTI-TRUST ASSIGNMENT: If Vendor does not pursue any claim or cause of action it has arising under federal or state antitrust laws relating to the subject matter of the contract, then upon request of the Illinois Attorney General, Vendor shall assign to the State rights, title and interest in and to the claim or cause of action.

4.18 CONTRACTUAL AUTHORITY: The Agency that signs for the State of Illinois shall be the only State entity responsible for performance and payment under the contract. When the Chief Procurement Officer or authorized designee signs in addition to an Agency, they do so as approving officer and shall have no liability to Vendor. When the Chief Procurement Officer or authorized designee, or State Purchasing Officer signs a master contract on behalf of State agencies, only the Agency that places an order with the Vendor shall have any liability to Vendor for that order.

4.19 NOTICES: Notices and other communications provided for herein shall be given in writing by registered or certified mail, return receipt requested, by receipted hand delivery, by courier (UPS, Federal Express or other similar and reliable carrier), by e-mail, or by fax showing the date and time of successful receipt. Notices shall be sent to the individuals who signed the contract using the contact information following the signatures. Each such notice shall be deemed to have been provided at the time it is actually received. By giving notice, either Party may change the contact information.

4.20 MODIFICATIONS AND SURVIVAL: Amendments, modifications and waivers must be in writing and signed by authorized representatives of the Parties. Any provision of this contract officially declared void, unenforceable, or against public policy, shall be ignored and the remaining provisions shall be interpreted, as far as possible, to give effect to the Parties' intent. All provisions that by their nature would be expected to survive, shall survive termination. In the event of a conflict between the State's and the Vendor's terms, conditions and attachments, the State's terms, conditions and attachments shall prevail.

4.21 PERFORMANCE RECORD / SUSPENSION: Upon request of the State, Vendor shall meet to discuss performance or provide contract performance updates to help ensure proper performance of the contract. The State may consider Vendor's performance under this contract and compliance with law and rule to determine whether to continue the contract, suspend Vendor from doing future business with the State for a specified period of time, or to determine whether Vendor can be considered responsible on specific future contract opportunities.

4.22 FREEDOM OF INFORMATION ACT: This contract and all related public records maintained by, provided to or required to be provided to the State are subject to the Illinois Freedom of Information Act (FOIA) (50 ILCS 140) notwithstanding any provision to the contrary that may be found in this contract.

4.23 SCHEDULE OF WORK: Any work performed on State premises shall be done during the hours designated by the State and performed in a manner that does not interfere with the State and its personnel.

4.24 WARRANTIES FOR SUPPLIES AND SERVICES:

4.24.1. Vendor warrants that the supplies furnished under this contract will: (a) conform to the standards, specifications, drawing, samples or descriptions furnished by the State or furnished by the Vendor and agreed to by the State, including but not limited to all specifications attached as exhibits hereto; (b) be merchantable, of good quality and workmanship, and free from defects for a period of twelve months or longer if so specified in writing, and fit and sufficient for the intended use; (c) comply with all federal and state laws, regulations and ordinances pertaining to the manufacturing, packing, labeling, sale and delivery of the supplies; (d) be of good title and be free and clear of all liens and encumbrances and; (e) not infringe any patent, copyright or other intellectual property rights of any third party. Vendor agrees to reimburse the State for any losses, costs, damages or expenses, including without limitations, reasonable attorney's fees and expenses, arising from failure of the supplies to meet such warranties.

4.24.2. Vendor shall insure that all manufacturers' warranties are transferred to the State and shall provide a copy of the warranty. These warranties shall be in addition to all other warranties, express, implied or statutory, and shall survive the State's payment, acceptance, inspection or failure to inspect the supplies.

4.24.3. Vendor warrants that all services will be performed to meet the requirements of the contract in an efficient and effective manner by trained and competent personnel. Vendor shall monitor performances of each individual and shall reassign immediately any individual who is not performing in accordance with the contract, who is disruptive or not respectful of others in the workplace, or who in any way violates the contract or State policies.

4.25 **REPORTING, STATUS AND MONITORING SPECIFICATIONS:** Vendor shall immediately notify the State of any event that may have a material impact on Vendor's ability to perform the contract.

4.26 **EMPLOYMENT TAX CREDIT:** Vendors who hire qualified veterans and certain ex-offenders may be eligible for tax credits. 35 ILCS 5/216, 5/217. Please contact the Illinois Department of Revenue (telephone #: 217-524-4772) for information about tax credits.

5. SUPPLEMENTAL PROVISIONS

5.1. STATE SUPPLEMENTAL PROVISIONS

☐ Illinois Tollway Definitions

Click here to enter text.

☐ Required Federal Clauses, Certifications and Assurances

Click here to enter text.

☐ Public Works Requirements (construction and maintenance of a public work) 820 ILCS 130/4.

Click here to enter text.

☐ Prevailing Wage (janitorial cleaning, window cleaning, building and grounds, site technician, natural resources, food services, and security services, if valued at more than $200 per month or $2,000 per year or printing) 30 ILCS 500/25-60.

Click here to enter text.

☐ Illinois Tollway Specific Terms and Conditions

Click here to enter text.

☐ Other (describe)

Click here to enter text.

5.2. TOLLWAY SUPPLEMENTAL PROVISIONS:

☐ Definitions

☐ Required Federal Clauses, Certifications and Assurances

☐ ARRA Requirements (American Recovery and Reinvestment Act of 2009)

☐ Public Works Requirements (construction and maintenance of a public work) (820 ILCS 130/4)

☐ Prevailing Wage (janitorial cleaning, window cleaning, building and grounds, site technician, natural resources, food services, and security services, if valued at more than $200 per month or $2000 per year (30 ILCS 500/25-60)

☐ Prevailing Wage (all printing contracts) (30 ILCS 500/25-60)

☐ BEP Subcontracting Requirements (Utilization Plan and Letter of Intent)

☒ PAYMENT OF TOLLS: The Vendor shall be required to pay the full amount of tolls, if any, incurred by it during the duration of the contract. Said tolls will not be refunded by the Illinois Tollway. Furthermore, in the event that a final determination is made by the Illinois Tollway that the Contractor has failed to pay any required tolls and associated fines, the Illinois Tollway is authorized to take steps necessary to withhold the amounts of the unpaid tolls and fines from any payment due the contractor by the Illinois Tollway and/or other Tollway of Illinois office, department, commission, board or agency.

5.3 AGENCY SUPPLEMENTAL TERMS AND CONDITIONS:

5.3.1 Order of Precedence:

With respect to any inconsistency or conflict, the following order of precedence shall prevail:

1. Sections 1-7 of this Contract
2. The Vendor's Response to the RFP including Vendor submissions subsequent to the initial proposal that were part of the negotiation process, to the extent applicable and agreed upon (included in Section 8 of this Contract)
3. The RFP, including any addendum thereto (also included in Section 8 of this Contract)

NOTE: This contract establishes the terms and conditions under which the Vendor is available to be assigned by the Tollway, on an as-needed basis as determined by the Tollway, to underwrite Tollway bonds or other debt. Any such underwriting shall be pursuant to a bond purchase agreement or other appropriate form of agreement entered into by the Vendor and the Tollway at the time the Vendor underwrites the Tollway bonds or other debt. Such bond purchase agreement or other appropriate form of agreement shall be the exclusive agreement governing any such underwriting with respect to each party's performance, duties, rights, responsibilities, obligations and liabilities.

5.3.2 Agents and Employees:

Vendor shall be responsible for the negligent acts and omissions of its agents, employees and if applicable, subcontractors in their performance of Vendor's duties under this Contract. Vendor represents that it shall utilize the services of individuals skilled in the profession for which they will be used in performing services or supplying goods hereunder. In the event that the Tollway/Buyer determines that any individual performing services or supplying goods for Vendor hereunder is not providing such skilled services or delivery of goods, it shall promptly notify the Vendor and the Vendor shall replace that individual.

5.3.3 Publicity:

Vendor shall not, in any advertisement or any other type of solicitation for business, state, indicate or otherwise imply that it is under contract to the Tollway/Buyer nor shall the Tollway/Buyer's name be used in any such advertisement or solicitation without prior written approval except as required by law.

5.3.4 Consultation:

Vendor shall keep the Tollway/Buyer fully informed as to the progress of matters covered by this Contract. Where time permits and Vendor is not otherwise prohibited from so doing, Vendor shall offer the Tollway/Buyer the opportunity to review relevant documents prior to filing with any public body or adversarial party.

5.3.5 Third Party Beneficiaries:

There are no third party beneficiaries to this Contract. This Contract is intended only to benefit the Tollway/Buyer and the Vendor.

5.3.6 Successors in Interest:

All the terms, provisions, and conditions of the Contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives.

5.3.7 Vendor's Termination Duties:

The Vendor, upon receipt of notice of termination or upon request of the Tollway/Buyer, shall:

5.3.7.1 Cease work under this Contract and take all necessary or appropriate steps to limit disbursements and minimize costs, and furnish a report within thirty (30) days of the date of notice of termination, describing the status of all work under the Contract, including, without limitation, results accomplished, conclusions resulting there from, any other matters the Tollway/Buyer may require;

5.3.7.2 Immediately cease using and return to the Tollway/Buyer any personal property or materials, whether tangible or intangible, provided by the Tollway/Buyer to the Vendor;

5.3.7.3 Comply with the Tollway/Buyer's instructions for the timely transfer of any active files and work product produced by the Vendor under this Contract;

5.3.7.4 Cooperate in good faith with the Tollway/Buyer, its employees, agents and contractors during the transition period between the notification of termination and the substitution of any replacement contractor;

5.3.7.5 Immediately return to the Tollway/Buyer any payments made by the Tollway/Buyer for services that were not rendered by the Vendor.

5.3.8. Inspector General:
The Vendor/Contractor hereby acknowledges that pursuant to Section 8.5 of the Toll Highway Act (605 ILCS 10/8.5) the Inspector General of The Illinois State Toll Highway Authority has the authority to conduct investigations into certain matters including but not limited to allegations of fraud, waste and abuse, and to conduct reviews. The Vendor/Contractor will fully cooperate in any OIG investigation or review. Cooperation includes providing access to all information and documentation related to the goods/services described in this Agreement, and disclosing and making available all personnel involved or connected with these goods/services or having knowledge of these goods/services. All subcontracts must inform Subcontractors of this provision and their duty to comply.

5.4 OVERTIME:
Not applicable. If overtime is contemplated and provided for in this contract, all work performed by Vendor at overtime rates shall be pre-approved by the Tollway/Buyer.

5.5 VENUE AND ILLINOIS LAW:
Any claim against the Tollway arising out of this contract must be filed exclusively with Circuit Court for the Eighteenth Judicial Circuit, DuPage County, Illinois for State claims and the U.S. District Court for the Northern District of Illinois for Federal claims.

5.5.1 Whenever "State" is used or referenced in this Contract, it shall be interpreted to mean the Illinois State Toll Highway Authority.

5.5.2 The State Prompt Payment Act (30 ILCS 40) does not apply to the Tollway. Therefore, the first two sentences of paragraph 4.1.1 are deleted.

5.5.3. The Tollway is not currently an annually appropriated agency. Therefore, to the extent paragraph 3.5 concerns the Tollway being an annually appropriated agency, it does not apply.

5.5.4. The second sentence ofparagraph 4.1.6 does not apply to the Tollway and is deemed stricken.

5.6 REPORT OF A CHANGE IN CIRCUMSTANCES:
The Vendor agrees to report to the Tollway as soon as practically possible, but no later than 21 days following any change in facts or circumstances that might impact the Vendor's ability to satisfy its legal or contractual responsibilities and obligations under this contract. Required reports include, but are not limited to, changes in the Vendor's Certification/Disclosure Forms, the Vendor's IDOT pre-qualification (if/as applicable), or any certification or licensing required for this project. Additionally, Vendor agrees to report to the Tollway within the above timeframe any arrests, indictments, convictions or other

matters involving the Vendor, or any of its principals, that might occur while this contract is in effect. This reporting requirement does not apply to common offenses, including but not limited to minor traffic/vehicle offenses.

Further, the Vendor agrees to incorporate substantially similar reporting requirements into the terms of any and all subcontracts relating to work performed under this agreement. The Vendor agrees to forward or relay to the Tollway any reports received from subcontractors pursuant to this paragraph within 21 days.

Finally, the Vendor acknowledges and agrees that the failure of the Vendor to comply with this reporting requirement shall constitute a material breach of contract which may result in this contract being declared void.

STATE OF ILLINOIS
FORMS A

COPY

A vendor responding to a solicitation by the State of Illinois must return the information requested within this section with their bid or offer if they are not registered in the Illinois Procurement Gateway (IPG). Failure to do so may render their bid or offer non-responsive and result in disqualification.

Please read this entire Forms A and provide the requested information as applicable and per the instructions. All forms and signature areas contained in this Forms A must be completed in full and submitted along with the bid in an Invitation for Bid; and completed in full and submitted along with the technical response and price proposal, which combined will constitute the Offer, in a Request for Proposal.

Vendor Name: Jefferies LLC	Phone: 212.336.7421
Street Address: 520 Madison Avenue	Email: nmalas@jefferies.com
City, State Zip: New York, NY 10022	Vendor Contact: Nic Malas

In compliance with the State and Federal Constitutions, the Illinois Human Rights Act, the U.S. Civil Rights Act, and Section 504 of the Federal Rehabilitation Act, the State of Illinois does not discriminate in employment, contracts, or any other activity.

The State of Illinois encourages prospective vendors to consider hiring qualified veterans and Illinois residents discharged from any Illinois adult correctional center, in appropriate circumstances.

OUTLINE

FORMS A

Complete this section if you are <u>not</u> using an IPG (Illinois Procurement Gateway) Registration #

Part

Business and Directory Information .... 1.

Illinois Department of Human Rights Public Contracts Number .... 2.

Authorized to Do Business in Illinois .... 3.

Standard Certifications .... 4.

State Board of Elections .... 5.

Disclosure of Business Operations in Iran .... 6.

Financial Disclosures and Conflicts of Interest .... 7.

Taxpayer Identification Number .... 8.

STATE OF ILLINOIS
BUSINESS AND DIRECTORY INFORMATION

1.1. Name of Business (official name and DBA)

Jefferies LLC

1.2. Business Headquarters (address, phone and fax)

520 Madison Avenue, New York NY 10022

212.336.7421

646.417.6232

1.3. If a Division or Subsidiary of another organization provide the name and address of the parent

Jefferies Group LLC (parent)

1.4. Billing Address

520 Madison Avenue

New York, NY 10022

1.5. Name of Chief Executive Officer

Richard Handler

1.6. Company Web Site Address

www.jefferies.com

1.7. Type of Organization (sole proprietor, corporation, etc.--should be same as on Taxpayer ID form below)

LLC

1.8. Length of time in business

53 years

1.9. Annual Sales for Offeror's most recently completed fiscal year

$2.415 billion net revenues

1.10. Show number of full-time employees, on average, during the most recent fiscal year

3,300

1.11. Is your company at least 51% owned and controlled by individuals in one of the following categories? If "Yes," please check the category that applies:

1.11.1. Minority (30 ILCS 575/2(A)(1) & (3)) ☐ Yes

1.11.2. Female (30 ILCS 575/2(A)(2) & (4)) ☐ Yes

1.11.3. Person with Disability (30 ILCS 575/2(A)(2.05) & (2.1)) ☐ Yes

1.11.4. Disadvantaged (49 CFR 26) ☐ Yes

1.11.5. Veteran (30 ILCS 500/45-57) ☐ Yes

STATE OF ILLINOIS
ILLINOIS DEPARTMENT OF HUMAN RIGHTS PUBLIC CONTRACT NUMBER

2.1. If Offeror employed fifteen or more full-time employees at the time of submission of their response to this solicitation or any time during the previous 365-day period leading up to submission, it must have a current IDHR Public Contract Number or have proof of having submitted a completed application for one **prior** to the solicitation opening date. 775 ILCS 5/2-101. If the Agency/University cannot confirm compliance, it will not be able to consider a Vendor's bid or offer. Please complete the appropriate sections below:

Name of Company (and DBA): Jefferies LLC.

☐ (check if applicable) The number is not required as the company has not met or exceeded the number of employees that makes registration necessary under the requirements of the Human Rights Act described above.

IDHR Public Contracts Number: 13592600 Expiration Date: 5/31/2018.

2.2. If number has not yet been issued, provide the date a completed application for the number was submitted to IDHR: Click here to enter text..

2.3. Upon expiration and until their Contractor Identification Number is renewed, companies will not be eligible to be awarded contracts by the State of Illinois or other jurisdictions that require a current IDHR number as a condition of contract eligibility. 44 ILL. ADM. CODE 750.210(a).

2.4. Numbers issued by the Department of Human Rights (or its predecessor agency, the Illinois Fair Employment Practices Commission) prior to July 1, 1998 are no longer valid. This affects numbers below 89999-00-0. Valid numbers begin with 900000-00-0.

2.5. If Offeror's organization holds an expired number, it must re-register with the Department of Human Rights.

2.6. Offeror may obtain an application form by:

2.6.1. Telephone: Call the IDHR Public Contracts Unit at (312) 814-2431 between Monday and Friday, 8:30 AM - 5:00 PM, CST. (TDD (312) 263-1579).

2.6.2. Internet: You may download the form from the Department of Human Rights' website at (http://www2.illinois.gov/dhr/PublicContracts/Pages/default.aspx).

2.6.3. Mail: Write to the Department of Human Rights, Public Contracts Unit, 100 West Randolph Street, Suite 10-100, Chicago, IL 60601.

STATE OF ILLINOIS

AUTHORIZED TO TRANSACT BUSINESS OR CONDUCT AFFAIRS IN ILLINOIS

3. A person, other than an individual acting as a sole proprietor, must be a duly constituted legal entity and authorized to transact business or conduct affairs in Illinois prior to submitting an offer. 30 ILCS 500/20-43. Offerors must review and complete certification #4.32 in the Standard Certifications found in Forms A, Part 4.

   Certification #4.32 requires Vendor to check one of two boxes representing its status. The State may request evidence from a vendor that certifies it is authorized to do business in Illinois proving such authorization. Failure to produce evidence in a timely manner may be considered grounds for determining Vendor non-responsive or not responsible.

   For information on registering to transact business or conduct affairs in Illinois, please visit the Illinois Secretary of State's Department of Business Services at their website at (http://cyberdriveillinois.com/departments/business_services/home.html) or your home county clerk.

EVIDENCE OF BEING AUTHORIZED TO TRANSACT BUSINESS OR CONDUCT AFFAIRS IS THE SECRETARY OF STATE'S CERTIFICATE OF GOOD STANDING

File Number 0432218-5

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

JEFFERIES LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON JUNE 07, 2013, UNDER THE ASSUMED NAME OF JEFFERIES ILLINOIS LLC, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 18TH *day of* JANUARY *A.D.* 2017 .

Authentication #: 1701802664 verifiable until 01/18/2018
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

STATE OF ILLINOIS
STANDARD CERTIFICATIONS

Vendor acknowledges and agrees that compliance with this subsection in its entirety for the term of the contract and any renewals is a material requirement and condition of this contract. By executing this contract Vendor certifies compliance with this subsection in its entirety, and is under a continuing obligation to remain in compliance and report any non-compliance.

This subsection, in its entirety, applies to subcontractors used on this contract. Vendor shall include these Standard Certifications in any subcontract used in the performance of the contract using the Standard Certification form provided by the State.

If this contract extends over multiple fiscal years, including the initial term and all renewals, Vendor and its subcontractors shall confirm compliance with this section in the manner and format determined by the State by the date specified by the State and in no event later than July 1 of each year that this contract remains in effect.

If the Parties determine that any certification in this section is not applicable to this contract it may be stricken without affecting the remaining subsections.

4.1. As part of each certification, Vendor acknowledges and agrees that should Vendor or its subcontractors provide false information, or fail to be or remain in compliance with the Standard Certification requirements, one or more of the following sanctions will apply:

- the contract may be void by operation of law,
- the State may void the contract, and
- the Vendor and it subcontractors may be subject to one or more of the following: suspension, debarment, denial of payment, civil fine, or criminal penalty.

Identifying a sanction or failing to identify a sanction in relation to any of the specific certifications does not waive imposition of other sanctions or preclude application of sanctions not specifically identified.

4.2. Vendor certifies it and its employees will comply with applicable provisions of the United States Civil Rights Act, Section 504 of the Federal Rehabilitation Act, the Americans with Disabilities Act, and applicable rules in performance of this contract.

4.3. Vendor, if an individual, sole proprietor, partner or an individual as member of a LLC, certifies he/she is not in default on an educational loan. 5 ILCS 385/3.

4.4. Vendor, if an individual, sole proprietor, partner or an individual as member of a LLC, certifies it he/she has not received (i) an early retirement incentive prior to 1993 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code or (ii) an early retirement incentive on or after 2002 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code. 30 ILCS 105/15a; 40 ILCS 5/14-108.3; 40 ILCS 5/16-133.

4.5. Vendor certifies that it is a legal entity authorized to do business in Illinois prior to submission of a bid, offer, or proposal. 30 ILCS 500/1-15.80, 20-43.

4.6. To the extent there was a current Vendor providing the services covered by this contract and the employees of that Vendor who provided those services are covered by a collective bargaining agreement, Vendor certifies (i) that it will offer to assume the collective bargaining obligations of the prior employer, including any existing collective bargaining agreement with the bargaining representative of any existing collective bargaining unit or units performing substantially similar work to the services covered by the contract subject to its bid or offer; and (ii) that it shall offer employment to all employees currently employed in any existing bargaining unit who perform substantially similar work to the work that will be performed pursuant to this contract. This does not apply to heating, air conditioning, plumbing and electrical service contracts. 30 ILCS 500/25-80.

4.7. Vendor certifies it has neither been convicted of bribing or attempting to bribe an officer or employee of the State of Illinois or any other State, nor made an admission of guilt of such conduct that is a matter of record. 30 ILCS 500/50-5.

4.8. If Vendor has been convicted of a felony, Vendor certifies at least five years have passed after the date of completion of the sentence for such felony, unless no person held responsible by a prosecutor's office for the facts upon which the conviction was based continues to have any involvement with the business. 30 ILCS 500/50-10.

4.9. If Vendor or any officer, director, partner, or other managerial agent of Vendor has been convicted of a felony under the Sarbanes-Oxley Act of 2002, or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953, Vendor certifies at least five years have passed since the date of the conviction. Vendor further certifies that it is not barred from being awarded a contract and acknowledges that the State shall declare the contract void if this certification is false. 30 ILCS 500/50-10.5.

4.10. Vendor certifies it is not barred from having a contract with the State based upon violating the prohibitions related to either submitting/writing specifications or providing assistance to an employee of the State of Illinois by reviewing, drafting, directing, or preparing any invitation for bids, a request for proposal, or request of information, or similar assistance (except as part of a public request for such information). 30 ILCS 500/50-10.5(e), *amended* by Pub. Act No. 97-0895 (August 3, 2012).

4.11. Vendor certifies that it and its affiliates are not delinquent in the payment of any debt to the State (or if delinquent has entered into a deferred payment plan to pay the debt), and Vendor and its affiliates acknowledge the State may declare the contract void if this certification is false or if Vendor or an affiliate later becomes delinquent and has not entered into a deferred payment plan to pay off the debt. 30 ILCS 500/50-11, 50-60.

4.12. Vendor certifies that it and all affiliates shall collect and remit Illinois Use Tax on all sales of tangible personal property into the State of Illinois in accordance with provisions of the Illinois Use Tax Act and acknowledges that failure to comply may result in the contract being declared void. 30 ILCS 500/50-12.

4.13. Vendor certifies that it has not been found by a court or the Pollution Control Board to have committed a willful or knowing violation of the Environmental Protection Act within the last five years, and is therefore not barred from being awarded a contract. 30 ILCS 500/50-14.

4.14. Vendor certifies it has neither paid any money or valuable thing to induce any person to refrain from bidding on a State contract, nor accepted any money or other valuable thing, or acted upon the promise of same, for not bidding on a State contract. 30 ILCS 500/50-25.

4.15. Vendor certifies it is not in violation of the "Revolving Door" provisions of the Illinois Procurement Code. 30 ILCS 500/50-30.

4.16. Vendor certifies that it has not retained a person or entity to attempt to influence the outcome of a procurement decision for compensation contingent in whole or in part upon the decision or procurement. 30 ILCS 500/50-38.

4.17. Vendor certifies that if it has hired a person required to register under the Lobbyist Registration Act to assist in obtaining any State contract, that none of the lobbyist's costs, fees, compensation, reimbursements, or other remuneration were billed to the State. 30 ILCS 500\50-38.

4.18. Vendor certifies it will report to the Illinois Attorney General and the Chief Procurement Officer any suspected collusion or other anti-competitive practice among any bidders, offerors, contractors, proposers, or employees of the State. 30 ILCS 500/50-40, 50-45, 50-50.

4.19. Vendor certifies steel products used or supplied in the performance of a contract for public works shall be manufactured or produced in the United States, unless the executive head of the procuring Agency/University grants an exception. 30 ILCS 565.

4.20. Drug Free Workplace

4.20.1. If Vendor employs 25 or more employees and this contract is worth more than $5,000, Vendor certifies it will provide a drug free workplace pursuant to the Drug Free Workplace Act.

4.20.2. If Vendor is an individual and this contract is worth more than $5000, Vendor certifies it shall not engage in the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance during the performance of the contract. 30 ILCS 580.

4.21. Vendor certifies that neither Vendor nor any substantially owned affiliate is participating or shall participate in an international boycott in violation of the U.S. Export Administration Act of 1979 or the applicable regulations of the United States. Department of Commerce. 30 ILCS 582.

4.22. Vendor certifies it has not been convicted of the offense of bid rigging or bid rotating or any similar offense of any state or of the United States. 720 ILCS 5/33 E-3, E-4.

4.23. Vendor certifies it complies with the Illinois Department of Human Rights Act and rules applicable to public contracts, which include providing equal employment opportunity, refraining from unlawful discrimination, and having written sexual harassment policies. 775 ILCS 5/2-105.

4.24. Vendor certifies it does not pay dues to or reimburse or subsidize payments by its employees for any dues or fees to any "discriminatory club." 775 ILCS 25/2.

4.25. Vendor certifies that no foreign-made equipment, materials, or supplies furnished to the State under the contract have been or will be produced in whole or in part by forced labor or indentured labor under penal sanction. 30 ILCS 583.

4.26. Vendor certifies that no foreign-made equipment, materials, or supplies furnished to the State under the contract have been produced in whole or in part by the labor of any child under the age of 12. 30 ILCS 584.

4.27. Vendor certifies that any violation of the Lead Poisoning Prevention Act, as it applies to owners of residential buildings, has been mitigated. 410 ILCS 45.

4.28. Vendor warrants and certifies that it and, to the best of its knowledge, its subcontractors have and will comply with Executive Order No. 1 (2007). The Order generally prohibits Vendors and subcontractors from hiring the then-serving Governor's family members to lobby procurement activities of the State, or any other unit of government in Illinois including local governments if that procurement may result in a contract valued at over $25,000. This prohibition also applies to hiring for that same purpose any former State employee who had procurement authority at any time during the one-year period preceding the procurement lobbying activity.

4.29. Vendor certifies that information technology, including electronic information, software, systems and equipment, developed or provided under this contract comply with the applicable requirements of the Illinois Information Technology Accessibility Act Standards as published at (www.dhs.state.il.us/iitaa) 30 ILCS 587.

4.30. Vendor certifies that it has read, understands, and is in compliance with the registration requirements of the Elections Code (10 ILCS 5/9-35) and the restrictions on making political contributions and related requirements of the Illinois Procurement Code. 30 ILCS 500/20-160 and 50-37. Vendor will not make a political contribution that will violate these requirements.

In accordance with section 20-160 of the Illinois Procurement Code, Vendor certifies as applicable:

☐ Vendor is not required to register as a business entity with the State Board of Elections.

or

☒ Vendor has registered with the State Board of Elections. As a registered business entity, Vendor acknowledges a continuing duty to update the registration as required by the Act.

4.31. Vendor certifies that if it is awarded a contract through the use of the preference required by the Procurement of Domestic Products Act, then it shall provide products pursuant to the contract or a subcontract that are manufactured in the United States. 30 ILCS 517.

4.32. A person (other than an individual acting as a sole proprietor) must be a duly constituted legal entity and authorized to transact business or conduct affairs in Illinois prior to submitting a bid or offer. 30 ILCS 500/20-43. If you do not meet these criteria, then your bid or offer will be disqualified.

Vendor must make one of the following two certifications by checking the appropriate box.

A. ☐ Vendor certifies it is an individual acting as a sole proprietorand is therefore not subject to the requirements of section 20-43 of the Procurement Code.

B. ☒ Vendor certifies that it is a legal entity, and was authorized to transact business or conduct affairs in Illinois as of the date for submitting this bid or offer. The State may require Vendor to provide evidence of compliance before award.

4.33. Vendor certifies that, for the duration of this contract it will:

- post its employment vacancies in Illinois and border states on the Department of Employment Security's IllinoisJobLink.com website or its successor system; or
- will provide an online link to these employment vacancies so that this link is accessible through the IllinoisJobLink.com website it successor system; or
- is exempt from 20 ILCS 1005/1005-47 because the contract is for construction-related services as that term is defined in section 1-15.20 of the Procurement Code; or the contract is for construction and vendor is a party to a contract with a bona fide labor organization and performs construction. (20 ILCS 1005/1005-47).

5. Section 50-37 of the Illinois Procurement Code prohibits political contributions of certain vendors, bidders and offerors. Additionally, section 9-35 of the Illinois Election Code governs provisions relating to reporting and making contributions to state officeholders, declared candidates for State offices and covered political organizations that promote the candidacy of an officeholder or declared candidate for office. The State may declare any resultant contract void if these Acts are violated.

   Generally, if a vendor, bidder, or offeror is an entity doing business for profit (i.e. sole proprietorship, partnership, corporation, limited liability company or partnership, or otherwise) and has contracts with State agencies that annually total more than $50,000 or whose aggregate pending bids or proposals and current State contracts that total more than $50,000, the vendor, bidder, or offeror is prohibited from making political contributions and must register with the State Board of Elections. 30 ILCS 500/20-160.

EVIDENCE OF REGISTRATION WITH THE STATE BOARD OF ELECTIONS IS THE CERTIFICATE OF REGISTRATION

Certificate of Registration

STATE BOARD OF ELECTIONS

Registration No. 12230

Jefferies LLC
520 Madison Avenue
New York NY 10022

Information for this business last updated on:
Thursday, December 1, 2016

Certificate produced on Tuesday, January 24, 2017 at 10:04 AM

STATE OF ILLINOIS
DISCLOSURE OF BUSINESS OPERATIONS WITH IRAN

6. In accordance with 30 ILCS 500/50-36, each bid, offer, or proposal submitted for a State contract, other than a small purchase defined in Section 20-20 of the Illinois Procurement Code, will include a disclosure of whether or not the bidder, offeror, or proposing entity, or any of its corporate parents or subsidiaries, within the 24 months before submission of the bid, offer, or proposal had business operations that involved contracts with or provision of supplies or services to the Government of Iran, companies in which the Government of Iran has any direct or indirect equity share, consortiums or projects commissioned by the Government of Iran and:

- more than 10% of the company's revenues produced in or assets located in Iran involve oil-related activities or mineral-extraction activities; less than 75% of the company's revenues produced in or assets located in Iran involve contracts with or provision of oil-related or mineral – extraction products or services to the Government of Iran or a project or consortium created exclusively by that Government; and the company has failed to take substantial action; or

- the company has, on or after August 5, 1996, made an investment of $20 million or more, or any combination of investments of at least $10 million each that in the aggregate equals or exceeds $20 million in any 12- month period that directly or significantly contributes to the enhancement of Iran's ability to develop petroleum resources of Iran.

A bid or offer that does not include this disclosure may be given a period after the bid or offer is submitted to cure non-disclosure. A chief procurement officer may consider the disclosure when evaluating the bid or offer or awarding the contract.

☒ There are no business operations that must be disclosed to comply with the above cited law.

☐ The following business operations are disclosed to comply with the above cited law:

Click here to enter text.

STATE OF ILLINOIS
FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

The Financial Disclosures and Conflicts of Interest form ("form") must be accurately completed and submitted by the vendor, parent entity(ies), and subcontractors. There are **nine** steps to this form and each must be completed as instructed in the step heading and within the step. A bid or offer that does not include this form shall be considered non-responsive. The Agency/University will consider this form when evaluating the bid or offer or awarding the contract.

The requirement of disclosure of financial interests and conflicts of interest is a continuing obligation. If circumstances change and the disclosure is no longer accurate, then disclosing entities must provide an updated form.

Separate forms are required for the vendor, parent entity(ies), and subcontractors.

This disclosure is submitted for:

☒ Vendor

☐ Vendor's Parent Entity(ies) (100% ownership)

☐ Subcontractor(s) >$50,000 (annual value)

☐ Subcontractor's Parent Entity(ies) (100% ownership) > $50,000 (annual value)

Project Name	Bond Underwriting Services
Illinois Procurement Bulletin Number	22039948
Contract Number	16-0155
Vendor Name	Jefferies LLC
Doing Business As (DBA)	Click here to enter text.
Disclosing Entity	Jefferies LLC
Disclosing Entity's Parent Entity	Jefferies Group LLC
Subcontractor	N/A
Instrument of Ownership or Beneficial Interest	Limited Liability Company Membership Agreement (Series LLC, Low-Profit Limited Liability Company) ☒

STEP 1
SUPPORTING DOCUMENTATION SUBMITTAL

(All vendors complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

You must select one of the six options below and select the documentation you are submitting. You must provide the documentation that the applicable section requires with this form.

☐ Option 1 – Publicly Traded Entities

1.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

1.B. ☐ Attach a copy of the Federal 10-K or provide a web address of an electronic copy of the Federal 10-K, and skip to Step 3.

☐ Option 2 – Privately Held Entities with more than 100 Shareholders

2.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

2.B. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership share in excess of 5% and attach the information Federal 10-K reporting companies are required to report under 17 CFR 229.401.

☒ Option 3 – All other Privately Held Entities, not including Sole Proprietorships

3.A. ☒ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

☐ Option 4 – Foreign Entities

4.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

4.B. ☐ Attach a copy of the Securities Exchange Commission Form 20-F or 40-F and skip to Step 3.

☐ Option 5 – Not-for-Profit Entities

☐ Complete Step 2, Option B.

☐ Option 6 – Sole Proprietorships

☐ Skip to Step 3.

STEP 2
DISCLOSURE OF FINANCIAL INTEREST OR BOARD OF DIRECTORS

(All vendors, except sole proprietorships, must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Complete **either** Option A (for all entities other than not-for-profits) or Option B (for not-for-profits). Additional rows may be inserted into the tables or an attachment may be provided if needed.

OPTION A – Ownership Share and Distributive Income

Ownership Share – If you selected Option 1.A., 2.A., 2.B., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of ownership if said percentage exceeds 5%, or the dollar value of their ownership if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – X			
Name	**Address**	**Percentage of Ownership**	**$ Value of Ownership**
Jefferies Group LLC	520 Madison Ave., NY NY 10022	100%	N/A
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.

Distributive Income – If you selected Option 1.A., 2.A., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of the disclosing vendor's total distributive income if said percentage exceeds 5% of the total distributive income of the disclosing entity, or the dollar value of their distributive income if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – Y			
Name	**Address**	**% of Distributive Income**	**$ Value of Distributive Income**
Jefferies Group LLC	520 Madison Ave., NY NY 10022	100%	N/A
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.

Please certify that the following statements are true.

I have disclosed all individuals or entities that hold an ownership interest of greater than 5% or greater than $106,447.20.

☒ Yes ☐ No

I have disclosed all individuals or entities that were entitled to receive distributive income in an amount greater than $106,447.20 or greater than 5% of the total distributive income of the disclosing entity.

☒ Yes ☐ No

OPTION B – Disclosure of Board of Directors (Not-for-Profits)

If you selected Option 5 in Step 1, list members of your board of directors. Please include an attachment if necessary.

TABLE – Z	
Name	**Address**
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.

STEP 3
DISCLOSURE OF LOBBYIST OR AGENT

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

☐ Yes ☒ No. Is your company represented by or do you employ a lobbyist required to register under the Lobbyist Registration Act (lobbyist must be registered pursuant to the Act with the Secretary of State) or other agent who is not identified through Step 2, Option A above and who has communicated, is communicating, or may communicate with any State/Public University officer or employee concerning the bid or offer? If yes, please identify each lobbyist and agent, including the name and address below.

If you have a lobbyist that does not meet the criteria, then you do not have to disclose the lobbyist's information.

Name	**Address**	**Relationship to Disclosing Entity**
Click here to enter text.	Click here to enter text.	Click here to enter text.

Describe all costs/fees/compensation/reimbursements related to the assistance provided by each representative lobbyist or other agent to obtain this Agency/University contract: Click here to enter text.

STEP 4
PROHIBITED CONFLICTS OF INTEREST

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 4 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above. Please provide the name of the person for which responses are provided: Click here to enter text.

1. Do you hold or are you the spouse or minor child who holds an elective office in the State of Illinois or hold a seat in the General Assembly? ☐ Yes ☐ No
2. Have you, your spouse, or minor child been appointed to or employed in any offices or agencies of State government and receive compensation for such employment in excess of 60% ($106,447.20) of the salary of the Governor? ☐ Yes ☐ No
3. Are you or are you the spouse or minor child of an officer or employee of the Capital Development Board or the Illinois Toll Highway Authority? ☐ Yes ☐ No
4. Have you, your spouse, or an immediate family member who lives in your residence currently or who lived in your residence within the last 12 months been appointed as a member of a board, commission, authority, or task force authorized or created by State law or by executive order of the Governor? ☐ Yes ☐ No
5. If you answered yes to any question in 1-4 above, please answer the following: Do you, your spouse, or minor child receive from the vendor more than 7.5% of the vendor's total distributable income or an amount of distributable income in excess of the salary of the Governor ($177,412.00)? ☐ Yes ☐ No
6. If you answered yes to any question in 1-4 above, please answer the following: Is there a combined interest of self with spouse or minor child more than 15% in the aggregate of the vendor's distributable income or an amount of distributable income in excess of two times the salary of the Governor ($354,824.00)? ☐ Yes ☐ No

STEP 5
POTENTIAL CONFLICTS OF INTEREST RELATING TO PERSONAL RELATIONSHIPS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 5 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above.

Please provide the name of the person for which responses are provided: Click here to enter text.

1. Do you currently have, or in the previous 3 years have you had State employment, including contractual employment of services? ☐ Yes ☐ No
2. Has your spouse, father, mother, son, or daughter, had State employment, including contractual employment for services, in the previous 2 years? ☐ Yes ☐ No

3. Do you hold currently or have you held in the previous 3 years elective office of the State of Illinois, the government of the United States, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois? ☐ Yes ☐ No

4. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding elective office currently or in the previous 2 years? ☐ Yes ☐ No

5. Do you hold or have you held in the previous 3 years any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that office? ☐ Yes ☐ No

6. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding appointive office currently or in the previous 2 years? ☐ Yes ☐ No

7. Do you currently have or in the previous 3 years had employment as or by any registered lobbyist of the State government? ☐ Yes ☐ No

8. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) that is or was a registered lobbyist? ☐ Yes ☐ No

9. Do you currently have or in the previous 3 years had compensated employment by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☐ No

10. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) who is or was a compensated employee of any registered election or reelection committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☐ No

STEP 6
EXPLANATION OF AFFIRMATIVE RESPONSES

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you answered "Yes" in Step 4 or Step 5, please provide on an additional page a detailed explanation that includes, but is not limited to the name, salary, State agency or university, and position title of each individual.

STEP 7
POTENTIAL CONFLICTS OF INTEREST
RELATING TO DEBARMENT & LEGAL PROCEEDINGS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided: Jefferies, LLC

1. Within the previous ten years, have you had debarment from contracting with any governmental entity? ☐ Yes ☒ No
2. Within the previous ten years, have you had any professional licensure discipline? ☐ Yes ☒ No
3. Within the previous ten years, have you had any bankruptcies? ☐ Yes ☒ No
4. Within the previous ten years, have you had any adverse civil judgments and administrative findings? ☒ Yes ☐ No
5. Within the previous ten years, have you had any criminal felony convictions? ☐ Yes ☒ No

If you answered "Yes", please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual. Many aspects of our business involve substantial risks of regulatory and legal liability. Given the highly regulated nature of our business and industry, in the normal course of business, we are involved in a number of regulatory matters, including exams, investigations, and similar reviews, arising out of the conduct of our business. Settled regulatory matters are disclosed on our Form BD, which may found at: http://brokercheck.finra.org/Firm/Summary/2347 This link takes you right to the Jefferies report – when you reach the web page, click on "Detailed report (PDF)" just below the name "Jefferies LLC." The disclosure-event details begin on page 19 and the 10-year period back to 2007 ends on page 96, covering 33 events. Also, note that Jefferies did not have a public finance operation prior to 2009, so events numbered 30 and higher were prior to that time. There are also 4 arbitration awards, beginning on page 145. Based on currently available information, however, we do not believe that any matter will have a material adverse effect on our financial condition, nor has any prior matter had a material adverse effect on our financial condition or otherwise resulted in significant reputational or franchise risk. A PDF copy of our Form BD is also included in our proposal, per the Tollway's Addendum #1.

STEP 8
DISCLOSURE OF CURRENT AND PENDING CONTRACTS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you selected Option 1, 2, 3, 4, or 6 in Step 1, do you have any contracts, pending contracts, bids, proposals, subcontracts, leases or other ongoing procurement relationships with units of State of Illinois government?

☒ Yes ☐ No.

If "Yes", please specify below. Additional rows may be inserted into the table or an attachment may be provided if needed.

Agency/University	Project Title	Status	Value	Contract Reference/P.O./Illinois Procurement Bulletin #
State of Illinois	Senior Manager Pool	Ongoing	TBD	Ref # 22038948
Illinois State Toll Highway Authority	Senior Manager Pool	Ongoing	TBD	Ref #22037040
Illinois Sports Facilities Authority	Senior Manager Pool	Ongoing	TBD	Ref #22031239
Illinois Finance Authority	Co-Manager Pool	Ongoing	TBD	Ref #22028183
Illinois Housing Development Authority	Co-Manager Pool	Ongoing	TBD	RFP #2013-HAD-FI-010

Please explain the procurement relationship: Vendor

STEP 9
SIGN THE DISCLOSURE

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offeror pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity: Jefferies LLC

Signature: [redacted] Date: February 1, 2017

Printed Name: Nic Malas

Title: Managing Director
Phone Number: 212.336.7421
Email Address: nmalas@jefferies.com

STATE OF ILLINOIS
TAXPAYER IDENTIFICATION NUMBER

I certify that:

The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and

I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and

I am a U.S. person (including a U.S. resident alien).

- If you are an individual, enter your name and SSN as it appears on your Social Security Card.
- If you are a sole proprietor, enter the owner's name on the name line followed by the name of the business and the owner's SSN or EIN.
- If you are a single-member LLC that is disregarded as an entity separate from its owner, enter the owner's name on the name line and the D/B/A on the business name line and enter the owner's SSN or EIN.
- If the LLC is a corporation or partnership, enter the entity's business name and EIN and for corporations, attach IRS acceptance letter (CP261 or CP277).
- For all other entities, enter the name of the entity as used to apply for the entity's EIN and the EIN.

Name: Nic Malas

Business Name: Jefferies LLC

Taxpayer Identification Number:

Social Security Number: Click here to enter text.

or

Employer Identification Number: [redacted]

Legal Status (check one):

☐ Individual	☐ Governmental
☐ Sole Proprietor	☐ Nonresident alien
☐ Partnership	☐ Estate or trust
☐ Legal Services Corporation	☐ Pharmacy (Non-Corp.)
☐ Tax-exempt	☐ Pharmacy/Funeral Home/Cemetery (Corp.)
☐ Corporation providing or billing medical and/or health care services	☒ Limited Liability Company (select applicable tax classification)
☐ Corporation NOT providing or billing medical and/or health care services	☒ C = corporation ☐ P = partnership

Signature of Authorized Representative: [redacted]

Date: February 1, 2017

STATE OF ILLINOIS
FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

The Financial Disclosures and Conflicts of Interest form ("form") must be accurately completed and submitted by the vendor, parent entity(ies), and subcontractors. There are **nine** steps to this form and each must be completed as instructed in the step heading and within the step. A bid or offer that does not include this form shall be considered non-responsive. The Agency/University will consider this form when evaluating the bid or offer or awarding the contract.

The requirement of disclosure of financial interests and conflicts of interest is a continuing obligation. If circumstances change and the disclosure is no longer accurate, then disclosing entities must provide an updated form.

Separate forms are required for the vendor, parent entity(ies), and subcontractors.

This disclosure is submitted for:

☐ Vendor

☒ Vendor's Parent Entity(ies) (100% ownership)

☐ Subcontractor(s) >$50,000 (annual value)

☐ Subcontractor's Parent Entity(ies) (100% ownership) > $50,000 (annual value)

Project Name	Bond Underwriting Services
Illinois Procurement Bulletin Number	22039948
Contract Number	16-0155
Vendor Name	Jefferies LLC
Doing Business As (DBA)	Click here to enter text.
Disclosing Entity	Jefferies Group LLC
Disclosing Entity's Parent Entity	Leucadia National Corporation
Subcontractor	N/A
Instrument of Ownership or Beneficial Interest	Limited Liability Company Membership Agreement (Series LLC, Low-Profit Limited Liability Company) ☐ If you selected Other, please describe:

STEP 1
SUPPORTING DOCUMENTATION SUBMITTAL

(All vendors complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

You must select one of the six options below and select the documentation you are submitting. You must provide the documentation that the applicable section requires with this form.

☐ Option 1 – Publicly Traded Entities

1.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

1.B. ☐ Attach a copy of the Federal 10-K or provide a web address of an electronic copy of the Federal 10-K, and skip to Step 3.

☐ Option 2 – Privately Held Entities with more than 100 Shareholders

2.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

2.B. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership share in excess of 5% and attach the information Federal 10-K reporting companies are required to report under 17 CFR 229.401.

☒ Option 3 – All other Privately Held Entities, not including Sole Proprietorships

3.A. ☒ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

☐ Option 4 – Foreign Entities

4.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

4.B. ☐ Attach a copy of the Securities Exchange Commission Form 20-F or 40-F and skip to Step 3.

☐ Option 5 – Not-for-Profit Entities

☐ Complete Step 2, Option B.

☐ Option 6 – Sole Proprietorships

☐ Skip to Step 3.

STEP 2
DISCLOSURE OF FINANCIAL INTEREST OR BOARD OF DIRECTORS

(All vendors, except sole proprietorships, must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Complete **either** Option A (for all entities other than not-for-profits) or Option B (for not-for-profits). Additional rows may be inserted into the tables or an attachment may be provided if needed.

OPTION A – Ownership Share and Distributive Income

Ownership Share – If you selected Option 1.A., 2.A., 2.B., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of ownership if said percentage exceeds 5%, or the dollar value of their ownership if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – X			
Name	**Address**	**Percentage of Ownership**	**$ Value of Ownership**
Leucadia National Corporation	315 Park Avenue South, NY, NY 10010	100%	N/A
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.

Distributive Income – If you selected Option 1.A., 2.A., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of the disclosing vendor's total distributive income if said percentage exceeds 5% of the total distributive income of the disclosing entity, or the dollar value of their distributive income if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – Y			
Name	**Address**	**% of Distributive Income**	**$ Value of Distributive Income**
Leucadia National Corporation	315 Park Avenue South, NY, NY 10010	100%	N/A
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.

Please certify that the following statements are true.

I have disclosed all individuals or entities that hold an ownership interest of greater than 5% or greater than $106,447.20.

☒ Yes ☐ No

I have disclosed all individuals or entities that were entitled to receive distributive income in an amount greater than $106,447.20 or greater than 5% of the total distributive income of the disclosing entity.

☒ Yes ☐ No

OPTION B – Disclosure of Board of Directors (Not-for-Profits)

If you selected Option 5 in Step 1, list members of your board of directors. Please include an attachment if necessary.

TABLE – Z	
Name	**Address**
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.

STEP 3
DISCLOSURE OF LOBBYIST OR AGENT

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

☐ Yes ☒ No. Is your company represented by or do you employ a lobbyist required to register under the Lobbyist Registration Act (lobbyist must be registered pursuant to the Act with the Secretary of State) or other agent who is not identified through Step 2, Option A above and who has communicated, is communicating, or may communicate with any State/Public University officer or employee concerning the bid or offer? If yes, please identify each lobbyist and agent, including the name and address below.

If you have a lobbyist that does not meet the criteria, then you do not have to disclose the lobbyist's information.

Name	Address	Relationship to Disclosing Entity
Click here to enter text.	Click here to enter text.	Click here to enter text.

Describe all costs/fees/compensation/reimbursements related to the assistance provided by each representative lobbyist or other agent to obtain this Agency/University contract: Click here to enter text.

STEP 4
PROHIBITED CONFLICTS OF INTEREST
(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 4 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above. Please provide the name of the person for which responses are provided: Click here to enter text.

1. Do you hold or are you the spouse or minor child who holds an elective office in the State of Illinois or hold a seat in the General Assembly? ☐ Yes ☐ No
2. Have you, your spouse, or minor child been appointed to or employed in any offices or agencies of State government and receive compensation for such employment in excess of 60% ($106,447.20) of the salary of the Governor? ☐ Yes ☐ No
3. Are you or are you the spouse or minor child of an officer or employee of the Capital Development Board or the Illinois Toll Highway Authority? ☐ Yes ☐ No
4. Have you, your spouse, or an immediate family member who lives in your residence currently or who lived in your residence within the last 12 months been appointed as a member of a board, commission, authority, or task force authorized or created by State law or by executive order of the Governor? ☐ Yes ☐ No
5. If you answered yes to any question in 1-4 above, please answer the following: Do you, your spouse, or minor child receive from the vendor more than 7.5% of the vendor's total distributable income or an amount of distributable income in excess of the salary of the Governor ($177,412.00)? ☐ Yes ☐ No
6. If you answered yes to any question in 1-4 above, please answer the following: Is there a combined interest of self with spouse or minor child more than 15% in the aggregate of the vendor's distributable income or an amount of distributable income in excess of two times the salary of the Governor ($354,824.00)? ☐ Yes ☐ No

STEP 5
POTENTIAL CONFLICTS OF INTEREST RELATING TO PERSONAL RELATIONSHIPS
(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 5 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above.

Please provide the name of the person for which responses are provided: Click here to enter text.

1. Do you currently have, or in the previous 3 years have you had State employment, including contractual employment of services? ☐ Yes ☐ No
2. Has your spouse, father, mother, son, or daughter, had State employment, including contractual employment for services, in the previous 2 years? ☐ Yes ☐ No

3. Do you hold currently or have you held in the previous 3 years elective office of the State of Illinois, the government of the United States, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois? ☐ Yes ☐ No

4. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding elective office currently or in the previous 2 years? ☐ Yes ☐ No

5. Do you hold or have you held in the previous 3 years any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that office? ☐ Yes ☐ No

6. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding appointive office currently or in the previous 2 years? ☐ Yes ☐ No

7. Do you currently have or in the previous 3 years had employment as or by any registered lobbyist of the State government? ☐ Yes ☐ No

8. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) that is or was a registered lobbyist? ☐ Yes ☐ No

9. Do you currently have or in the previous 3 years had compensated employment by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☐ No

10. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) who is or was a compensated employee of any registered election or reelection committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☐ No

STEP 6
EXPLANATION OF AFFIRMATIVE RESPONSES

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you answered "Yes" in Step 4 or Step 5, please provide on an additional page a detailed explanation that includes, but is not limited to the name, salary, State agency or university, and position title of each individual.

STEP 7
POTENTIAL CONFLICTS OF INTEREST
RELATING TO DEBARMENT & LEGAL PROCEEDINGS
(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided: Jefferies Group, LLC

1. Within the previous ten years, have you had debarment from contracting with any governmental entity? ☐ Yes ☒ No
2. Within the previous ten years, have you had any professional licensure discipline? ☐ Yes ☒ No
3. Within the previous ten years, have you had any bankruptcies? ☐ Yes ☒ No
4. Within the previous ten years, have you had any adverse civil judgments and administrative findings? ☐ Yes ☒ No
5. Within the previous ten years, have you had any criminal felony convictions? ☐ Yes ☒ No

If you answered "Yes", please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual.

STEP 8
DISCLOSURE OF CURRENT AND PENDING CONTRACTS
(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you selected Option 1, 2, 3, 4, or 6 in Step 1, do you have any contracts, pending contracts, bids, proposals, subcontracts, leases or other ongoing procurement relationships with units of State of Illinois government?

☐ Yes ☒ No.

If "Yes", please specify below. Additional rows may be inserted into the table or an attachment may be provided if needed.

Agency/University	Project Title	Status	Value	Contract Reference/P.O./Illinois Procurement Bulletin #

Please explain the procurement relationship: Click here to enter text.

STEP 9
SIGN THE DISCLOSURE

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offeror pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity: Jefferies Group LLC

Signature: [redacted] Date: February 1, 2017

Printed Name: Nic Malas

Title: Managing Director, Jefferies LLC

Phone Number: 212.336.7421

Email Address: nmalas@jefferies.com

COPY

Illinois State Toll Highway Authority

Response to RFP #16-0155
Bond Underwriting Services

February 3, 2017

Jefferies LLC
Member S PC

Jefferies

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Tab 1 – Table of Contents

Tab 2 – Transmittal Letter........ i

Tab 3 – Executive Summary........ 1

Tab 4(a) – Experience/Qualifications of the Firm........ 2

Tab 4(b) – Experience/Qualifications of Personnel........ 4

Tab 5 – Financial Capacity........ 5

Tab 6(a) – Technical Approach – Structuring........ 6

Tab 6(b) – Technical Approach – Marketing........ 15

Tab 7 – Financials........ 18

Tab 8 – Pricing........ 19

Tab 9 – Deal Lists, Resumes and References........ 20

February 3, 2017

Ms. Desiree Liberti
Purchasing Supervisor
Illinois Tollway
2700 Ogden Avenue, Downers Grove, IL 60515

Dear Ms. Liberti:

Nic Malas will be considered the contact person for all matters pertaining to the Offer. He is authorized to legally bind the Offeror and his contact info is set forth below.

Furthermore, **we are not requesting confidential treatment of this information.**

[redacted]

Nicol Malas, *Managing Director*
520 Madison Avenue, 5th Floor, New York, NY 10022
Office: (212) 336-7421 I Cell: (917) 373-0271
Fax: (646) 417-6232
nmalas@jefferies.com

TAB 3 – EXECUTIVE SUMMARY

On behalf of Jefferies LLC ("Jefferies"), we are pleased to submit our response to the Illinois State Toll Highway Authority's (the "Authority" or the "Tollway") Request for Proposal for Bond Underwriting Services ("RFP").

1) Jefferies is responding for the Senior Pool serving the Tollway on its upcoming transactions.
2) Based upon our review of the RFP and our longstanding senior managed experience and relationships with the Tollway, we have a clear understanding of and commitment to the provision of services specified in the RFP.
3) Jefferies is registered and in good standing as a broker-dealer with the Municipal Securities Rulemaking Board.
4) Jefferies will agree with Section 3 F "Standard Terms and Conditions."

Our commitment to providing value-added investment banking services is best demonstrated by our prior and ongoing service to the Authority and our customized financing solutions, detailed herein. Below we provide a brief overview of our qualifications.

- ✓ **Comprehensive Understanding of the Tollway.** As a member of the Tollway's existing senior pool, Jefferies served in January 2014 and July 2013 as joint book-runner for two economic advance refundings by the Tollway, totaling $596 million in par amount, and as co-senior manager on $265 million of Tollway issuance in November 2014. In addition to identifying the refunding opportunity in 2012, **Jefferies introduced to the Tollway the idea of replacing its traditional January 1 maturities with late previous-year maturities (same fiscal year) in order to minimize borrowing costs in a steep yield curve environment.** Jefferies also analyzed, at the request of the Tollway and its financial advisor, the breakeven interest rate movement between the proposed advance refunding and potential current refundings in 2015 and 2016, to quantify the risk/reward of the advance refunding opportunity. Our analysis contained in our response in **Tab 6 – Technical Approach – Structuring** demonstrates our up-to-date, comprehensive understanding of the Authority's debt structure and its financing goals.
- ✓ **A Team of Veteran Bankers.** We are committed to providing a diverse financing team that will deliver the highest quality investment banking and distribution services to the Tollway. **Kym Arnone**, *Managing Director and Joint-Head of Municipal Finance,* will ensure that the full resources of the Firm are available to the Tollway. Kym is a recognized leader in the municipal business and has a broad range of experience serving both Illinois and national clients. Kym recently joint-senior managed the State of Illinois' $1.3 billion GO refunding in October 2016, and co-senior managed Chicago O'Hare's $1.0 billion refunding in November 2016. While at a previous firm, she also senior managed both the State of Illinois' 2013 Build Illinois refunding and the $1.5 billion 2010 Railsplitter financing. **Nic Malas**, our team leader for the Tollway, served as senior manager on over $20 billion of transportation transactions during his career for issuers including **the Tollway**, NYS Thruway Authority, Pennsylvania Turnpike, NJ Turnpike, North Texas Tollway, among others. The Jefferies Team has unparalleled technical depth, spearheaded by **John Gust**, co-team leader, who besides covering the Tollway for 8+ years, has structured (as book-running senior manager) the largest tax-exempt issuances ever by the State of Illinois and by the State of Ohio, as well as high-profile state-level financings in California, Indiana, Minnesota, Missouri, and Wisconsin.
- ✓ **Ability and Willingness to Commit Capital to Benefit Our Clients.** As of November 30, 2016, Jefferies had excess net capital of nearly $1.4 billion, which would allow us to underwrite a single issue of $20 billion. **Most recently in 2016, Jefferies twice underwrote over $200 million of unsold balances to ensure a successful sale for our clients: in October, we underwrote $214 million at risk (33% of total issue) for the NY MTA, and in February, we underwrote $205 million (26% of total issue) for the City of New York to lock in the lowest yields and spreads they have ever achieved.**
- ✓ **Superior Distribution.** With a 12-person tax-exempt institutional sales force – *one of the largest in the business* – Jefferies is prepared to assist the Tollway in diversifying its buyer base to secure the lowest possible cost of capital. Our municipal team covers over 1,100 institutional accounts, including the 160 most active professional retail accounts, and is further supported by our Wealth Management Group, our 425-member Fixed Income Group including 50 dedicated investment-grade taxable salespeople and our exclusive direct retail alliance with E*TRADE (10 registered representatives in Illinois).

We appreciate your consideration and would be proud to serve the Tollway as your senior manager.

Municipal Securities Group. Jefferies LLC, founded in Los Angeles and now headquartered in New York City, acquired DEPFA First Albany in March 2009, creating our Municipal Securities Group and meeting the requirements of MSRB Rule G-2 as a municipal broker-dealer. Our seasoned team of bankers, totaling 36 professionals in nine cities, possesses unparalleled experience in structuring and executing financings for our municipal clients, covering the full spectrum of municipal products and credits. Table 1 lists the number of public finance bankers in each location.

Table 1. Number of Public Finance Bankers	
NYC (HQ)	23
Atlanta	3
Boston	3
Orlando	2
Dallas	1
Houston	1
Los Angeles	1
San Antonio	1
San Juan	1

Our co-team leader for the Tollway, John Gust, covered the Tollway for 7 years from our Chicago-area office, before moving to Los Angeles in mid-2015. John continues to serve as lead quantitative banker on all of our Midwest clients, **including the Authority**, and recently served as lead technical banker on the State of Illinois' $1.3 billion GO refunding in late-2016, on which Jefferies served as joint senior manager.

Following John's transfer, Jefferies currently employs one Chicago-based public finance consultant, focused on the not-for-profit healthcare sector. We maintain a strong presence in the Chicago area with 37 professionals in our Chicago office (established in 1979), and we are actively recruiting senior level public finance bankers in Chicago to lead our public finance efforts in the region.

In addition to our banking team, the Municipal Securities Group includes 32 professionals in municipal sales and trading, underwriting, and credit strategy, all located in Jefferies' headquarters in New York City – this group includes 12 dedicated institutional salespeople.

Commitment to Municipal Securities Group. Jefferies' senior management has pledged its support to the Municipal Securities Group's efforts and is dedicated to being a top-ranked underwriter of municipal bonds. Jefferies' continued commitment to the market is most clearly demonstrated by (1) our capital commitment in the secondary market and (2) the continued growth of our platform. To the first point, Jefferies routinely serves as broker-dealer on 6% of all secondary market trades in the municipal market (average daily trading of $180 million), and has a daily trading inventory of $500 million to $1 billion. **In fact, based upon Federal Reserve statistics, in 2016, Jefferies' trading market share for long-term municipal debt was over 8% for all maturities inside of 10 years**. To the second point, Jefferies has recently recruited some of the most respected bankers, underwriters, and traders in the business within the last 18 months. In October 2015, Jefferies hired Nic Malas, our team leader for the Authority, to lead its national transportation finance group. Nic has served as the lead banker on over $20 billion of transportation financings in his career for relevant issuers including **the Authority**, Pennsylvania Turnpike Commission, North Texas Tollway Authority, Maine Turnpike Authority, New York State Thruway Authority and Central Texas Regional Mobility Authority, among others. In November 2015, Jefferies hired Kym Arnone, a veteran banker in the municipal industry and most recently at Barclays Capital, as *Joint Head of Jefferies' Municipal Finance Group*. Kym is a recognized leader in the municipal business and has a broad range of experience serving both Midwest and national clients. Her experience also includes the tobacco sector, where her knowledge and experience are unrivaled. In March/April 2016, Alan Jaffe and Bob Foggio joined from JPMorgan and Morgan Stanley, respectively, to lead our Housing and Real Estate Group. This team sole managed the Illinois Housing Development Authority's (IHDA) most recent multi-family issuance, which priced earlier this week. Additionally, in 2016, we hired Josh Dickstein, formerly the Head of Trading and Derivatives at Goldman Sachs, as *Head Trader of the Municipal Finance Group*, in addition to J.R. McDermott, formerly the Head of the Short Term Desk at Morgan Stanley, as our *Head of Short Term Origination and New Products*. **Our continued efforts to expand our business by investing capital in recruiting the best talent in the industry signify our long-term commitment to the municipal market.**

Table 2. Top 10 Largest Issuers of Municipal Bonds	
1	State of California
2	Dormitory Authority of the State of NY
3	New York City
4	NYC Transitional Finance Authority
5	**State of Illinois**
6	NY Metropolitan Transportation Auth
7	State of Washington
8	NYC Municipal Water Finance Auth.
9	State of Connecticut
10	Commonwealth of Massachusetts

A Focus on Large, Sophisticated Issuers. Our proactive approach to developing and executing customized financing strategies has been recognized by issuers across the country. Top municipal issuers nationally have responded favorably to our approach of being a true investment bank and competing on the basis of our ideas, distribution and pricing. Table 2 ranks the top issuers by overall volume since 2010. **Every top 10 issuer (apart from the State of Washington, who**

traditionally issues debt on a competitive basis) includes Jefferies in its underwriting pool. Notably, Jefferies was recently re-appointed as an eligible senior manager in New York City's GO underwriting pool. NYC is one of the most complex issuers in the nation and, over the last several years, Jefferies has earned their confidence. The broad municipal finance experience of our team gives us the necessary depth and knowledge to assist the Tollway.

A Continued Focus on Illinois. Within Illinois, our coverage and quality of ideas have earned us a place in the senior manager pools of the largest local and state-level agencies in Illinois. Table 3 lists Illinois issuers who currently include us in their senior manager pools – we have been honored to be part of the Authority's existing senior manager pool. Jefferies has senior managed $5.3 billion of Illinois bonds in the past five years, including the largest tax-exempt issuance ever by the State ($1.8 billion, 2012). Five recent, representative financings by comparable issuers in Illinois include:

- ✓ 8/2016: Co-Manager, $500 million IFA SRF
- ✓ 9/2016: Sole Manager, $25 million IHDA
- ✓ 10/2016: Joint Senior Manager, $1.3 billion State GO
- ✓ 11/2016: Co-Senior Manager, $1.0 billion Chicago ORD
- ✓ 2/2017: Sole Manager, $26 million IHDA

Table 3. Illinois Senior Manager Pool Appointments

Issuer Name	Role
State of Illinois	Senior
Illinois State Toll Highway Authority	**Senior**
Illinois Housing Dev. Auth. (multi-family)	Senior
Metropolitan Pier and Exposition Authority	Senior
Cook County	Senior
City of Chicago	Senior
Chicago Public Schools	Senior
Chicago Transit Authority	Senior

Jefferies is also a major provider of secondary market liquidity for Illinois bonds. Since 2014, **Jefferies has traded $5.9 billion of Illinois credits, including $90 million of the Tollway's bonds in the secondary market.** Our value here is particularly noteworthy in difficult markets – in the volatile market of early/mid December 2016, **Jefferies had a 12.1% market share in Tollway secondary trades over $1 million (by trade count).**

At the retail level, we have 50 wealth managers who actively manage nearly $8 billion in client assets, including 10 Chicago-based wealth management representatives. This group covers ultra-high net worth clients, with the average wealth of our core clients exceeding $40 million. Additionally, Jefferies has entered into an agreement with E*TRADE Securities LLC for the retail distribution of municipal securities. The E*TRADE network includes 10 representatives in Chicago.

Firm Overview. Jefferies LLC is an independent full-service global investment banking firm, focusing on serving clients for over 50 years. Jefferies has 3,300 employees in over 30 cities worldwide, operating across the Americas, Europe and Asia. Jefferies LLC is the principal operating subsidiary of Jefferies Group LLC ("Jefferies Group"), a U.S. holding company and subsidiary of Leucadia National Corporation (NYSE: LUK), a diversified holding company. Our full-service platform provides clients with capital markets and financial advisory services, institutional brokerage and securities research, as well as wealth management. The firm provides research and execution services in equities, fixed income, foreign exchange, futures and commodities markets, and a full range of investment banking services including underwriting, mergers and acquisitions, restructuring and recapitalization, and other advisory services. Jefferies is a top M&A and restructuring/recapitalization advisor and a top underwriter of fixed income, equity and MBS/ABS.

Participation of Women and Minorities. While Jefferies is not a minority, female, veterans or disabled-owned business enterprise, **our coverage team for the Tollway embodies diversity with women and minorities in key leading roles**. We believe that diversity at majority firms is as important as diversity achieved through the hiring of minority owned and women owned businesses. Toward this end, to the best of our knowledge, **Kym Arnone is the only woman leading a public finance department at a major Wall Street firm**. In addition to Kym's leadership, our dedicated team for the Tollway also includes women and minorities in senior positions on our desk: Chris White, *Senior Vice President and Head of Municipal Strategy*; Betty Infantes, *Senior Vice President and Short-Term Underwriter* in charge of all remarketings, and Cindy Ashmore, *Senior Vice President and Long-Term Underwriter.*

Transportation Sector Expertise. Jefferies has made significant strides in building our transportation finance franchise over the past three years. In October 2015, we hired Nic Malas as Head of Jefferies' Transportation Finance Group. Nic served as senior manager on over $20 billion of transportation transactions during his career for issuers including **the Tollway**, NYS Thruway Authority, Pennsylvania Turnpike, New Jersey Turnpike, NTTA, among others. Since January 1, 2014, **Jefferies served as senior manager, co-senior manager or co-manager on 72 negotiated transactions, totaling over $40 billion in par amount, for 33 different transportation clients including the Tollway ($643 million)**, the Indiana Finance Authority's I-69 Section 5 project ($244 million), the Metropolitan Transportation Authority ($12.1 billion), Texas Transportation Commission ($6.8 billion), and New Jersey Transportation Trust Fund Authority ($2.7 billion), among others. Table 4 provides a listing of our transportation clients over the past three years.

Table 4. Jefferies' Transportation Clients Since January 1, 2014

Issuer Name	Jefferies' Role	Issuer Name	Jefferies' Role
Atlanta City-Georgia	Co-Manager	Miami-Dade Co-Florida	Co-Sr Manager
Austin City-Texas	Co-Manager	Missouri Highway & Transport Com	Co-Sr Manager
Broward Co-Florida	Co-Manager	NE Texas Reg. Mobility Au (NETRMA)	Co-Manager
Burlington City-Vermont	Sole Manager	New Jersey Trans Trust Fund Au	Co-Manager
Central Florida Expressway Au	Co-Manager	North Texas Tollway Auth (NTTA)	Co-Manager
Chicago City-Illinois (ORD)	Co-Sr Manager	NYS Dorm Authority	Co-Manager
Ctl Texas Reg Mobility Au (CTRMA)	Co-Manager	NYS Thruway Authority	Co-Manager
Dallas & Fort Worth Cities-Texas	Senior Manager	Pennsylvania Turnpike Commission	Co-Sr Manager
Dallas Area Rapid Transit Auth	Co-Manager	Regional Transportation Auth. (IL)	CP Dealer
Donna City-Texas	Senior Manager	San Diego Regional Airport Auth	Co-Manager
Empire State Development Corp	Co-Manager	San Francisco City & Co Airport Comm	Co-Manager
Greater Orlando Aviation Auth	Co-Sr. Manager	State of Connecticut	Co-Manager
Illinois State Toll Highway Auth	**Sr. & Co-Sr.**	State of Louisiana	Co-Manager
Indiana Finance Authority (I-69)	Senior Manager	State of Massachusetts	Co-Manager
Laredo City-Texas	Co-Manager	State of Wisconsin	Senior Manager
Massachusetts Port Authority	Co-Manager	Texas Transportation Commission	Senior Manager
Metropolitan Transport Auth (MTA)	Senior Manager	Virgin Islands Public Fin Au (VIPFA)	Senior Manager

In addition, over the past three years, Jefferies has won 38 competitively bid transactions, totaling $2.8 billion in par amount, for other transportation clients including the State of Washington, Metro Atlanta Rapid Transit Authority, State of Minnesota, Florida Department of Transportation, Maryland Department of Transportation, among others. Please refer to Section IV, Tab 6(a) for case studies regarding Jefferies' financing experience with transportation clients.

Tax-Exempt Transportation Revenue Bonds Underwriting Experience. Since January 1, 2014, Jefferies has served as senior manager, co-senior manager or co-manager on 49 issues of tax-exempt transportation revenue bonds with a par amount over $100 million, totaling $26 billion. **Of particular note, in January 2014, we served as joint book-running senior manager on $379 million of Toll Highway Senior Revenue Refunding Bonds for the Authority** – this engagement followed Jefferies' successful identification of a returned economic refunding opportunity which we had initially found in 2013. We have provided a tabular summary of 30 representative issuances since 2014 in Tab 9. Brief case studies for certain transactions are provided in Section IV, Tab 6(a). In addition to the firm's transportation experience, Nic Malas, our lead transportation banker, served as senior manager on over $20 billion of transportation transactions while at his prior firms.

TAB 4(B) – EXPERIENCE/QUALIFICATIONS OF PERSONNEL

Jefferies' Financing Team for the Tollway. We are committed to providing a ***diverse*** financing team that will deliver the highest quality investment banking and distribution services to the Tollway. Our team will be led by Nic Malas, who will be directly responsible for overseeing our engagement with the Tollway. John Gust will serve as co-lead banker and will also be available to the Tollway at all times. ***In total, 60% of our team are women and/or minorities***. Resumes of all team members can be found in Tab 9.

Table 5. Jefferies' Team for the Tollway

Team Member	Role	Time at Firm	Time in Munis	Qualifications & Experience
Investment Banking & Analytics				
Kym Arnone *Managing Director,* New York, NY	[redacted]			
Nic Malas *Managing Director,* New York, NY				

Team Member	Role	Time at Firm	Time in Munis	Qualifications & Experience
Table 5. Jefferies' Team for the Tollway				
John Gust *Senior Vice President,* Los Angeles, CA	[redacted]			
Tanya George *Vice President,* New York, NY				
Anh Nguyen *Analyst,* New York, NY				
Underwriting and Credit Strategy				
Roy Carlberg *Managing Director,* New York, NY				
JR McDermott *Managing Director,* New York, NY				
Cindy Ashmore *Senior Vice President,* New York, NY				
Betty Infantes *Senior Vice President,* New York, NY				
Chris White *Senior Vice President,* New York, NY				

References. Lead banker Nic Malas has worked with numerous transportation issuer clients. The client references in Table 6 can attest to the high quality of investment banking and capital market services that we are committed to providing. Nic served as either senior manager or co-manager for each of these clients in the past twelve months.

Table 6. Contact Information for Jefferies' Client References

North Texas Tollway Authority	Pennsylvania Turnpike Commission	Texas Department of Transportation
Dana Boone	Nikolaus Grieshaber	Jennifer Wright
Director of Cash and Debt Management	*Chief Financial Officer*	*Project Finance and Debt Program Manager*
T: (214) 461-2019	T: (717) 939-9551	T: (512) 463-8946
E: dgibsonboone@ntta.org	E: ngriesha@paturnpike.com	E: jennifer.wright@txdot.gov
North Texas Tollway Authority	**Pennsylvania Turnpike Commission**	**Texas Department of Transportation**
5900 West Plano Parkway #100	P.O. Box 67676	125 E. 11th Street
Plano, TX 75093	Harrisburg, PA 17106-7676	Austin, TX 78701

Planned Changes. As noted previously, Jefferies is currently recruiting senior level public finance bankers to work in our Chicago office and lead our municipal finance efforts in the region. This hiring will only serve to enhance Jefferies' overall municipal investment banking services.

TAB 5 – FINANCIAL CAPACITY

Strong Capital Position. As of 11/30/2016, Jefferies Group LLC (our parent company) had $10.5 billion in total capital, including $5.4 billion of equity capital. Jefferies LLC (as broker dealer) had nearly $1.4 billion of excess net capital. Per regulatory guidelines, based on our excess net capital position, Jefferies can underwrite a single municipal issue of $20 billion with no pre-sale orders. **The firm does not impose any formal limitations on our municipal underwriting liability.**

Table 7 provides Jefferies' capital position, as requested.

Table 7. Jefferies' Capital Position ($millions)

	11/30/2014 (FY 2014)	11/30/2015 (FY 2015)	8/31/2016 (3Q 2016)	11/30/2016 (FY 2016)
Jefferies Group LLC *(Parent Company)*				
Total Capital	**$11,269**	**$10,798**	**$10,803**	**$10,501**
Equity Capital	5,463	5,509	5,327	5,371
Jefferies LLC *(Broker-Dealer)*				
Net Capital	$1,025	$1,557	$1,424	$1,468
Excess Net Capital	**$913**	**$1,472**	**$1,341**	**$1,399**
Regulatory Underwriting Limit	**$13,043**	**$21,024**	**$19,153**	**$19,982**
Internal Underwriting Limit	**None**	**None**	**None**	**None**

Willingness to Commit Capital to Support Financings. An issuer should expect its senior manager to purchase or underwrite any unsold bonds at-risk. Our capital commitment to municipals is demonstrated by our continued history of leveraging firm capital at-risk in order to support the sale and liquidity of our clients' securities.

Primary Market: Table 8 provides examples of underwriting at-risk, for lead-managed negotiated issuances. Notably, **in February 2016, we took $205 million into inventory at-risk without increasing yields for the City of New York to lock in the lowest yields and spreads the City has ever achieved on its GO credit.** Our willingness to underwrite unsold balances reflects the strength of our pricing convictions and confidence in our post-sale distribution capabilities.

Table 8. Examples of Underwriting at Risk ($MM)
(Transportation Revenue Credits in Bold)

Issuer	Date	Par	U/W
New York MTA	**10/2016**	**$646**	**$214**
Pennsylvania HFA	8/2016	246	13
Ohio Water Dev. Auth.	6/2016	150	29
City of Atlanta	6/2016	31	16
City of New York	2/2016	801	205
City of Austin	9/2015	295	43
Missouri H&EFA	4/2015	126	15
Mohegan Tribal Auth.	2/2015	97	16
City of Orlando	10/2014	85	57
New York MTA	**8/2014**	**349**	**21**
Laredo ISD	6/2014	67	14
State of Wisconsin	**3/2014**	**340**	**18**
Brownsville ISD	6/2013	42	24
Massachusetts WRA	2/2013	171	116
New York TBTA	**1/2013**	**911**	**33**

Transportation Credits: Specific to transportation revenue credits, **in October 2016, we underwrote $214 million at risk for the NY MTA, to maintain aggressive spreads. Our willingness to put our capital at risk positioned us for a subsequent out-of-rotation March 2017 mandate.** Closer to home, in March 2014 we underwrote at-risk $18 million of unsold balances for the State of Wisconsin's $339 million Transportation Revenue Bond program. Most recently, in November 2016, we served as co-senior manager to Chicago O'Hare's $1 billion issuance where we indicated our willingness to "go at risk" to support our airport clients by submitting $105 million of member orders within the first 15 minutes of the order period, and followed up with another $12 million of group net priority institutional orders.

Other Illinois Credits: In lead-managing $1.8 billion for the State of Illinois in 2012, Jefferies underwrote $65 million at-risk in order to avoid cheapening the scale. **We have since bid, with 100% liability, on every single State of Illinois competitive pricing to-date.** As lead-right senior manager to the Metropolitan Pier and Exposition Authority later in 2012 on an $855 million financing, on the evening prior to pricing we jointly stepped up with our capital and backstopped the most vulnerable 40-year CAB component of the transaction.

Secondary Market: For municipal bonds in the last year, we averaged a daily trading inventory of over $750 million, and a daily trading volume of $180 million. Since 2016, we estimate our secondary market share of the national market at over 8%, for maturities 10 years or less. In the volatile market of early/mid December 2016, **Jefferies had a 12.1% market share in Tollway secondary trades over $1 million (by trade count).**

TAB 6(A) – TECHNICAL APPROACH – STRUCTURING

I. Summary of Plan of Finance Recommendations. Table 9 summarizes our plan of finance recommendations, including the projected $1.6 billion in new money issuance and strategies related to the Tollway's outstanding debt, and the potential benefits of these recommendations. Our rationale, which is based upon the Tollway's existing debt structure as well as current and forecasted interest rates, is discussed in more detail below.

Table 9. Summary of Recommendations

Plan of Finance Recommendations		Benefits of Jefferies' Recommendations
• Issue fixed rate bonds in 2017 to fund new money needs	→	✓ Preserves variable rate capacity for the future when fixed interest rates are likely to be higher
• Structure the 2017 bonds on a back-loaded basis, consistent with the Tollway's 2015/16 issuances	→	✓ Locks in low long-term fixed rates ✓ Hedges against potential rising interest rates
• Consider issuing the 2017 financing on a junior lien basis	→	✓ Preserves senior capacity for the future ✓ Junior lien bonds could be issued without a DSRF
• Consider accelerating the 2018 funding need into 2017	→	✓ Mitigates interest rate risk
• Reduce the DSRF: Initiate majority bondholder consent process to determine DSRF requirements at issuance	→	✓ Gives at-issuance flexibility to "opt-out" of the existing parity reserve, if market conditions permit w/o penalty
• Evaluate refunding opportunities for existing fixed rate debt, including tender transaction and cross-over refunding	→	✓ Generates debt service savings in the most efficient manner to mitigate impact of new money debt
• Consider converting weekly VRDOs to a daily rate mode	→	✓ Provides interest cost savings given current relationship between weekly and daily rates

Table 9. Summary of Recommendations		
Plan of Finance Recommendations		**Benefits of Jefferies' Recommendations**
• Evaluate alternate variable rate products to replace LOC-backed VRDOs	➔	✓ Eliminates bank and LOC renewal risks ✓ Diversifies the Authority's debt profile
• Consider re-amortizing existing VRDOs to longer maturities	➔	✓ Optimizes cost and efficiency of variable rate debt ✓ Affords ability to amortize higher cost fixed rate debt on the shorter end of the yield curve
• Consider unwinding a portion of existing swaps and fixing out underlying variable rate bonds	➔	✓ Reduces swap exposure/risks at no present value cost ✓ Frees up LOC/bank capacity for future VRDBs

II. New Money Financing Discussion

Fixed Rate vs. Variable Rate Debt. There are several advantages to using variable rate debt for the Tollway's financings, including lower expected debt service costs and the ability to call bonds at par at any time. Although the Tollway currently has no unhedged variable rate debt, **we recommend the Tollway continue to issue fixed rate debt for its near-term new money needs, especially the 2017 financing totaling $300 million**.

Despite recent market volatility, the Tollway can still lock in a very favorable cost of borrowing given interest rates as of January 30, 2017: a 25-year final maturity structure, similar to the structures used for the 2016 Series B Bonds, would have an arbitrage yield of 3.66% on the senior lien and an arbitrage yield of 3.80% on the junior lien. By issuing fixed rate debt in 2017 at this low all-in cost, the Tollway preserves the ability to issue variable rate debt in the future in connection with the 2018 through 2021 funding needs, and also reduces bank capacity pressures on the $1.2 billion of existing credit facilities expiring in the first half of this year. Assuming higher interest rates in the future, the capacity to issue variable rate debt will (i) maximize the Tollway's future flexibility to manage interest rate volatility and debt service costs associated with the future funding needs and (ii) optimize its capital structure under different interest rate environments.

The Tollway's debt management policy targets variable rate exposure under 25% aggregate (swapped and unswapped) and 15% (unswapped). We estimate the Tollway's existing swapped exposure at 20% of total, leaving theoretical capacity for $295 million under the cap. From an asset/liability perspective, we believe the Tollway is significantly underexposed to unhedged variable rate debt, when compared to cash and investments under 1 year totaling $1.954 billion as of 6/30/2016. **Although our recommendation today is to issue fixed rate debt, as rates rise and the Tollway's swapped VRDBs amortize (or are refunded), we believe additional variable rate exposure should be explored.**

Back-Loaded Amortization Strategy. The Tollway has strategically issued more back-loaded new money structures (amortization starting after 2026) over the last several years to take advantage of low long-term interest rates, leverage the debt capacity on the longer end of its authorized debt service structure, and minimize near-term principal amortization to preserve strong debt service coverage levels. Given current market interest rates and the level of forecasted borrowing needs, **we recommend that the Tollway continue to use this strategy and actually consider using an even more back-loaded structure to lock-in long-term interest rates**.

We have analyzed three separate back-loaded principal amortization structures for the 2017 financing focusing on the all-in borrowing cost and present value debt service cost - we note that historically, the Authority has issued its bonds using round figures ($300 million exactly), but for illustrative purposes, our analysis is based upon project fund deposits to demonstrate the impact of these sceanrios on present value debt service costs. Table 10 provides a comparative summary. In **Scenario 1**, the new money bonds are structured as level debt from 2027 through 2042. In **Scenario 2**, we structure a more extreme back-loaded structure with principal amortizing only in 2041 and 2042 (within the Tollway's 25-year constraint). Finally, **Scenario 3** mimics the Tollway's 2016 Series B Bonds, by amortizing principal from 2027 through 2042 to create an overall level debt structure from 2027 through 2038.

Table 10. Summary of 2017 Financing Scenarios			
	Scenario 1	Scenario 2	Scenario 3
Par Amount	$293,785,000	$286,130,000	$289,350,000
Project Fund Deposit	$300,000,000	$300,000,000	$300,000,000
Aggregate Maximum Annual Debt Service	$492,922,800	$480,119,300	$485,595,300
Present Value Debt Service	$351,479,102	$355,910,291	$354,955,949
All-in TIC	4.09%	4.34%	4.24%

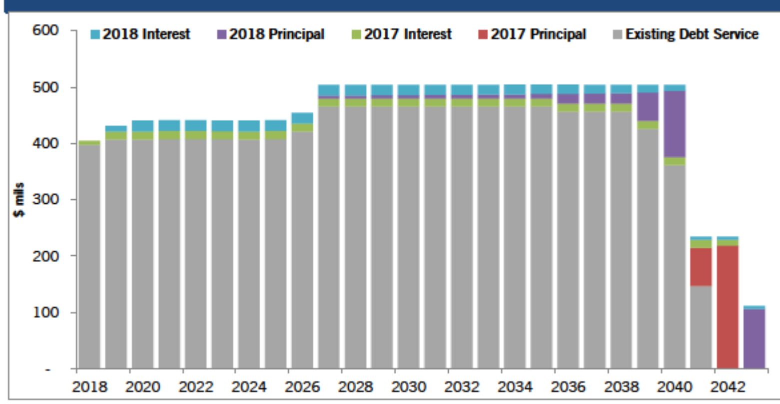
While **Scenario 2** is the most expensive option today, it produces the lowest aggregate maximum annual debt service and more importantly, it positions the Tollway to manage interest rate risk more optimally for the future – **as such, we recommend the Tollway issue the 2017 Bonds on a back-loaded basis with principal amortizing in 2041 and 2042 only**. In the current market, we estimate that the Tollway could amortize up to $200-250 million in any one year before facing a market penalty; in practice we would expect a term bond structure similar to the Tollway's longest 2016B bonds.

To demonstrate the potential benefit of this approach, Table 11 compares two financing strategies that take into account the 2017 and 2018 financings. The first strategy, **our recommended strategy**, uses **Scenario 2** in 2017 and then structures the 2018 Bonds to wrap around the existing debt service to fill-in and level-off debt service from 2027 through 2040. The second strategy uses the Tollway's recent amortization/structuring methodology (from 2016) for the 2017 financing (**Scenario 3**) and then does so again in 2018 to create overall level debt service from 2027 through 2040.

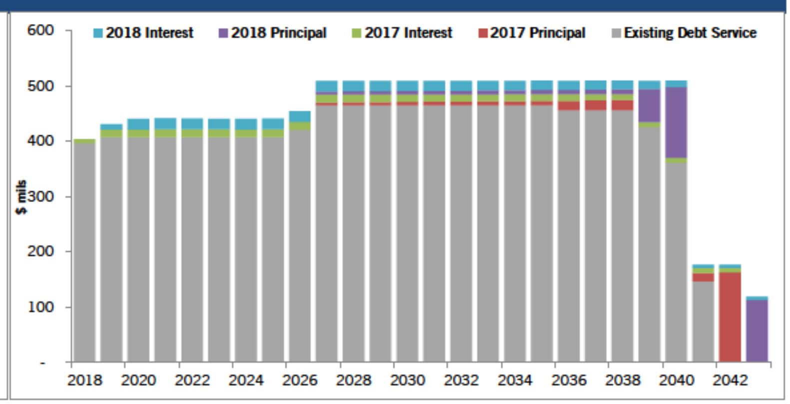
Table 11. Summary of 2017 Financing Scenarios (assuming interest rates remain constant)

	Recommended Strategy			Recent Authority Strategy		
	2017 Financing	2018 Financing	Total	2017 Financing	2018 Financing	Total
Par Amount	$286,130,000	384,140,000	**670,270,000**	289,350,000	384,370,000	**673,720,000**
Principal Amortization	2041-2042	2027-2043		2027-2042	2027-2043	
Maximum Annual Debt Service	$480,119,300	504,658,500	**504,658,500**	485,595,300	510,196,000	**510,196,000**
Project Fund Deposit	$300,000,000	400,000,000	**700,000,000**	300,000,000	400,000,000	**700,000,000**
Present Value Debt Service	$355,910,291	451,192,329	**807,102,619**	353,632,934	452,119,665	**805,752,599**
All-in TIC	4.34%	4.22%	**4.27%**	4.24%	4.23%	**4.23%**

Recommended Strategy



Recent Authority Strategy



As shown, our recommended strategy results in a slightly higher combined all-in borrowing cost, but the present value debt service costs are virtually identical (a difference of $1.35 million) – **an increase in interest rates of more than 4bps between today and 2018 would make our recommended approach more favorable.** Additionally, following the completion of the 2017 and 2018 financings, maximum annual aggregate debt service under our recommended approach is $5.5 million less, which presents the Authority with a greater opportunity to issue more debt from 2019 through 2021 on the shorter end of the yield curve which, in an upward sloping yield curve environment, would allow the Authority to mitigate future interest rate increases. On a present value basis, the $5.5 million of annual debt service differential from 2027 through 2040 that exists between the two strategies equates to approximately $60 million of debt capacity – the Authority could issue $60 million of future debt from 2027 through 2040 before maximum annual aggregate debt service reached $510 million.

Senior Lien vs. Junior Lien. In the recent market, a number of our clients have issued junior lien rather than senior lien bonds, in order to (i) maintain targeted senior coverage levels; (ii) achieve another goal such as a lower aggregate reserve fund requirement; and/or (iii) move variable rate exposure to the subordinate lien to avoid potential contamination (e.g., non-public direct purchase bank documents) of the senior lien. The incremental cost of issuing junior lien bonds versus senior lien bonds is approximately 9bps (all-in TIC). The use of junior lien debt in 2017 could preserve senior lien capacity for future debt in 2018 and beyond as part of the new money funding needs – ***the Tollway can optimize its debt portfolio by issuing future higher cost debt, assuming higher interest rates in the future, by issuing it on its lowest cost lien***. A further potential benefit is the ability to issue junior lien bonds at a lower DSRF requirement, dependent on rating agency/investor preferences at pricing, rather than being forced to issue senior lien bonds under the parity reserve requirement.

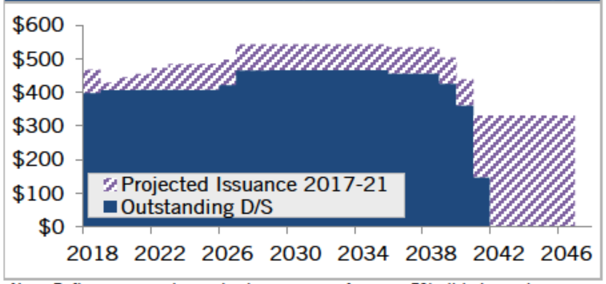
Accelerating the 2018 Funding Need. Given the prospect for rising interest rates between the 2017 and 2018 financings, the Tollway could opt to accelerate the funding of the 2018 projects into 2017. Doing so would expose the Tollway to greater negative arbitrage in the project fund, thereby increasing present value debt service costs, and would restrict its ability to amortize 2018 project needs in 2043 due to the 25-year cap. However, this strategy would mitigate interest rate risk exposure between 2017 and 2018. Table 12 demonstrates the impact of accelerating the 2018 funding need of $400 million into 2017. As shown, by accelerating this funding need, the Tollway would incur negative arbitrage of $11.8 million (this represents a present value cost of $11.8 million to the Tollway). Assuming the Tollway maintains the scheduled borrowing in 2018, interest rates would need to increase approximately 34bps for the present value debt service to increase by the same level as the negative arbitrage ($11.8 million). **If interest rates were to rise by more than 34bps between the 2017 and 2018 financings, the Tollway would be better off accelerating the 2018 borrowing into 2017.**

Table 12. Cost/Benefit of Accelerating 2018 Funding

	Scheduled Borrowing	Accelerated Borrowing	Delta
Delivery Date	7/1/2018	7/1/2017	
Deposit to Project Fund	$400,000,000	$400,000,000	$0
Project Fund Earnings Rate	N/A	0.50%	
Project Fund Negative Arbitrage	**N/A**	**$11,751,782**	**$11,751,782**
	Scheduled Borrowing @ Current Rates	**Scheduled Borrowing @ Current Rates + 34bps**	**Delta**
Gross Debt Service	$718,206,500	$737,082,375	$18,875,875
PV Debt Service	**$439,546,417**	**$451,098,535**	**$11,552,118**

Reduce the DSRF: Initiate Majority Bondholder Consent Process. Even assuming fully-backloaded issuances, we estimate that the Tollway's 2017-2021 issuance plan will increase the parity reserve requirement by $76.9 million, from the current $465.8 million to $542.7 million, as illustrated in Figure 1. It is our understanding that the Tollway's reinvestments are constrained by policy: (i) majority must be under 1 year; and (ii) no investment over 10 years. Assuming a 4% all-in TIC and reinvestment at current 1-year UST of 0.84%, this translates into an annual carrying cost of $2.4 million for the incremental DSRF 2017-2021.

Figure 1. Existing and Post-2017-21 Issuance: Annual Debt Service ($MM; YE 1/1) and MADS Impact



Note: Reflects assumed amortization structure. Assumes 5% all-in borrowing cost.

Barring rating implications, a MADS reserve is not essential in the current market. Through a majority consent process, the Tollway could revise the reserve requirement in the Indenture to allow individual series to "opt-in" to the existing parity reserve, or instead fund a stand-alone reserve to be determined at the time of issuance. The Jefferies' Team for the Tollway proposed and helped execute **exactly** this strategy for the City of Los Angeles in 2015. As summarized in Table 13, achieving majority bondholder consent is easily done: we estimate this could be accomplished as part of the Tollway's 2017-2021 plan of finance. However, as the Tollway knows from the Transfer Amendment process, achieving swap provider consent may be much more difficult. As discussed in the next section, we believe that the Tollway will fix-out its swapped VRDBs long before the stated final termination date of 1/1/2031; achieving bondholder consent today sets the Authority up to trigger the provision immediately upon future swap termination. Alternatively, the Tollway could approach the providers directly, since they would not be negatively impacted by this proposed Indenture amendment. The San Francisco Public Utilities Commission did exactly this in proactively achieving consent from its monoline insurers, exchanging a (very) nominal consideration for written consent.

Table 13. Achieving Majority Bondholder Consent

Component	Total ($MM)	Achievable Consent ($MM)
Existing Post-2021 Debt	$4,227.1	$-
2017-21 New Money	1,600.0	1,600.0
Refundable VRDBs	-	1,178.9
Refundable Fixed Rate	-	379.3
Total	**$5,827.1**	**$3,158.2**
Consent as % of Total		**54.2%**

III. Refunding and Other Debt Management Strategies

In addition to our recommendations for the planned new money borrowings, below we provide recommendations for managing the Tollway's existing debt profile.

Traditional Refunding Opportunities. **Table 14** summarizes the Tollway's callable, tax-exempt, fixed rate, advance refundable bonds.

Table 14. Tax-Exempt Advance Refunding Candidates					
Series	Callable Par	Maturities	Coupons	Call Date	Price
2013A	$500,000,000	2027 to 2038	5.00%	1/1/2023	100
2014B	500,000,000	2026 to 2039	5.00%	1/1/2024	100
2014C	400,000,000	2027 to 2039	5.00%	1/1/2025	100
2015A	400,000,000	2027 to 2040	5.00%	7/1/2025	100
2015B	400,000,000	2027 to 2040	5.00%	1/1/2026	100
2016B	300,000,000	2027 to 2041	5.00%	7/1/2026	100
Total	**$2,500,000,000**				

Given the respective call dates for the outstanding bonds and the current level of negative arbitrage in the refunding escrow(s), there are no viable refunding candidates in the current market. As the Tollway moves forward with its planned new money borrowings, it can re-evaluate the efficiency of executing an advance refunding of certain of these bonds and simply add it as an additional series of bonds to the offering document and plan of finance.

Tender Opportunities. The 2010 Series A-1 Bonds current refunded existing swapped VRDBs (2008 Series A1 and A2). The 2008 Bonds advance refunded the 2006 Series A Bonds, precluding an advance refunding of the 2010 Bonds. However, it may be possible to generate savings from a tender, which would constitute a current refunding under the tax regulations since there would not be a 90+ day refunding escrow. In negotiating the tender price with investors, the Tollway could start with a redemption price based upon the pre-refunded ("pre-re") price, calculated by the SLGS yield. As an example, we have focused on the 2031 maturity of the 2010 Series A-1 Bonds totaling $41.040 million. Based upon SLGS as of January 30, 2017 (1.37%), the pre-re price would equal 108.897. Based upon this tender price, the Tollway could generate present value savings of $1.435 million or 3.50% of outstanding par amount – this is identical to theoretical advance refunding savings if the Authority were able to execute a tax-exempt advance refunding and $300,000 higher than a taxable advance refunding in the current market. If the Tollway increased the tender price by $1 to 109.897, present value savings would equal $1.006 million or 2.45% of outstanding par amount. We note that by executing the tender, the Tollway would forgo the opportunity to execute a current refunding at the call date in 2020. Assuming current interest rates remain constant in 2020 and sliding down the yield curve (the one-year interest rate remains the one-year interest rate), present value savings would equal $6.305 million or 15.4% of refunded par amount. **If interest rates were to increase by 133bps between 2017 and 2020, present value savings from the current refunding would equal $1.445 million or approximately the same as the savings generated from the tender today.** While we do not recommend the Tollway pursue a tender financing as a stand-alone transaction given the potential limited success of tenders generally, as the Tollway approaches its upcoming new money financing, it may be prudent to consider adding the tender as a separate series of bonds.

Below is a case study describing our successful tender for the New York MTA.

Triborough Bridge & Tunnel Authority (MTA Bridges & Tunnels): $313,975,000 Subordinate Revenue Refunding Bonds, Series 2013D (Federally Taxable); $165,505,000 Subseries 2013D-1 (Fixed Rate); $148,470,000 Subseries 2013D-2a/b (Floating Rate Tender Notes). In December 2013, Jefferies served as Senior Manager for the Triborough Bridge & Tunnel Authority's ("TBTA") $313 million refunding transaction, and Dealer Manager for TBTA's $208 million Tender Offer. **The financing plan included an open market tender** of non-callable bonds and the current refunding of other outstanding TBTA bonds. The Refunding Bonds were issued as taxable bonds in order to provide TBTA the opportunity to maximize the value of restructuring an existing escrow at a future date. This was the first out-of-rotation assignment awarded by the MTA since its recent RFP, and recognized Jefferies' innovative structuring and banking ideas which could yield ***over $60 million*** for the MTA's Capital Programs. **The inclusion of an open-market tender was an opportunity Jefferies identified as an avenue to enhance savings for TBTA and included the following components**:

1. The multi-purpose allocation of the $208 million bonds targeted for tender would allow TBTA to minimize the amount of bonds necessary to be purchased.
2. Jefferies served as Dealer Manager to the Authority and solicited offers from institutional investors on four maturities which resulted in nearly $75 million bonds being offered.
3. Jefferies coordinated a Second Look Process which resulted in over $22 million additional bonds being offered at attractive prices to TBTA.
4. TBTA accepted $70 million bonds for tender, which represented 81% of the maximum amount.
5. The tender alone was expected to provide 10% PV savings once the existing escrow was restructured.

Cross-Over Refunding Opportunity. The 2009 Series A Build America Bonds ("BABs") were issued with a 10-year par call on January 1, 2019. While these bonds are eligible to be advance refunded on a tax-exempt basis, under the tax code, a traditional advance refunding of BABs would immediately result in a discontinuation of the Federal subsidy. With a traditional advance refunding, escrow receipts would be used to pay interest due on the BABs from the delivery date of the refunding bonds through the call date, which triggers a reissuance for tax purposes. Because BABs are not permitted to be issued today, the BAB subsidy would stop immediately. **Thus, escrow requirements would need to be sized at the gross taxable rate, not the net rate, reducing any refunding savings.** The Tollway, however, can refinance its callable BABs utilizing a cross-over refunding, rather than a traditional advance refunding, and retain the BAB subsidy through the January 1, 2019 call date.

Under a cross-over refunding, refunding bonds are sold today, the proceeds of which fund an escrow that pays: (i) interest on the refunding bonds through the Cross-Over Date (the call date of the refunded bonds); and (ii) principal (and any redemption premium) of the refunded bonds on the Cross-Over Date. Interest on the refunded bonds through the Cross-Over Date is funded by pledged revenues, not escrow receipts. On the Cross-Over Date (the call date of the refunded bonds), the refunded bonds are redeemed and after the Cross-Over Date, pledged revenues pay debt service on the refunding bonds.

We note that a cross-over refunding does not constitute a legal defeasance of the refunded BABs. As such, through the Cross-Over Date, there are technically two series of bonds outstanding: the refunded bonds and the refunding bonds. This may present a challenge for the Tollway related to ABT and rate covenant provisions – discussions with bond counsel required to evaluate most opportune way to execute the refunding.

In the current market, cross-over refunding savings are barely positive, but still outperform traditional advance refunding savings, as shown in **Table 15**. As the Tollway moves forward with its planned new money borrowings, it can re-evaluate the efficiency of executing this cross-over refunding and simply add it as an additional series of bonds to the offering document and plan of finance.

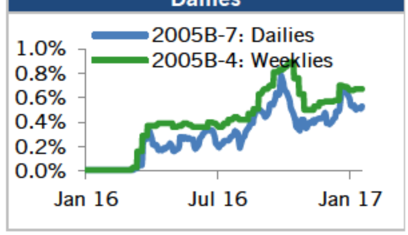
Table 15. BABs Cross-Over Refunding Economics

	Cross-Over Refunding	Traditional Advance Refunding
Par Amount	$75,215,000	$75,790,000
Refunded Par	$78,060,000	$78,060,000
PV Savings ($)	$332,374	$(1,653,767)
PV Savings (%)	0.43%	(2.12)%

Convert VRDBs from Weeklies to Dailies. The Tollway's $1.179 billion of swapped VRDBs are in weekly reset mode. In this environment of (i) elevated SIFMA and (ii) demand for liquidity due to Money Market Fund reform, daily resets are noticeably outperforming weekly resets. As shown in **Figure 2**, the State of California's (Aa3/AA-/AA-; JPM LOC) daily reset VRDBs have outperformed its weekly resets by an average of 16 bps in the past six months. We recommend the Tollway convert its existing weekly resets to dailies at an expected all-in benefit. **As part of its early-2017 LOC renewals/replacements, we strongly recommend that the Tollway permit daily mode in its credit support and offering documents.**

Variable Rate Alternatives. We recognize that the Authority has recently undertaken a process to renew and/or extend the credit facilities supporting its underlying variable rate bonds. While the use of traditional variable rate bonds has been beneficial to the Authority, we would recommend that the Authority consider alternative variable rate products for the future, especially for the standby bond purchase agreements ("SBPA") that were renewed and will expire in one year on February 2, 2018. Specifically, we believe that it may be beneficial for the Authority to consider Floating Rate Notes ("FRNs") and Jefferies' proprietary variable rate product, Exempt Periodic Remarketed Obligations ("e-PROs"), neither of which requires liquidity support, unlike traditional variable rate bonds.

Figure 2. State of CA: Weeklies vs. Dailies



Given the future impact of BASEL III on bank capital charges, we would expect that the costs for LOCs will increase in the future. Further, in a rising interest rate environment, it is possible that banks will divert their LOC/lending capacity to corporate issuers which could result in a lower allocation of balance sheet to municipal clients or result in higher costs for LOCs. As such, the ability to maintain variable rate exposure without incurring disproportionately high credit enhancement costs is a prudent course of action. To that end, **Tables 16** and **17** compare the benefits, considerations, and pricing for VRDBs, FRNs, and e-PROs.

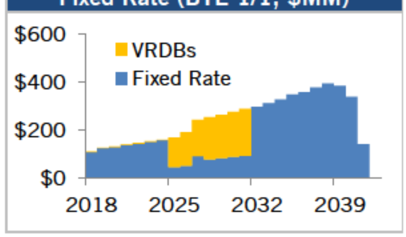
Table 16. Comparison of Variable Rate Alternatives			
	Variable Rate Demand Bonds ("VRDBs")	Floating Rate Notes ("FRNs")/ Index Bonds	Exempt Periodic Remarketed Obligations ("e-PRO")
Overview	✓ The "standard" short-term product ✓ Daily/weekly remarketing with bank liquidity support	✓ Bonds price at a fixed spread to an index (i.e., SIFMA, LIBOR, CPI) ✓ No bank liquidity required	✓ Weekly remarketing that relies on market liquidity ✓ Several shared features with VRDBs
Trading Spread	✓ Established on each reset date at lowest interest rate that sells all of the bonds at par	✓ Established at issuance ✓ Fixed spread to index	✓ Lowest interest rate that sells all of the bonds at par
Liquidity Fees	✓ **30-40 bps for A to AA rated credits**	✓ **N/A**	✓ **N/A**
Remarketing Fees	✓ 5-10 bps	✓ N/A	✓ 25 bps
Reset	✓ Daily or weekly	✓ Typically weekly	✓ Daily, weekly, monthly or CP
Tender Provision	✓ Daily or 5 business days	✓ Secondary market sale	✓ 5 business days
Liquidity Provider	✓ Bank ✓ Potential for issuer self-liquidity	✓ N/A	✓ Market
Failed Remarketing	✓ Bonds become "bank bonds"	✓ <u>Maturity/Hard Put:</u> Event of Default ✓ <u>Soft Put:</u> No default; bonds pay interest at a Step-Up Rate	✓ <u>Soft Put:</u> No default, but Step-Up Rate
Step-Up Rate/Fail Rate	✓ N/A	✓ Can vary by issuer, but typically 8-12%	✓ 8-12%
2a-7 Qualified?	✓ Yes	✓ No	✓ No
Challenges	✓ Dependent on bank liquidity	✓ Buyer base may switch to higher yielding alternatives when curve steepens	✓ Buyer base may switch to higher yielding alternatives as curve steepens
Est. Market Size	✓ $275 Billion ✓ Market continues to shrink roughly 5-10% per year due to direct lending, swap unwinds and attractive fixed rate borrowing costs	✓ $30-35 Billion (Exc. Student Loans)	✓ $1.5 Billion

Table 17. Comparison of Risks and Costs				
	LOC Backed VRDBs	e-PRO	SIFMA FRNs	LIBOR FRNs
Exposure to Interest Rates	✓	✓	✓	✓
Exposure to Issuer's Credit	✓	✓	✓	✓
Availability and Price of Liquidity	✓			
Liquidity Bank Credit Risk	✓			
Put Risk	✓	✓	✓	✓
Refinancing Risk	✓	✓	✓	✓
Tenor	3 Years	3 Years	3 Years	3 Years
Base Interest Rate	SIFMA	SIFMA + 25bps	SIFMA + 70bps	LIBOR + 80bps
Remarketing Fee	7bps	25bps	--	--
Ongoing Costs	SIFMA + 7bps	SIFMA + 50bps	SIFMA + 70bps	LIBOR + 80bps
Annualized Upfront Costs	7bps	16bps	--	--
Costs With Bank Facility (39bps)	SIFMA + 53bps	SIFMA + 66bps	SIFMA + 70bps	LIBOR + 80bps(1)

(1) Based upon current relationship between SIFMA and LIBOR, this equates to SIFMA + 93bps

Re-Amortize Variable Rate Exposure. Since there is no yield penalty for amortizing variable rate debt out long, whereas the fixed rate yield curve is upward-sloping, VRDOs should ideally be structured as the Tollway's longest debt. Figure 3 shows that the opposite is true today: $1.2 billion of swapped VRDBs have a weighted average life of 11.1 years versus 15.4 years for $4.7 billion of fixed rate debt. This provides a measure of flexibility to re-adjust the amortization to longer maturities and rebalance its portfolio by (i) issuing additional, long-dated VRDOs, or (ii) re-amortizing existing VRDOs with or without adjusting the swaps, as discussed below.

Figure 3. Amortization of VRDBs vs. Fixed Rate (BYE 1/1, $MM)



Address the Swapped VRDOs: Fix-Out the Swapped VRDBs. Depending on (i) the relationship between the cash bond market and the swap market, and (ii) the Tollway's LOC costs, the Tollway could potentially fix-out all or a portion of its swapped VRDBs at an all-in benefit, similar to the strategy employed in 2010. Fixing out the VRDBs would permit re-allocation of VRDB exposure to longer, much more beneficial maturities. The current market is not supportive of this strategy, due to (a) underperformance of the cash market and (b) the Tollway's low bank facility cost (averaging 39 bps per the Tollway's Addendum). However, as the Tollway approaches the issuance of the 2017 new money bonds, it should analyze the benefit of this swap unwind strategy and add a separate series of refunding bonds, as needed. As in 2010, the shortest component of the swapped floaters ($236.7 million now mature within 10 years) will be the most attractive candidates for a fix-out.

Address the Swapped VRDOs: Leave the Swaps, Adjust the Debt. The Tollway can, alternatively, **extend the life of its variable rate obligations without disturbing the hedge for the duration of the swaps**. By re-amortizing the VRDBs longer without adjusting the swaps, the associated variable rate debt will simply become unhedged as the swap notional reduces. This exposes the Authority to future interest rate risk, but does not create a problem for the swaps themselves. As such, the Tollway can amortize equivalent fixed rate debt earlier in the maturity structure.

Summary. ***Jefferies' recommended approach of issuing fixed rate bonds using a backloaded structure as well as our recommendations for existing debt strike an important balance between locking in today's low borrowing costs and maximizing the Tollway's flexibility to manage interest rate risk and financing uncertainty surrounding its future funding needs.***

IV. Recent Case Studies

State of Illinois: $1,303,145,000 General Obligation Refunding Bonds, Series of October 2016. Jefferies served as lead-left senior manager on the State's previous $1.8 billion GO refunding, in May 2012. In September 2016, we were named as joint book-runner on the State's $1.3 billion GO refunding. **Jefferies had full structuring responsibilities for the transaction, due to our expertise with the State's complex statutory debt constraints.** Jefferies' co-lead banker John Gust developed a model to identify monthly debt service fund deposit implications for all 107 refunded CUSIPs, both on an aggregate and program-by-program basis, in order to measure both the debt service and cashflow implications of the State's refunding and inform the optimal refunding structure. Leading up to the sale, the team battled a declining overall market as well as negative news headlines and a rating downgrade of the State. Despite only having three weeks from mandate to pricing, Jefferies and the other joint book-running senior manager coordinated 25 one-on-one investor calls between State officials and targeted buyers. Jefferies also organized 16 investor calls for the State on its previous competitive pricing, in June 2016. At pricing, the team leveraged AGM insurance on the final three maturities (2030-2032) in order to push investor demand into earlier years of high supply.

Metropolitan Transportation Authority: $645,655,000 Transportation Revenue Refunding Bonds, Series 2016D. In October 2016, Jefferies served as Senior Manager for the Metropolitan Transportation Authority's (MTA) $645 million refunding transaction for its Transportation Revenue Bond (TRB) program. The bonds were issued to current refund $526 million of bonds and advance refund $17 million of fixed rate bonds for savings of $112 million. MTA also refunded the remaining $252 million of auction rate securities (ARS) which had fail rates leveraged to the LIBOR index. With the Federal Reserve prepared to raise interest rates again before the end of the year it was prudent to finally refinance the ARS in advance of increasing interest rates. **In developing this financing plan, Jefferies' bankers devised an innovative cross-credit refunding for the certificates of participation (COP ARS) which used existing debt service funds on hand to meet the requirements of the MTA Act while still satisfying the requirements of tax code. As part of this financing the swaps associated with the COP ARS were re-assigned to other unhedged variable rate bonds of the MTA**. During a period of heavy supply, Jefferies differentiated the MTA bond sale using a diversified coupon structure. With a mix of 3%, 4%, and 5% coupon bonds, the 1-day retail order period received $178 million of retail orders from individuals and professional retail investors. Active professional retail accounts included Sterling Capital, Samson Capital, Gannett Welsh, Columbia, Alliance Bernstein, and more. ***In addition, Jefferies expanded the investor base for the TRB credit by obtaining orders from 3 new investors.*** During the institutional order period demand was robust in certain maturities and allowed for spread tightening of 1-2 basis points. However bonds in the 2020 and 2021 and 2028 through 2030 maturities lagged behind and remained unsold. ***Jefferies recognized value in the bonds and made a commitment to underwrite $189 million of unsold bonds to maintain aggressive pricing spreads.*** The Authority achieved an all-in-TIC of 2.872%.

State of Wisconsin: $339,745,000 Transportation Revenue Bonds, 2014 Series 1. In 2014, Jefferies senior-managed the State of Wisconsin's $340 million transportation revenue bond offering, the largest issuance for this program in several years. The bonds were issued for both new money purposes and to provide economic refunding savings. Jefferies was awarded the role as a result of our strong historical performance for the State, and for providing innovative ideas specific to the transportation program.

In late 2013, the State's new capital finance director asked his underwriter pool to take a fresh look at the State's various borrowing programs, and how they could be improved. **Co-lead banker John Gust's comprehensive response for the transportation credit** included near-term improvements, such as overhauling the format of the State's debt service coverage disclosure, as well as long-term ideas to improve the program's ability to meet the State's goals. We also identified potential constraints in the State's debt portfolio and provided potential solutions. The State implemented our near-term recommendations in the program, and mandated Jefferies as senior manager on its next financing.

As part of the 2014 issuance, Jefferies coordinated a series of one-on-one investor calls with the State as well as a recorded online roadshow. In all, the State's investor outreach participants put in $301 million of orders and were allotted $140 million of bonds, representing over 40% of the issuance. The State also achieved its first AAA rating, from Kroll Bond Rating Agency. The bonds priced on March 20, 2014. The financing was the marquee municipal issue of the week – and set the tone for strong performance in the primary tax-exempt market during a turbulent market period. The State and its team structured the bonds with a mix of coupons and call provisions (including eight-year and five-year calls) to broaden market appeal and provide desired structuring flexibility. The five-year call bonds in particular met an unsatisfied need in the primary market, and priced extremely aggressively. The State ultimately received over $1 billion in orders, allowing the team to tighten yields in oversubscribed maturities. In order to maintain our quoted levels, Jefferies underwrote at-risk $18 million of unsold balance.

V. Conducting a Negotiated Sale

Treatment of Retail Investors and Retail Order Period. Given the anticipated structure of the transaction in years 15 through 25, **we do not believe a separate retail order period would be advantageous.** That being said, we do anticipate retail investors, primarily professional retail, will play a contributing role in the proposed new money transaction. As such, we recommend that the Authority give retail priority during the institutional order period for specific maturities where we believe that professional retail can play a significant role.

The current compressed yield curve environment has diminished the importance and participation of true "mom and pop" retail investors, and accentuated the importance of professional retail investors, which are covered extensively by Jefferies. The ability to effectively leverage professional retail investors such as SMAs, money managers and trust accounts will help establish the most aggressive pricing levels by using price tension to engender competition for bonds between this key investor segment and larger institutional investors to benefit the Authority. As such, we recommend that professional retail, particularly trust departments, money managers, and investment advisors be included within the definition of retail during the retail order period. By including these investors within the definition of retail and giving them priority for specific maturities during the institutional order period, the Authority can increase competition for bonds that will ultimately lower borrowing costs. As it relates to retail orders, we recommend a maximum order size of $500,000 and that zip codes be required for each order placed.

Syndicate Structure and Designation Rules. Assuming a $300 million financing, we recommend that the Authority continue with its past practice of using two joint book-running senior managers. The two joint senior managers would split the economics and SDC credit equally. Additionally, we recommend a syndicate that includes one co-senior manager and four co-managers. With respect to the co-senior managers and co-managers, we believe that they should represent a mix of local, regional, and national firms as well as M/WBE firms that can provide for a diverse distribution of bonds across all investor segments. Based upon this syndicate size, we recommend the following underwriting liabilities:

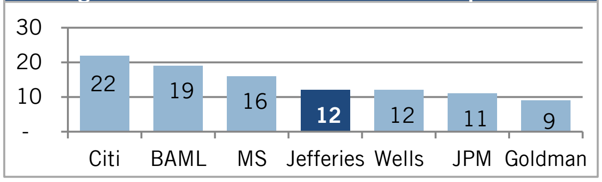
- ✓ Joint senior managers (2) – 30% each
- ✓ Co-senior manager (1) – 15%
- ✓ Co-managers (4) – 6.25% each

Historically, the Authority has used a Group Net priority policy during the institutional order period and given the size and scope of the Authority's anticipated funding needs, we believe that it should maintain this policy, with one caveat – the Authority can incentivize retail investors and create greater competition for bonds by giving professional retail priority for certain maturities during the institutional order period. Table 18 summarizes our priority and designation policies.

Table 18. Priority Policy	Designation Policy
Institutional Order Period 1. Group Net/Retail for specific maturities 2. Member	1. Compensation based upon underwriting liabilities shown above

Summary of Jefferies' Distribution Platform. Below we provide a summary of our distribution capabilities that will be essential in executing a comprehensive marketing program.

Figure 4. Institutional Sales Force Comparison



Institutional Distribution. Jefferies offers a balanced distribution system that caters to both institutional and professional retail investors. The size of our sales force (illustrated in **Figure 4**) allows us to effectively cover our investors without neglecting smaller institutions or any retail clients. Our institutional investor base includes 1,100+ portfolios, holding over $1 trillion in municipal assets. We know who holds the Tollway's bonds and who may be appropriate new buyers. Institutional coverage of accounts by most firms is usually limited to the "Tier 1" or largest 100 accounts. We also focus on the very important middle market (Tier 2 & 3) accounts, a rapidly growing and underserved sector of municipal investors. These accounts place access to bonds above pricing differentials, and represent the most aggressive buying sector. The strength of our relationships with investors across all tiers will translate into increased demand and lower interest rates for the Tollway during pricing. Currently, over 30% of our total sales volume represents second and third-tier coverage. ***We believe that this focus and significant sales volume in the middle market tiers are differentiating factors for Jefferies and represent a marketing advantage that can benefit the Tollway on its future transactions.***

Retail Distribution. In addition to our institutional distribution capabilities, Jefferies' well-balanced platform also reaches retail buyers through **(i)** our strong relationships with retail proxies, **(ii)** our Wealth Management Group, and **(iii)** our retail alliance with E*TRADE.

Retail Proxies. Retail proxies are the driving force to achieve optimal pricing results in today's market. The majority of current retail buying power is composed of small- to mid-sized investment advisors, separate managed accounts ("SMAs") and money managers that fall into the category of Tier 2 and Tier 3 accounts. These professional managers make investment decisions for a myriad of individuals and represent an extremely cost-effective distribution platform for issuer clients. Typically, orders from this proxy group exceed those from traditional "mom and pop" retail customers.

Our strong relationships with this investor base will broaden and enhance demand for the Tollway's bonds. Jefferies is extremely active in this sector – we cover over 160 of the most active professional retail accounts. Our trading with retail proxies comprised over 40% of our secondary trading volume in the last year. ***In today's market, given our relationships with retail proxies, we are better positioned than our competitors to deliver cost-effective retail distribution.***

Jefferies' Wealth Management Group. Jefferies' Wealth Management professionals serve "mom and pop" retail clients and will reach out to local retail investors. We have 107 wealth managers who actively manage $5 billion in client assets, including 10 representatives in Illinois.

E*TRADE *Exclusive Alliance with E*TRADE.* Jefferies has entered into an agreement with E*TRADE Securities LLC ("E*TRADE") for the retail distribution of municipal securities. As part of this alliance, when Jefferies serves as underwriter for the Tollway's bond offerings, retail customers of E*TRADE may place orders for bonds through Jefferies. The E*TRADE platform has one of the largest concentrations of self-directed retail investors, but has historically had limited access to the municipal new issue market. With $307 billion in total customer assets and 3.4 million brokerage accounts, the E*TRADE retail network represents a large pool of potential investors which can facilitate retail investor participation in bond offerings where Jefferies is involved. **E*TRADE employs 10 retail representatives within Illinois.**

Jefferies' Marketing Plan for the Tollway. Given the level of the Tollway's existing debt and recent frequent issuance, the ability to diversify the investor base by targeting new investors or investors who do not hold a significant amount of the Tollway's bonds will be paramount in achieving the most aggressive pricing levels. As discussed previously, our distribution platform targets a diverse array of investors, both traditional and non-traditional, from all tiers that can play a significant role in diversifying the Tollway's investor base and lowering borrowing costs. Below we provide a detailed discussion of Jefferies' marketing strategy for the Tollway's upcoming new money transaction.

Jefferies' Internal Marketing Activities. Jefferies' team gives 100% focus and attention to each engagement. For any bond sale, we take the following steps (among others) to ensure all parties are comfortable and knowledgeable regarding the financing structure and to generate demand for the securities.

- ✓ ***Internal Communication*** – At Jefferies, there is a constant information flow between all team members throughout the process ensuring a coordinated effort between banking and distribution.
- ✓ ***Sales Point Memo*** – Prior to each senior managed and co-managed financing, a sales point memo is disseminated to Jefferies' sales force that provides a high-level overview of the credit structure and plan of finance. This document is widely used by the sales force in their discussions with investors.
- ✓ ***Credit Committee and Sales Force Teach-In*** – Prior to each senior managed financing, Jefferies' credit strategist and other desk professionals are brought up to speed on the financing. For all financings, the banking team and credit strategist will subsequently coordinate an in-person sales force teach-in following the distribution of the POS; this bolsters the sales force's ability to communicate the credit story to the investor universe.
- ✓ ***Canvassing the Universe of Institutional Investors*** – Each of Jefferies' salespersons covers different investors. Jefferies' lead underwriter, **Roy Carlberg**, coordinates the feedback from all investors and makes recommendations to the scale and structure accordingly.

The Tollway has been extremely active over the last several years with multiple bond offerings. As such, we view the marketing plan as an opportunity to continue to inform the investor universe on its capital plan and borrowing program with the goal of expanding the universe of buyers and to demonstrate the Tollway's overall credit strengths and differentiate its offering(s) from other competing supply. The investor outreach effort should include a recorded internet roadshow and we recommend that the Tollway continue to engage in one-on-one investor calls, especially to energize new investors to broaden distribution and create productive price tension. We have found that such one-on-one communication is by far the most effective tool in energizing new investors. We have shown that one-on-one discussions with the issuer can actively drive interest on offerings:

1. *State of Illinois GO:* 22 investor calls ⇨ $1.8 billion participant orders
2. *Chicago City Colleges GO:* 30 investor calls/meetings ⇨ $371 million of participant orders
3. *Chicago Public Schools GO:* 8 investor calls/meetings, representing 19% of outstanding debt ⇨ $109 million of participant orders
4. *San Diego County Regional Airport Authority:* 12 investor calls ⇨ $496 million participant orders
5. *State of Wisconsin TRBs:* 5 investor calls ⇨ $107 million participant orders

Broadening the Tollway's Investor Base. **Table 19** illustrates our approach to identifying investors for the Tollway's new money financing(s). Using the data in **Table 19**, we identify certain key investors that we should be targeting in the Tollway's 2017 sale by looking at the yellow highlighted investors who are large holders of

Table 19. Top 10 Holders of Illinois Tollway and Comparable Transportation Authorities

TOP 10 HOLDERS OF ILLINOIS TOLLWAY		TOP 10 HOLDERS OF COMPARABLE TRANSPORTATION AUTHORITIES				
	Par Held ($000)	Par Held ($000)				
Bond Holders	Illinois Tollway	Harris County Toll Road Auth.	Bay Area Toll Auth.	Ohio Turnpke & Infrastructure	Pennsylvania Turnpike	Central Florida Expressway
	Aa3/AA-/AA-	Aa2/AA-/AA	Aa3/AA/AA	Aa3/AA-/AA	Aa3/AA/A+	A2/A/A
Vanguard	305,955	126,980	874,843	80,960	1,822,870	193,615
Nuveen	245,765	12,505	132,240	121,760	571,765	500
BlackRock	238,284	41,170	195,125	76,960	326,504	10,000
JPM	194,400	5,750	28,743	2,000	14,225	1,350
Capital Re. & Mgmt.	159,225	53,505	175,760	7,250	90,650	4,000
Federated	149,450	4,015	64,115	14,000	86,245	3,000
Charles Schwab	147,970	-	124,942	-	6,905	-
Fidelity	122,500	6,935	47,875	50,475	65,695	-
Prudential	101,830	-	204,428	-	168,984	-
AllianceBernstein	96,715	14,290	105,125	-	67,246	5,500
T. Rowe Price	90,460	-	110,930	-	24,670	24,115
Wells Capital Mgmt.	88,550	1,000	134,030	17,500	156,465	-
State Farm	78,000	115,350	-	-	15,850	95,245
Metlife	73,985	40	146,775	-	154,935	-
Deutsche	56,310	9,245	16,850	38,765	181,625	44,105
PIMCO	32,640	6,430	615,925	28,115	169,405	-
HIMCO	24,150	5,505	49,195	85,000	122,913	28,300
Franklin Advisers	20,245	16,000	482,245	100,200	291,375	-
WAMCO	13,450	11,500	201,735	-	127,320	-
Loews	-	10,790	130,660	332,140	230,825	-

Holder of 6 out of the 6 issuers above all of the comparable transportation authorities listed. Table 20 lists out these investors by category: (i) existing large holders of the Tollway's bonds; (ii) large holders of comparable toll road bonds who do not hold a significant amount of the Tollway's paper; and (iii) Jefferies' recommended investors who do not fall into the first two categories and who we have longstanding relationships with. **Vanguard** is currently the number one holder of the Tollway paper. **Loews** holds over $690 million combined of BATA, Ohio Turnpike and Pennsylvania Turnpike debt but none of the Tollway's and thus, would be a perfect target for the 2017 sale and any future sale. **Northern Trust** and **Invesco** are not in the top-10 of the Tollway or comparable toll road holders, but Jefferies' underwriting desk recommends targeting them as we have strong relationships with these investors.

Table 20. Targeting Specific Investors

Large Holders of Illinois Tollway	Large Holders of AA/A- Rated Toll Road Bonds	Jefferies' Recommendations
Vanguard	Franklin Advisers	Mass Mutual
Nuveen	PIMCO	Boston Company
BlackRock	Loews	Gannett
JPM	WAMCO	Putnam
Capital Re	Wells Capital	Northern Trust
Federated	MetLife	Invesco

This type of investor breakdown/analysis to proactively target specific investors, combined the investor roadshow and one-on-one discussions will: (i) provide anchor orders from key existing bondholders to allow for an aggressive pricing stance; and (ii) allow for a broader investor base to create competition for the Tollway's bonds and lower overall borrowing costs.

Key Credit and Marketing Messages. While identifying key investor targets is important, the development of key messaging points to relate to investor targets, as well as to the rating agencies, is equally important. The Tollway maintains strong Aa3/AA-/AA- ratings (M/S/F) with stable outlooks. Below we highlight anticipated credit challenges as well as strategies to address them with the rating agencies and investors. In general, the Tollway should focus on maintaining an ongoing dialogue with the rating agencies and investors as the capital program and borrowing needs move forward, to allow you to strategically manage the dialogue on your own terms.

Table 21. The Tollway's Credit and Marketing Challenges

Credit Challenges

- Additional debt needs and impact on key metrics - VRDO and swap exposure - Timing of toll increases - Traffic level sensitivity

Credit Strengths to Mitigate Challenges

+ Strong existing and historical debt service coverage levels (2.57x in FY 2015) can prospectively support added debt service
+ Strong liquidity levels (over 1,000 days cash-on-hand) can accommodate additional debt needs
+ Large integrated and essential system ensures strong future traffic and justifies future capital development – traffic volume has continued to increase each year for both commercial and passenger (total traffic increased 5.2% in FY 2015)
+ Strong revenue growth combined with excellent expense management provide for strong net revenue results which will bolster coverage and liquidity levels with additional debt layered in – total operating revenues increased almost 18% in FY 2015 while operating expenses increased only 0.22%
+ Traffic demand is inelastic to toll rate increases which will support additional debt and maintain strong financial metrics
+ Management track record of successfully managing large capital projects on time and on budget and of controlling expenses to boost and maintain strong financial position
+ Management track record of successfully implementing toll increases provides comfort for ability to continue to do to support new debt and maintain solid financial results
+ Significant amount ($2.5B) of debt is callable by 2026, providing potential to strategically additional debt service through refunding savings
+ Ability to unwind portion of existing swaps and fix out underlying variable rate bonds mitigates swap risks and variable rate debt risk

As shown above, the Tollway has numerous credit strengths that offset the likely credit considerations for the rating agencies and investors. Further, the Tollway's management team has done a tremendous job at managing expenses and operations to help improve the financial profile of the System.

Summary. As discussed above, Jefferies has an extensive distribution network that will leverage these key credit message points to execute our comprehensive marketing program and deliver the lowest cost of capital for the Tollway.

TAB 7 – FINANCIALS

The three most recent Year End Financial Statements for Jefferies Group, LLC., our parent company, can be found in the enclosed CD labeled **Packet 1**.

Section 1: 10-K (10-K)

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended November 30, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from __________ to __________

Commission File Number: 1-14947

JEFFERIES GROUP LLC
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**95-4719745** **(I.R.S. Employer Identification No.)**
520 Madison Avenue, **New York, New York** **(Address of principal executive offices)**	**10022** **(Zip Code)**

Registrant's telephone number, including area code:
(212) 284-2550

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
5.125% Senior Notes Due 2023	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: Limited Liability Company Interests

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $0 as of May 31, 2014.

The Registrant is a wholly-owned subsidiary of Leucadia National Corporation and meets the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with a reduced disclosure format as permitted by Instruction I(2).

JEFFERIES GROUP LLC
2014 FORM 10-K ANNUAL REPORT
TABLE OF CONTENTS

PART I

Item 1.	Business	2
Item 1A.	Risk Factors	7
Item 1B.	Unresolved Staff Comments	12
Item 2.	Properties	12
Item 3.	Legal Proceedings	12
Item 4.	Mine Safety Disclosures	13

PART II

Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	14
Item 6.	Selected Financial Data	14
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	57
Item 8.	Financial Statements and Supplementary Data	58
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	145
Item 9A.	Controls and Procedures	145
Item 9B.	Other Information	145

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	146
Item 11.	Executive Compensation	146
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	146
Item 13.	Certain Relationships and Related Transactions, and Director Independence	146
Item 14.	Principal Accountant Fees and Services	146

PART IV

Item 15.	Exhibits and Financial Statement Schedules	148

JEFFERIES GROUP LLC AND SUBSIDIARIES

PART I

Item 1. Business.

Introduction

Jefferies Group LLC and its subsidiaries operate as a global full service, integrated securities and investment banking firm. Our principal operating subsidiary, Jefferies LLC ("Jefferies"), was founded in the U.S. in 1962 and our first international operating subsidiary, Jefferies International Limited ("Jefferies Europe"), was established in the U.K. in 1986. On March 1, 2013, Jefferies Group, Inc. converted into a limited liability company (renamed Jefferies Group LLC) and became an indirect wholly owned subsidiary of Leucadia National Corporation ("Leucadia") (referred to herein as the "Leucadia Transaction"). Richard Handler, our Chief Executive Officer and Chairman, was also appointed the Chief Executive Officer of Leucadia, as well as a Director of Leucadia. Brian P. Friedman, our Chairman of the Executive Committee, was also appointed Leucadia's President and a Director of Leucadia. Following the Leucadia Transaction, Jefferies Group LLC retains a credit rating separate from Leucadia and remains an SEC reporting company, filing annual, quarterly and periodic financial reports.

Since 2000, we have grown considerably and become increasingly diversified, increasing our market share and the breadth and depth of our business. Our growth has been achieved through the addition of talented personnel in targeted areas, as well as the acquisition of complementary businesses. At November 30, 2014, we had 3,915 employees in the Americas, Europe, Asia and the Middle East. Our global headquarters and executive offices are located at 520 Madison Avenue, New York, New York 10022. We also have regional headquarters in London and Hong Kong. Our primary telephone number is (212) 284-2550 and our Internet address is jefferies.com.

The following documents and reports are available on our public website:

- Annual and interim reports on Form 10-K;
- Quarterly reports on Form 10-Q;
- Current reports on Form 8-K;
- Code of Ethics
- Reportable waivers, if any, from our Code of Ethics by our executive officers;
- Board of Directors Corporate Governance Guidelines;
- Charter of the Corporate Governance and Nominating Committee of the Board of Directors;
- Charter of the Compensation Committee of the Board of Directors;
- Charter of the Audit Committee of the Board of Directors;
- Any amendments to the above-mentioned documents and reports.

Interested persons may also obtain a printed copy of any of these documents or reports by sending a request to Investor Relations, Jefferies Group LLC, 520 Madison Avenue, New York, NY 10022, by calling 203-708-5975 or by sending an email to info@jefferies.com.

Business Segments

We currently operate in two business segments, Capital Markets and Asset Management. Our Capital Markets reportable segment, which principally represents our entire business, consists of our securities and commodities trading activities and our investment banking activities. The Capital Markets reportable segment provides the sales, trading and/or origination and execution effort for various equity, fixed income, commodities, futures, foreign exchange and advisory products and services. The Asset Management segment includes asset management activities and related services.

JEFFERIES GROUP LLC AND SUBSIDIARIES

Financial information regarding our reportable business segments at November 30, 2014, November 30, 2013 and November 30, 2012 is set forth in Note 24, Segment Reporting, in this Annual Report on Form 10-K.

Our Businesses

Capital Markets

Our Capital Markets segment focuses on Equities, Fixed Income (including futures, foreign exchange and commodities activities) and Investment Banking. We primarily serve institutional investors, corporations and government entities.

Equities

Equities Research, Sales and Trading

We provide our clients full-service equities research, sales and trading capabilities across global securities markets. We earn commissions or spread revenue by executing, settling and clearing transactions for clients across these markets in equity and equity-related products, including common stock, American depository receipts, global depository receipts, exchange-traded funds, exchange-traded and over-the-counter ("OTC") equity derivatives, convertible and other equity-linked products and closed-end funds. We act as agent or principal (including as a market-maker) when executing client transactions via traditional "high-touch" and electronic "low-touch" channels. In order to facilitate client transactions, we may act as principal to provide liquidity, which requires the commitment of our capital and certain maintenance of dealer inventory.

Our equity research, sales and trading efforts are organized across three geographical regions: the Americas; Europe, the Middle East, and Africa ("EMEA"); and Asia Pacific. Our main product lines within the regions are cash equities, electronic trading, derivatives and convertibles. Our clients are primarily institutional market participants such as mutual funds, hedge funds, investment advisors, pension and profit sharing plans, and insurance companies. Through our global research team and sales force, we maintain relationships with our clients, distribute investment research and strategy, trading ideas, market information and analyses across a range of industries and receive and execute client orders. Our equity research covers over 1,800 companies around the world and a further approximate 600 companies are covered by eight leading local firms in Asia Pacific with whom we maintain alliances.

Equity Finance

Our Equity Finance business provides financing, securities lending and other prime brokerage services.

We offer prime brokerage services in the U.S. that provide hedge funds, money managers and registered investment advisors with execution, financing, clearing, reporting and administrative services. We finance our clients' securities positions through margin loans that are collateralized by securities, cash or other acceptable liquid collateral. We earn an interest spread equal to the difference between the amount we pay for funds and the amount we receive from our clients. We also operate a matched book in equity and corporate bond securities, whereby we borrow and lend securities versus cash or liquid collateral and earn a net interest spread.

Customer assets (securities and funds) held by us are segregated in accordance with regulatorily mandated customer protection rules. We offer selected prime brokerage clients with the option of custodying their assets at an unaffiliated U.S. broker-dealer that is a subsidiary of a bank holding company. Under this arrangement, we provide our clients directly with all customary prime brokerage services.

Wealth Management

We provide tailored wealth management services designed to meet the needs of high net worth individuals, their families and their businesses, private equity and venture funds and small institutions. Our advisors provide access to all of our institutional execution capabilities and deliver other financial services. Our open architecture platform affords clients access to products and services from both our firm and from a variety of other major financial services institutions.

Fixed Income

Fixed Income Sales and Trading

We provide our clients with sales and trading of investment grade and high yield corporate bonds, U.S. and European government and agency securities, municipal bonds, mortgage- and asset-backed securities, whole loans, leveraged loans, distressed securities, emerging markets debt and derivative products. Jefferies is designated as a Primary Dealer by the Federal Reserve Bank of New York and Jefferies International Limited is designated in similar capacities for several countries in Europe and trades a broad spectrum of other European government bonds. Additionally, through the use of repurchase agreements, we act as an intermediary between borrowers and lenders of short-term funds and obtain funding for various of our inventory positions. We trade and make markets globally in cleared and uncleared swaps and forwards referencing, among other things, interest rates, investment grade and non-investment grade corporate credits, credit indexes and asset-backed security indexes. We are registered as a swap dealer with the CFTC.

Our strategists and economists provide ongoing commentary and analysis of the global fixed income markets. In addition, our fixed income research professionals, including research and desk analysts, provide investment ideas and analysis across a variety of fixed income products.

Futures, Foreign Exchange and Commodities

We provide our clients 24-hour global coverage, with direct access to major commodity and financial futures exchanges including the CME, CBOT, NYMEX, ICE, NYSE Euronext, LME and Eurex and provide 24-hour global coverage, execution, clearing and market making in futures, options and derivatives on industrial metals including aluminum, copper, nickel, zinc, tin and lead. Products provided to clients include LME and CME futures and over-the-counter metals swaps and options.

We operate a full-service trading desk in all precious metals, cash, futures and exchange-for-physicals markets, and are a market maker providing execution and clearing services as well as market analysis. We also provide prime brokerage services and are an authorized coin distributor of the U.S. Mint.

In addition, we are a market-maker in foreign exchange spot, forward, swap and option contracts across major currencies and emerging markets globally and conduct these activities through our futures commission merchant and our swap dealer each registered with the CFTC.

In late 2014, we began to pursue various strategic alternatives for our futures, foreign exchange and commodities business. These alternatives may include a sale to or combination with another similar business that improves the combined businesses’ competitive standing and margin and we anticipate that a decision in this regard will be forthcoming in the first half of fiscal 2015.

Investment Banking

We provide our clients around the world with a full range of equity capital markets, debt capital markets and financial advisory services. Our services are enhanced by our industry sector expertise, our global distribution capabilities and our senior level commitment to our clients.

Over 800 investment banking professionals operate in the Americas, Europe and Asia, and are organized into industry, product and geographic coverage groups. Our sector coverage groups include Consumer & Retailing; Financial Institutions; Industrials; Healthcare; Energy; Real Estate, Gaming & Lodging; Media & Telecommunications; Technology; Financial Sponsors and State & Local Governments. Our product coverage groups include equity capital markets; debt capital markets; financial advisory, which includes both mergers and acquisitions and restructuring and recapitalization and U.K. corporate broking. Our geographic coverage groups include coverage teams based in major cities in the United States, Canada, Brazil, the United Kingdom, Germany, Sweden, Russia, India, China and Singapore.

Equity Capital Markets

We provide a broad range of equity financing capabilities to companies and financial sponsors. These capabilities include private equity placements, initial public offerings, follow-on offerings, block trades and equity-linked convertible securities.

Debt Capital Markets

We provide a wide range of debt financing capabilities for companies, financial sponsors and government entities. We focus on structuring, underwriting and distributing public and private debt, including investment grade and non-investment grade corporate debt, leveraged loans, mortgage and other asset-backed securities, and liability management solutions.

Advisory Services

We provide mergers and acquisition and restructuring and recapitalization services to companies, financial sponsors and government entities. In the mergers and acquisition area, we advise sellers and buyers on corporate sales and divestitures, acquisitions, mergers, tender offers, spinoffs, joint ventures, strategic alliances and takeover and proxy fight defense. We also provide a broad range of acquisition financing capabilities to assist our clients. In the restructuring and recapitalization area, we provide to companies, bondholders and lenders a full range of restructuring advisory capabilities as well as expertise in the structuring, valuation and placement of securities issued in recapitalizations.

Asset Management

We provide investment management services to pension funds, insurance companies and other institutional investors. Our primary asset management programs are strategic investment, special situation and convertible bond strategies. We partner with Leucadia’s asset management business in providing asset management services.

Our strategic investment programs, including our Structured Alpha Program, are provided through the Strategic Investments Division of Jefferies Investment Advisers, LLC, which is registered as an investment adviser with the SEC. These programs are systematic, multi-strategy, multi-asset class programs with the objective of generating a steady stream of absolute returns irrespective of the direction of major market indices or phase of the economic cycle. These strategies are provided through both long-short equity private funds and separately managed accounts.

Our special situation programs, are also provided by Jefferies Investment Advisers, LLC, as investment manager, and consist of managed account and hedge fund offerings that employ event driven strategies evaluating corporate events, including mergers and restructuring for investment opportunities. Leucadia has made significant investments in the funds managed by these programs and, accordingly, a significant portion of the net results are allocated to Leucadia.

We offer convertible bond strategies through Jefferies (Switzerland) Limited, which is licensed by the Swiss Financial Market Supervisory Authority. These strategies are long only investment solutions in global convertible bonds offered to pension funds, insurance companies and private banking clients. As a result of an analysis of this activity, we have decided to wind-down our convertible bond offerings and expect that, pending regulatory approvals, these actions will be completed within the next twelve months.

Competition

All aspects of our business are intensely competitive. We compete primarily with large global bank holding companies that engage in capital markets activities, but also with firms listed in the AMEX Securities Broker/Dealer Index, other brokers and dealers, and boutique investment banking firms. The large global bank holding companies have substantially greater capital and resources than we do. We believe that the principal factors affecting our competitive standing include the quality, experience and skills of our professionals, the depth of our relationships, the breadth of our service offerings, our ability to deliver consistently our integrated capabilities, and our tenacity and commitment to serve our clients.

Regulation

Regulation in the United States. The financial services industry in which we operate is subject to extensive regulation. In the U.S., the Securities and Exchange Commission ("SEC") is the federal agency responsible for the administration of federal securities laws, and the Commodity Futures Trading Commission ("CFTC") is the federal agency responsible for the administration of laws relating to commodity interests (including futures and swaps). In addition, self-regulatory organizations, principally Financial Industry Regulatory Authority ("FINRA") and the National Futures Association ("NFA"), are actively involved in the regulation of financial service businesses. The SEC, CFTC and self-regulatory organizations conduct periodic examinations of broker-dealers investment advisers, futures commission merchants ("FCMs") and swap dealers. The applicable self-regulatory authority for Jefferies' activities as a broker-dealer is FINRA, and the applicable self-regulatory authority for Jefferies' FCM activities is the Chicago Board of Trade (which is owned by the CME Group). Financial service businesses are also subject to regulation by state securities commissions and attorneys general in those states in which they do business.

Broker-dealers are subject to SEC and FINRA regulations that cover all aspects of the securities business, including sales and trading methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure of securities firms, anti-money laundering efforts, recordkeeping and the conduct of directors, officers and employees. Registered advisors are subject to, among other requirements, SEC regulations concerning marketing, transactions with affiliates, disclosure to clients, and recordkeeping; and advisors that are also registered as commodity trading advisors or commodity pool operators are also subject to regulation by the CFTC and the NFA. FCMs, introducing brokers and swap dealers that engage in commodities, futures or swap transactions are subject to regulation by the CFTC and the NFA. Additional legislation, changes in rules promulgated by the SEC, CFTC and self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules may directly affect the operations and profitability of broker-dealers, investment advisers, FCMs and swap dealers. The SEC, the CFTC and self-regulatory organizations, state securities commissions and state attorneys general may conduct administrative proceedings or initiate civil litigation that can result in censure, fine, suspension, expulsion of a firm, its officers or employees, or revocation of a firm's licenses.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") was enacted in the United States. The Dodd-Frank Act is being implemented through extensive rulemaking by the SEC, the CFTC and other governmental agencies. The Dodd-Frank Act also mandates the preparation of studies on a wide range of issues. These studies could lead to additional regulatory changes. For additional information see Item 1A. Risk Factors – "Recent legislation and new and pending regulation may significantly affect our business."

Net Capital Requirements. U.S. registered broker-dealers are subject to the SEC's Uniform Net Capital Rule (the "Net Capital Rule"), which specifies minimum net capital requirements. Jefferies Group LLC is not a registered broker-dealer and is therefore not subject to the Net Capital Rule; however, its U.S. broker-dealer subsidiaries, Jefferies and Jefferies Execution Services, Inc. ("Jefferies Execution"), are registered broker-dealers and are subject to the Net Capital Rule. Jefferies and Jefferies Execution have elected to compute their minimum net capital requirement in accordance with the "Alternative Net Capital Requirement" as permitted by the Net Capital Rule, which provides that a broker-dealer shall not permit its net capital, as defined, to be less than the greater of 2% of its aggregate debit balances (primarily customer-related receivables) or $250,000 ($1.5 million for prime brokers). Compliance with the Net Capital Rule could limit operations of our broker-dealers, such as underwriting and trading activities, that require the use of significant amounts of capital, and may also restrict their ability to make loans, advances, dividends and other payments.

U.S. registered FCMs are subject to the CFTC's minimum financial requirements for futures commission merchants and introducing brokers. Jefferies Group LLC is not a registered FCM or a registered Introducing Broker, and is therefore not subject to the CFTC's minimum financial requirements; however, Jefferies is registered as a FCM following its merger with Jefferies Bache, LLC in September 2014 and is therefore subject to the minimum financial requirements. Under the minimum financial requirements, an FCM must maintain adjusted net capital equal to or in excess of the greater of (A) $1,000,000 or (B) the FCM's risk-based capital requirements totaling (1) eight percent of the total risk margin requirement for positions carried by the FCM in customer accounts, plus (2) eight percent of the total risk margin requirement for positions carried by the FCM in noncustomer accounts. An FCM's ability to make capital and certain other distributions is subject to the rules and regulations of various exchanges, clearing organizations and other regulatory agencies which may have capital requirements that are greater than the CFTC's. Jefferies, as a dually registered broker-dealer and FCM, is required to maintain net capital in excess of the greater of the SEC or CFTC minimum financial requirements.

Our subsidiaries that are registered swap dealers will become subject to capital requirements under the Dodd-Frank Act once they become final. For additional information see Item 1A. Risk Factors – "Recent legislation and new and pending regulation may significantly affect our business."

See Net Capital within Item 7. Management's Discussion and Analysis and Note 23, Net Capital Requirements in this Annual Report on Form 10-K for additional discussion of net capital calculations.

Regulation outside the United States. We are an active participant in the international capital markets, engaging in commodity futures brokerage and providing investment banking services internationally, but primarily in Europe and Asia. As is true in the U.S., our subsidiaries are subject to extensive regulations promulgated and enforced by, among other regulatory bodies, the U.K. Financial Conduct Authority, the Hong Kong Securities and Futures Commission, the Japan Financial Services Agency and the Monetary Authority of Singapore. Every country in which we do business imposes upon us laws, rules and regulations similar to those in the U.S., including with respect to some form of capital adequacy rules, customer protection rules, anti-money laundering and anti-bribery rules, compliance with other applicable trading and investment banking regulations and similar regulatory reform. For additional information see Item 1A. Risk Factors – "Extensive international regulation of our business limits our activities, and, if we violate these regulations, we may be subject to significant penalties."

Item 1A. Risk Factors.

Factors Affecting 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 specific factors mentioned in this report, we may also be affected by other factors that affect businesses generally such as global or regional changes in economic or business conditions, acts of war, terrorism and natural disasters.

Recent legislation and new and pending regulation may significantly affect our business.

In recent years, there has been significant legislation and increased regulation affecting the financial services industry. These legislative and regulatory initiatives affect not only us, but also our competitors and certain of our clients. These changes could have an effect on our revenue and profitability, limit our ability to pursue certain business opportunities, impact the value of assets that we hold, require us to change certain business practices, impose additional costs on us and otherwise adversely affect our business. Accordingly, we cannot provide assurance that legislation and regulation will not eventually have an adverse effect on our business, results of operations, cash flows and financial condition.

Title VII of the Dodd-Frank Act and the rules and regulations adopted and to be adopted by the SEC and CFTC introduce a comprehensive regulatory regime for swaps and security-based swaps and parties that deal in such swaps and security-based swaps. We have registered three of our subsidiaries as swap dealers with the CFTC and the NFA and may register one or more subsidiaries as security-based swap dealers with the SEC. The new laws and regulations subject certain swaps and security-based swaps to clearing and exchange trading requirements and subject swap dealers and security-based swap dealers to significant new burdens, including (i) capital and margin requirements, (ii) reporting, recordkeeping and internal business conduct requirements, (iii) external business conduct requirements in dealings with swap counterparties (which are particularly onerous when the counterparty is a special entity such as a federal, state, or municipal entity, an ERISA plan, a government employee benefit plan or an endowment), and (iv) large trader position reporting and certain position limit requirements. The final rules under Title VII, including those rules that have already been adopted, for both cleared and uncleared swap transactions will impose increased capital and margin requirements on our registered entities and require additional operational and compliance costs and resources that will likely affect our business.

Section 619 of the Dodd-Frank Act (Volcker Rule) limits certain proprietary trading by banking entities such as banks, bank holding companies and similar institutions. Although we are not a banking entity and are not otherwise subject to these rules, some of our clients and many of our counterparties are banks or entities affiliated with banks and are subject to these restrictions. These sections of the Dodd-Frank Act and the regulations that are adopted to implement them could negatively affect the swaps and securities markets by reducing their depth and liquidity and thereby affect pricing in these markets. Other negative effects could result from an expansive extraterritorial application of the Dodd-Frank Act in general or the Volcker Rule in particular and/or insufficient international coordination with respect to adoption of rules for derivatives and other financial reforms in other jurisdictions. We will not know the exact impact that these changes in the markets will have on our business until after the final rules are implemented.

The Dodd-Frank Act, in addressing systemic risks to the financial system, charges the Federal Reserve with drafting enhanced regulatory requirements for systemically important bank holding companies and certain other nonbank financial companies designated as systemically important by the Financial Stability Oversight Council. The enhanced requirements proposed by the Federal Reserve include capital requirements, liquidity requirements, limits on credit exposure concentrations and risk management requirements. We do not believe that we will be deemed to be a systemically important nonbank financial company under the new legislation and therefore will not be directly impacted. However, there will be an indirect impact to us to the extent that the new regulations apply to our competitors, counterparties and certain of our clients.

Extensive international regulation of our business limits our activities, and, if we violate these regulations, we may be subject to significant penalties.

The financial services industry is subject to extensive laws, rules and regulations in every country in which we operate. Firms that engage in securities and derivatives trading, commodity futures brokerage, wealth and asset management and investment banking must comply with the laws, rules and regulations imposed by national and state governments and regulatory and self-regulatory bodies with jurisdiction over such activities. Such laws, rules and regulations cover all aspects of the financial services business, including, but not limited to, sales and trading methods, trade practices, use and safekeeping of customers’ funds and securities, capital structure, anti-money laundering and anti-bribery and corruption efforts, recordkeeping and the conduct of directors, officers and employees.

Each of our regulators supervises our business activities to monitor compliance with such laws, rules and regulations in the relevant jurisdiction. In addition, if there are instances in which our regulators question our compliance with laws, rules, and regulations, they may investigate the facts and circumstances to determine whether we have complied. At any moment in time, we may be subject to one or more such investigation or similar reviews. At this time, all such investigations and similar reviews are insignificant in scope and immaterial to us. However, there can be no assurance that, in the future, the operations of our businesses will not violate such laws, rules, or regulations and that related investigations and similar reviews could result in adverse regulatory requirements, regulatory enforcement actions and/or fines.

The European Market Infrastructure Regulation (“EMIR”) was enacted in August 2012 and, in common with the Dodd-Frank Act in the U.S., is intended, among other things, to reduce counterparty risk by requiring standardized over-the-counter derivatives be cleared through a central counterparty and reported to registered trade repositories. EMIR is being introduced in phases in the U.K., with implementation of additional requirements expected through 2019. Likewise, the amendments to the Markets in Financial Instruments Directive and the Market Abuse Regulation and new Market Abuse Directive (“MAD 2”) both in response to recommendations from the European Commission following the financial crisis are likely to impact our business when they come into force during 2016. The European Commission’s changes to the Capital Requirements Directive (“CRD”) comprising CRD IV and the Capital Requirements Regulation (“CRR”) became effective January 1, 2014.

Additional legislation, changes in rules, changes in the interpretation or enforcement of existing laws and rules, or the entering into businesses that subject us to new rules and regulations may directly affect our business, results of operations and financial condition. We continue to monitor the impact of new European regulation on our businesses.

Changing conditions in financial markets and the economy could result in decreased revenues, losses or other adverse consequences.

As a global securities and investment banking firm, global or regional changes in the financial markets or economic conditions could adversely affect our business in many ways, including the following:

- A market downturn could lead to a decline in the volume of transactions executed for customers and, therefore, to a decline in the revenues we receive from commissions and spreads.
- Unfavorable financial or economic conditions could reduce the number and size of transactions in which we provide underwriting, financial advisory and other services. Our investment banking revenues, in the form of financial advisory and sales and trading or placement fees, are directly related to the number and size of the transactions in which we participate and could therefore be adversely affected by unfavorable financial or economic conditions.
- Adverse changes in the market could lead to losses from principal transactions on our inventory positions.
- Adverse changes in the market could also lead to a reduction in revenues from asset management fees and investment income from managed funds and losses on our own capital invested in managed funds. Even in the absence of a market downturn, below-market investment performance by our funds and portfolio managers could reduce asset management revenues and assets under management and result in reputational damage that might make it more difficult to attract new investors.
- Limitations on the availability of credit, such as occurred during 2008, can affect our ability to borrow on a secured or unsecured basis, which may adversely affect our liquidity and results of operations.
- New or increased taxes on compensation payments such as bonuses or on balance sheet items may adversely affect our profits.
- Should one of our customers or competitors fail, our business prospects and revenue could be negatively impacted due to negative market sentiment causing customers to cease doing business with us and our lenders to cease loaning us money, which could adversely affect our business, funding and liquidity.

Unfounded allegations about us could result in extreme price volatility and price declines in our securities and loss of revenue, clients, and employees.

Our reputation and business activity can be affected by statements and actions of third parties, even false or misleading statements by them. While we have been able to dispel such rumors in the past, our debt-securities prices suffered not only extreme volatility but also record high yields. In addition, our operations in the past have been impacted as some clients either ceased doing business or temporarily slowed down the level of business they do, thereby decreasing our revenue stream. Although we were able to reverse the negative impact of such unfounded allegations and false rumors, there is no assurance that we will be able to do so successfully in the future and our potential failure to do so could have a material adverse effect on our business, financial condition and liquidity.

A credit-rating agency downgrade could significantly impact our business.

Maintaining an investment grade credit rating is important to our business and financial condition. We intend to access the capital markets and issue debt securities from time to time; and a decrease in our credit rating would not only increase our borrowing costs, but could also decrease demand for our debt securities and make a successful financing more difficult. In addition, in connection with certain over-the-counter derivative contract arrangements and certain other trading arrangements, we may be required to provide additional collateral to counterparties, exchanges and clearing organizations in the event of a credit rating downgrade. Such a downgrade could also negatively impact our debt-securities prices. There can be no assurance that our credit ratings will not be downgraded.

Our principal trading and investments expose us to risk of loss.

A considerable portion of our revenues is derived from trading in which we act as principal. We may incur trading losses relating to the purchase, sale or short sale of fixed income, high yield, international, convertible, and equity securities and futures and commodities for our own account. In any period, we may experience losses on our inventory positions as a result of price fluctuations, lack of trading volume, and illiquidity. From time to time, we may engage in a large block trade in a single security or maintain large position concentrations in a single security, securities of a single issuer, securities of issuers engaged in a specific industry, or securities from issuers located in a particular country or region. In general, because our inventory is marked to market on a daily basis, any adverse price movement in these securities could result in a reduction of our revenues and profits. In addition, we may engage in hedging transactions that if not successful, could result in losses.

Increased competition may adversely affect our revenues, profitability and staffing.

All aspects of our business are intensely competitive. We compete directly with a number of bank holding companies and commercial banks, other brokers and dealers, investment banking firms and other financial institutions. In addition to competition from firms currently in the securities business, there has been increasing competition from others offering financial services, including automated trading and other services based on technological innovations. We believe that the principal factors affecting competition involve market focus, reputation, the abilities of professional personnel, the ability to execute the transaction, relative price of the service and products being offered, bundling of products and services and the quality of service. Increased competition or an adverse change in our competitive position could lead to a reduction of business and therefore a reduction of revenues and profits.

Competition also extends to the hiring and retention of highly skilled employees. A competitor may be successful in hiring away employees, which may result in our losing business formerly serviced by such employees. Competition can also raise our costs of hiring and retaining the employees we need to effectively operate our business.

Operational risks may disrupt our business, result in regulatory action against us or limit our growth.

Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies, and the transactions we process have become increasingly complex. If any of our financial, accounting or other data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer an impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage. These systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

We also face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. Any such failure or termination could adversely affect our ability to effect transactions and manage our exposure to risk.

In addition, despite the contingency plans we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with which we conduct business.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, and other events that could have a security impact. Additionally, if a client's computer system, network or other technology is compromised by unauthorized access, we may face losses or other adverse consequences by unknowingly entering into unauthorized transactions. If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks. Furthermore, such events may cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations, including the transmission and execution of unauthorized transactions. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

We face numerous risks and uncertainties as we expand our business.

We expect the growth of our business to come primarily from internal expansion and through acquisitions and strategic partnering. As we expand our business, there can be no assurance that our financial controls, the level and knowledge of our personnel, our operational abilities, our legal and compliance controls and our other corporate support systems will be adequate to manage our business and our growth. The ineffectiveness of any of these controls or systems could adversely affect our business and prospects. In addition, as we acquire new businesses and introduce new products, we face numerous risks and uncertainties integrating their controls and systems into ours, including financial controls, accounting and data processing systems, management controls and other operations. A failure to integrate these systems and controls, and even an inefficient integration of these systems and controls, could adversely affect our business and prospects.

Certain business intiatives, including expansions of exsiting businesses, may bring us into contact directly or indirectly, with individuals and entities that are not within our traditional client and counterparty base and may expose us to new asset classes and new markets. These business activities expose us to new and enhanced risks, greater regulatory scrutiny of these activities, increased credit-related, sovereign and operational risks, and reputational concerns regarding the manner in which these assets are being operated or held.

Our international operations subject us to numerous risks which could adversely impact our business in many ways.

Our business and operations are expanding internationally. Wherever we operate, we are subject to legal, regulatory, political, economic and other inherent risks. The laws and regulations applicable to the securities and investment banking industries differ in each country. Our inability to remain in compliance with applicable laws and regulations in a particular country could have a significant and negative effect on our business and prospects in that country as well as in other countries. A political, economic or financial disruption in a country or region could adversely impact our business and increase volatility in financial markets generally.

Legal liability may harm our business.

Many aspects of our business involve substantial risks of liability, and in the normal course of business, we have been named as a defendant or codefendant in lawsuits involving primarily claims for damages. The risks associated with potential legal liabilities often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. The expansion of our business, including increases in the number and size of investment banking transactions and our expansion into new areas impose greater risks of liability. In addition, unauthorized or illegal acts of our employees could result in substantial liability to us. Substantial legal liability could have a material adverse financial effect or cause us significant reputational harm, which in turn could seriously harm our business and our prospects.

Our business is subject to significant credit risk.

In the normal course of our businesses, we are involved in the execution, settlement and financing of various customer and principal securities and derivative transactions. These activities are transacted on a cash, margin or delivery-versus-payment basis and are subject to the risk of counterparty or customer nonperformance. Although transactions are generally collateralized by the underlying security or other securities, we still face the risks associated with changes in the market value of the collateral through settlement date or during the time when margin is extended and the risk of counterparty nonperformance to the extent collateral has not been secured or the counterparty defaults before collateral or margin can be adjusted. We may also incur credit risk in our derivative transactions to the extent such transactions result in uncollateralized credit exposure to our counterparties.

We seek to control the risk associated with these transactions by establishing and monitoring credit limits and by monitoring collateral and transaction levels daily. We may require counterparties to deposit additional collateral or return collateral pledged. In the case of aged securities failed to receive, we may, under industry regulations, purchase the underlying securities in the market and seek reimbursement for any losses from the counterparty. However, there can be no assurances that our risk controls will be successful.

Derivative transactions may expose us to unexpected risk and potential losses.

We are party to a number of derivative transactions that require us to deliver to the counterparty the underlying security, loan or other obligation in order to receive payment. In a number of cases, we do not hold the underlying security, loan or other obligation and may have difficulty obtaining, or be unable to obtain, the underlying security, loan or other obligation through the physical settlement of other transactions. As a result, we are subject to the risk that we may not be able to obtain the security, loan or other obligation within the required contractual time frame for delivery. This could cause us to forfeit the payments due to us under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs to the firm.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We maintain offices in over 30 cities throughout the world including, in the United States, Charlotte, Chicago, Boston, Houston, Los Angeles, San Francisco, Stamford, and Jersey City, and internationally, London, Frankfurt, Milan, Paris, Zurich, Dubai, Hong Kong, Singapore, Tokyo and Mumbai. In addition, we maintain backup data center facilities with redundant technologies for each of our three main data center hubs in Jersey City, London and Hong Kong. We lease all of our office space, or contract via service arrangement, which management believes is adequate for our business.

Item 3. Legal Proceedings.

Many aspects of our business involve substantial risks of legal and regulatory liability. In the normal course of business, we have been named as defendants or co-defendants in lawsuits involving primarily claims for damages. We are also involved in a number of judicial and regulatory matters, including exams, investigations and similar reviews, arising out of the conduct of our business. Based on currently available information, we do not believe that any matter will have a material adverse effect on our financial condition.

Seven class-action lawsuits had been filed in New York and Delaware on behalf of a class consisting of Jefferies Group’s stockholders concerning the transaction through which Jefferies Group LLC became a wholly owned subsidiary of Leucadia National Corporation. The class actions named as defendants Leucadia, Jefferies Group, Inc., certain members of our board of directors, certain members of Leucadia’s board of directors and, in certain of the actions, certain transaction-related subsidiaries. On October 31, 2014, the remaining defendants in the Delaware litigation entered into a settlement agreement with the plaintiffs in the Delaware litigation. The terms of that agreement, which are subject to court approval, provide for an aggregate payment of $70.0 million by Leucadia, who will bear the costs of the settlement, to certain former equity holders of Jefferies Group, Inc., other than the defendants and certain of their affiliates, along with attorneys' fees to be determined and approved by the court. The agreement further provides that the settlement will be paid, at Leucadia's option, in either cash or Leucadia common shares. If approved by the court, the settlement will resolve all of the class-action claims in Delaware, and release the claims brought in New York.

During the first quarter of 2014, we reached a non-prosecution agreement ("NPA") with the United States Attorney for the District of Connecticut and a settlement agreement with the SEC relating to an investigation of purchases and sales of mortgage-backed securities. That NPA expires on January 29, 2015. That investigation arose from a matter that came to light in late 2011, at which time we terminated a mortgage-backed-securities trader who was then indicted by the United States Attorney for the District of Connecticut in January 2013 and separately charged in a civil complaint by the SEC. Those agreements include an aggregate $25.0 million in payments, of which approximately $11.0 million are payments to trading counterparties impacted by those activities, approximately $10.0 million of which is a fine payable to the U.S. Attorney's Office, and approximately $4.0 million of which is a fine payable to the SEC. All such amounts were recognized in our year-end 2013 financial statements. At November 30, 2014, the outstanding reserve with respect to remaining payments to be made under the agreements is approximately $1.9 million. Additionally, pursuant to an undertaking required by the SEC settlement, Jefferies has retained an Independent Compliance Consultant ("ICC"). We anticipate that the ICC's work will be completed in early 2015.

Item 4. Mine Safety Disclosures.

Not applicable.

JEFFERIES GROUP LLC AND SUBSIDIARIES

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Prior to the Leucadia Transaction, our common stock was traded on the NYSE under the symbol JEF. On March 1, 2013, all of our outstanding common shares were exchanged for shares of Leucadia, our common stock was delisted and there is no longer a public trading market for our common stock. Our ability to pay distributions to Leucadia is subject to the restrictions set forth in certain financial covenants associated with our $750.0 million Credit Facility described in Note 14, Long-Term Debt in our consolidated financial statements included within this Annual Report on Form 10-K and the governing provisions of the Delaware Limited Liability Company Act. We do not currently anticipate making distributions.

Dividends per Common Share (declared) were as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2014	N/a	N/a	N/a	N/a
2013	$ 0.075	N/a	N/a	N/a
2012	$ 0.075	$ 0.075	$ 0.075	$ 0.075

Item 6. Selected Financial Data.

Omitted pursuant to general instruction I(2)(a) to Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report contains or incorporates 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 results, 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. It is possible that the actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Information regarding important factors that could cause actual results to differ, perhaps materially, from those in our forward looking statements is contained in this report and other documents we file. You should read and interpret any forward looking statement together with these documents, including the following:

- the description of our business contained in this report under the caption "Business";
- the risk factors contained in this report under the caption "Risk Factors";
- the discussion of our analysis of financial condition and results of operations contained in this report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein;
- the discussion of our risk management policies, procedures and methodologies contained in this report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" herein;
- the notes to the consolidated financial statements contained in this report; and
- cautionary statements we make in our public documents, reports and announcements.

JEFFERIES GROUP LLC AND SUBSIDIARIES

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, except as required by applicable law.

Consolidated Results of Operations

On March 1, 2013, Jefferies Group, Inc. converted into a limited liability company (renamed Jefferies Group LLC) and became an indirect wholly owned subsidiary of Leucadia National Corporation ("Leucadia") pursuant to an agreement with Leucadia (the "Leucadia Transaction"). Each outstanding share of Jefferies Group LLC was converted into 0.81 of a common share of Leucadia (the "Exchange Ratio"). Jefferies Group LLC continues to operate as a full-service investment banking firm and as the holding company to its various regulated and unregulated operating subsidiaries, retain a credit rating separate from Leucadia and remain an SEC reporting company, filing annual, quarterly and periodic financial reports. Richard Handler, our Chief Executive Officer and Chairman, is also the Chief Executive Officer of Leucadia, as well as a Director of Leucadia. Brian P. Friedman, our Chairman of the Executive Committee, is Leucadia's President and a Director of Leucadia. (See Note 1, Organization and Basis of Presentation in our consolidated financial statements for further information.)

In Management's Discussion and Analysis of Financial Condition and Results of Operations, we have presented the historical financial results in the tables that follow for the periods before and after the Leucadia Transaction. Periods prior to March 1, 2013 are referred to as Predecessor periods, while periods after March 1, 2013 are referred to as Successor periods to reflect the fact that under U.S. generally accepted accounting principles ("U.S. GAAP") Leucadia's cost of acquiring Jefferies Group LLC has been pushed down to create a new accounting basis for Jefferies Group LLC. The Predecessor and Successor periods have been separated by a vertical line to highlight the fact that the financial information for such periods has been prepared under two different cost bases of accounting. Our financial results of operations are discussed separately for the following periods (i) the year ended November 30, 2014 and the nine months ended November 30, 2013 (the "Successor periods") and (ii) the three months ended February 28, 2013 and the year ended November 30, 2012 (the "Predecessor period"). The following table provides an overview of our consolidated results of operations (in thousands):

	Successor		Predecessor	
	Year Ended November 30, 2014 (1)	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Net revenues, less mandatorily redeemable preferred interests	$ 2,990,138	$ 2,137,313	$ 807,583	$ 3,018,769
Non-interest expenses	2,687,117	1,873,018	668,096	2,526,974
Earnings before income taxes	303,021	264,295	139,487	491,795
Income tax expense	142,061	94,686	48,645	168,646
Net earnings	160,960	169,609	90,842	323,149
Net earnings to noncontrolling interests	3,400	8,418	10,704	40,740
Net earnings attributable to Jefferies Group LLC / common stockholders	157,560	161,191	80,138	282,409
Effective tax rate	46.9%	35.8%	34.9%	34.3%

(1) Our results of operations for the year ended November 30, 2014 as reported in this Annual Report on Form 10-K differ from the results of operations as presented in our Current Report on Form 8-K, dated December 16, 2014 to reflect post-closing adjustments for inventory valuations, year-end compensation accruals and accruals for estimated other expenses. The net impact of these adjustments was to reduce Net earnings attributable to Jefferies Group LLC for the reported period from that previously disclosed by $7.4 million. As a result of these adjustments, Total Net revenues decreased by $12.8 million to $2,990.1 million and Total Non-interest expenses decreased by $0.2 million to $2,687.1 million. The tax effect of these adjustments was to reduce Income tax expense by $5.1 million to $142.1 million.

JEFFERIES GROUP LLC AND SUBSIDIARIES

Executive Summary

Year Ended November 30, 2014

Net revenues, less mandatorily redeemable preferred interests, for the year ended November 30, 2014 were $2,990.1 million, reflecting record revenues in investment banking, partially offset by lower revenues in fixed income due to challenging market conditions during portions of the year. The results reflected the continued tapering of the U.S. Federal reserve monetary stimulus and global economic pressures, as well as the challenging credit markets, specifically the high yield bond and distressed markets in the fourth quarter of 2014. In addition, our Jefferies Bache business has experienced various challenges with respect to its profitability and consequently we have decided to pursue alternatives for this business, which may include disposal. The results for the year ended November 30, 2014 reflect within Net revenues positive income of $100.6 million from the amortization of premiums arising from recognizing our long-term debt at fair value as part of the pushdown accounting for the Leucadia Transaction and a loss of $14.7 million from our investment in KCG Holdings, Inc. ("Knight") and a gain of $19.9 from our investment in Harbinger Group Inc. ("Harbinger"), the latter of which we sold to Leucadia in March 2014.

Non-interest expenses were $2,687.1 million for the year ended November 30, 2014 and include Compensation and benefits expense of $1,698.5 million recognized commensurate with the level of net revenues for the year. Compensation and benefits expenses as a percentage of Net revenues was 56.8% for the year ended November 30, 2014. Non-interest expenses include goodwill impairment losses of $54.0 million and impairment losses of $7.8 million on certain intangible assets related to our Jefferies Bache (also referred to as Futures) and International Asset Management businesses. In addition, Non-interest expenses include $7.7 million in additional lease expense related to recognizing existing leases at their current market value, incremental amortization expense of $14.2 million associated with intangible assets and internally developed software recognized at the Leucadia Transaction date, and $14.4 million of additional amortization expense related to the write-up of the cost of outstanding share-based awards which had future service requirements and was recognized in connection with the Leucadia Transaction.

At November 30, 2014, we had 3,915 employees globally, an increase of 118 employees from our headcount of 3,797 at November 30, 2013.

Nine Months Ended November 30, 2013

Net revenues, less mandatorily redeemable preferred interests, for the nine months ended November 30, 2013 were $2,137.3 million reflecting a challenging environment for our fixed income businesses during portions of the period, partially offset by strong results in equities and investment banking. The results for the nine month period reflect within Net revenues positive income of $73.8 million, representing the amortization of premiums arising from recognizing our long-term debt at fair value as part of the pushdown accounting for the Leucadia Transaction and gains of $89.3 million in aggregate from our investments in Knight Capital, Inc. ("Knight Capital") and Harbinger.

Non-interest expenses were $1,873.0 million for the nine months ended November 30, 2013 and include Compensation and benefits expense of $1,213.9 million recognized commensurate with the level of net revenues for the nine month period. Compensation and benefits expenses as a percentage of Net revenues was 56.7% for the nine months ended November 30, 2013. Non-interest expense also includes approximately $50.0 million in merger related costs associated with the closing of the Leucadia Transaction. These costs are comprised of $11.6 million in transaction-related investment banking, legal and filing fees, $6.3 million in additional lease expense related to recognizing existing leases at their current market value, incremental amortization expense of $21.1 million associated with intangible assets and internally developed software recognized at the Leucadia Transaction date, and $11.0 million of additional amortization expense related to the write-up of the cost of outstanding share-based awards, which had future service requirements at the merger date. In addition, occupancy and equipment includes an $8.7 million charge associated with our relocating certain staff and abandoning certain London office space recognized during the nine month period.

At November 30, 2013, we had 3,797 employees globally, slightly below our headcount at November 30, 2012.

JEFFERIES GROUP LLC AND SUBSIDIARIES

Three Months Ended February 28, 2013

Net revenues, less mandatorily redeemable preferred interests, for the three months ended February 28, 2013 were $807.6 million, which include strong investment banking revenues, particularly in debt and equity capital markets, and a gain of $26.5 million on our then share ownership in Knight Capital. Non-interest expenses of $668.1 million for the three months ended February 28, 2013 reflect compensation expense consistent with the level of net revenues and professional service costs associated with the Leucadia Transaction. Compensation costs as a percentage of Net revenues for the three months ended February 28, 2013 were 57.9%.

Year Ended November 30, 2012

Net revenues, less mandatorily redeemable preferred interests, for the year ended November 30, 2012 were a record $3,018.8 million, primarily due to strong results in our fixed income businesses. During 2012, we structured and invested in a convertible preferred stock offering of Knight Capital. Net revenues for the year ended November 30, 2012 include a mark-to-market gain of $151.9 million on our share ownership in Knight Capital and an advisory fee of $20.0 million for services in respect of the transaction. Net revenues for the year ended November 30, 2012 also include within Other revenues a bargain purchase gain of $3.4 million on the acquisition of the corporate broking business of Hoare Govett from The Royal Bank of Scotland plc, a gain on debt extinguishment of $9.9 million and a gain of $23.8 million on the sale of certain mortgage servicing right assets by our Fixed Income business.

Non-interest expenses totaled $2,527.0 million for the year ended November 30, 2012 and included compensation expense of $1,770.8 million, consistent with higher net revenues. Compensation expense as a percentage of Net revenues was 57.8%. Within non-interest expenses, Technology and communications costs include the expansion of our personnel and business platforms, which has increased the demand for market data, technology connections and applications. Occupancy costs were a result of strengthening our presence in Europe and Asia and Business development expenses are commensurate with furthering the expansion of our market share. Increased professional service costs are primarily associated with the announced Leucadia Transaction and efforts associated with Dodd-Frank compliance. Floor brokerage and clearing fees for the 2012 year are reflective of lower equity trading volumes. Non-interest expenses include within Other expenses donations to Hurricane Sandy relief of $4.1 million. Our effective tax rate was 34.3% for the year ended November 30, 2012.

At November 30, 2012, we had 3,804 employees globally. We added an additional 51 employees with the acquisition of Hoare Govett in February 2012 and expanded our headcount during 2012 in our metal and energy futures business. These increases were offset by headcount reductions since the start of 2012 aimed at better resource allocation and improved productivity.

Revenues by Source

The Capital Markets reportable segment includes our securities and commodities trading activities, and our investment banking activities. The Capital Markets reportable segment provides the sales, trading and origination and advisory effort for various equity, fixed income, commodities, futures, foreign exchange and advisory products and services. The Capital Markets segment comprises many business units, with many interactions and much integration among them. In addition, we separately discuss our Asset Management business.

For presentation purposes, the remainder of “Results of Operations” is presented on a detailed product and expense basis, rather than on a business segment basis. Net revenues presented for our equity and fixed income businesses include allocations of interest income and interest expense as we assess the profitability of these businesses inclusive of the net interest revenue or expense associated with the respective activities, which is a function of the mix of each business’ associated assets and liabilities and the related funding costs.

JEFFERIES GROUP LLC AND SUBSIDIARIES

The composition of our net revenues has varied over time as financial markets and the scope of our operations have changed. The composition of net revenues can also vary from period to period due to fluctuations in economic and market conditions, and our own performance. The following provides a summary of "Revenues by Source" for the Successor periods for the year ended November 30, 2014 and the nine months ended November 30, 2013 and the Predecessor periods for the three months ended February 28, 2013 and the year ended November 30, 2012 (amounts in thousands):

	Successor				Predecessor			
	Year Ended November 30, 2014		Nine Months Ended November 30, 2013		Three Months Ended February 28, 2013		Year Ended November 30, 2012	
	Amount (1)	(2)	Amount	(2)	Amount	(2)	Amount	(2)
Equities	$ 696,221	23%	$ 582,355	27%	$ 167,354	21%	$ 642,360	21%
Fixed income	747,596	25	504,092	24	352,029	43	1,253,268	41
Total sales and trading	1,443,817	48	1,086,447	51	519,383	64	1,895,628	62
Other	—	—	4,624	—	—	—	13,175	—
Equity	339,683	11	228,394	11	61,380	7	193,797	6
Debt	627,536	21	415,932	19	140,672	17	455,790	15
Capital markets	967,219	32	644,326	30	202,052	24	649,587	21
Advisory	562,055	19	369,191	17	86,226	11	476,296	16
Total investment banking	1,529,274	51	1,013,517	47	288,278	35	1,125,883	37
Asset management fees and investment income (loss) from managed funds:								
Asset management fees	26,682	1	26,473	2	11,083	1	38,130	1
Investment income (loss) from managed funds	(9,635)	—	9,620	—	(200)	—	(11,164)	—
Total	17,047	1	36,093	2	10,883	1	26,966	1
Net revenues	2,990,138	100%	2,140,681	100%	818,544	100%	3,061,652	100%
Interest on mandatorily redeemable preferred interests of consolidated subsidiaries	—		3,368		10,961		42,883	
Net revenues, less mandatorily redeemable preferred interests	$2,990,138		$2,137,313		$ 807,583		$3,018,769	

(1) Fixed income revenues for the year ended November 30, 2014 as reported in this Annual Report on Form 10-K differ from the results of operations as presented in our Current Report on Form 8-K, dated December 16, 2014 to reflect post-closing adjustments for inventory valuations. The net impact of these adjustments was to reduce both Fixed income revenues and Total net revenues by $12.8 million.

(2) Amounts represent Revenues by Source as a percentage of Net revenues.

Net Revenues

Net revenues for the year ended November 30, 2014 were $2,990.1 million, reflecting record investment banking revenues, partially offset by lower revenues due to challenging trading environments in our fixed income business, particularly in the fourth quarter of 2014. Our core equities business performed relatively well during the year ended November 30, 2014. The 2014 results include a loss of $14.7 million from our investment in Knight Capital and a gain of $19.9 from our investment in Harbinger, the latter of which we sold to Leucadia in March 2014. Asset management fee results were offset by write-downs on certain of our investments in unconsolidated funds and the exclusion of fees from our ownership interest in CoreCommodity Management, LLC ("CoreCommodity"), which we restructured on September 11, 2013.

Net revenues for the nine months ended November 30, 2013 of $2,140.7 million reflect a solid performance in our equity sales and trading business and continued strength in our investment banking platform. Our fixed income businesses experienced difficult trading conditions for a portion of the period as a result of a change in expectations for interest rates surrounding the Federal Reserve's plans for tapering its asset purchase program. The nine months results include gains of $89.3 million in aggregate within Equities Principal transaction revenues from our investments in Knight Capital and Harbinger.

Net revenues for the three months ended February 28, 2013 were $818.5 million as a result of improved overall market activity, with all of our business lines demonstrating strong results. Within Equities revenues, Net revenues include Principal transaction revenues of $26.5 million from unrealized gains related to our investment in Knight Capital during the quarter.

Net revenues for the year ended November 30, 2012 were a record $3,061.7 million. Our 2012 results include Principal transaction revenues of $151.9 million from our investment in Knight Capital. Fixed income revenues were supported by investor demand for higher-yielding assets translating into reasonably robust trading volumes while muted secondary trading volume affected equities revenues (excluding revenues from our ownership of Knight Capital). Investment banking revenue of $1,125.9 million reflects the building strength of our franchise. Asset management fee results were offset by write-downs on certain of our investments in unconsolidated funds. In addition, Net revenues for the year included within Other revenues a bargain purchase gain of $3.4 million recognized in connection with our acquisition of Hoare Govett in February 2012 and a gain on extinguishment of debt of $9.9 million related to transactions in our own debt by our broker-dealer's market-making desk in December 2011.

Interest on mandatorily redeemable preferred interests of consolidated subsidiaries represents primarily the allocation of earnings and losses from our high yield business to third party noncontrolling interest holders that were invested in that business through mandatorily redeemable preferred securities. These interests were redeemed in April 2013 and all of the results in our high yield business are now wholly allocated to us.

Equities Revenue

Equities revenue is comprised of equity commissions, principal transactions and net interest revenue relating to cash equities, electronic trading, equity derivatives, convertible securities, prime brokerage, securities finance and alternative investment strategies. Equities revenue is heavily dependent on the overall level of trading activity of our clients. Equities revenue also includes our share of the net earnings from our joint venture investments in Jefferies Finance, LLC ("Jefferies Finance") and Jefferies LoanCore, LLC ("LoanCore"), which are accounted for under the equity method, as well changes in the value of our investments in Knight Capital and Harbinger. In March 2014, we sold our investment in Harbinger to Leucadia at fair market value. Equities revenue is heavily dependent on the overall trading activity of our clients.

Year Ended November 30, 2014

Total equities revenue was $696.2 million for the year ended November 30, 2014. Equities revenue includes losses of $14.7 million from our investment in Knight Capital and a gain of $19.9 from our investment in Harbinger, as compared to gains of $116.8 million recognized primarily in the fourth quarter of fiscal 2013. Revenues also include an unrealized gain of $8.9 million from marking to market the option on Leucadia shares embedded in our 3.875% Senior Convertible Debentures. Additionally, during the first quarter of 2014, we recognized a gain of $12.2 million in connection with our investment in CoreCommodity, which was transferred to Leucadia on February 28, 2014. Also included within interest expense allocated to our equities business is positive income of $45.1 million related to the amortization of premiums arising from the adjustment of our long-term debt to fair value as part of accounting for the Leucadia Transaction.

For the year ended November 30, 2014, U.S. stock prices continue an overall upward trend with company earnings and economic data largely meeting expectations and the outlook for monetary policy remaining favorable. While the markets in the fourth quarter were relatively unsettled, the S&P 500 Index was up 14.5% for the fiscal year and exchange trading volumes increased generally, which contributed to increased commission revenue. Similarly, European exchange volumes grew significantly throughout the 2014 year. Additionally, the performance from our electronic trading platform and our prime brokerage business has continued to increase.

Equities revenue from our Jefferies Finance joint venture decreased during the year ended November 30, 2014 as compared to the nine months ended November 30, 2013 and the three months ended February 28, 2013, due to a reduction in loan closings and syndications by the venture, particularly in the fourth quarter of 2014. Equities revenue from our LoanCore joint venture decreased during the year ended November 30, 2014 as compared to the nine months ended November 30, 2013 and the three months ended February 28, 2013, due to fewer securitizations by the venture over the period. These declines were offset by results from certain block trading opportunities and the benefits of the general stock market rise and other positioning on certain security positions. In addition, during the first quarter of 2014, we deconsolidated certain of our strategic investment entities as additional third party investments were received during the period. Accordingly, the results from this business reflected in equities revenues for the year ended November 30, 2014 represent trading revenues solely from managed accounts that are solely owned by us. Results from our strategic investments business in prior periods represented 100% of strategic investment trading revenues, a portion of which was attributed to noncontrolling interests.

Nine Months Ended November 30, 2013

Total equities revenue was $582.4 million for the nine months ended November 30, 2013. Equities revenue includes within Principal transaction revenues a gain of $19.5 million on our investment in Knight Capital, a gain of $69.8 million from our investment in Harbinger and an unrealized gain of $6.9 million from marking to market the option on Leucadia shares embedded in our 3.875% Senior Convertible Debentures. In addition, included within Interest expense is positive income of $33.7 million from the allocation to our equities business of a portion of the amortization of premiums arising from the adjustment of our long-term debt to fair value as part of accounting for the Leucadia Transaction.

U.S. equity market conditions during the period were characterized by continually increasing stock prices as the U.S. government maintained its monetary stimulus program. In the equity markets, the NASDAQ Composite Index, the S&P 500 Index and the Dow Jones Industrial Average increased by 28%, 19% and 14%, respectively, over the nine month period ended November 30, 2013, with the S&P Index registering a series of record closing highs. However, during the nine months ended November 30, 2013, economic data in the U.S. continued to indicate a slow recovery and geopolitical concerns regarding the Middle East and a U.S. federal government shutdown added volatility in the U.S. and international markets. Despite the rally in the equity markets in 2013, overall market volumes were subdued moderating customer flow in our U.S. cash equity business, although we benefited from certain block trading opportunities during the period.

In Europe, liquidity returned to the market as the European Central Bank convinced investors that it would not allow the Eurozone to breakup aiding results to both our cash and option desks, although the results are still impacted by relatively low trading volumes given the region’s fragile economy. Additionally, Asian equity commissions are stronger, particularly in Japan with new monetary policies increasing trading volumes on the Nikkei Exchange.

Our Securities Finance desk also contributed solidly to Equities revenue for the period and the performance of certain strategic investment strategies were strong. Revenue from our sales and trading of convertible securities for the nine months are reflective of increased market share as we have expanded our team in this business. Net earnings from our Jefferies Finance and LoanCore joint ventures reflect a solid level of securitization deals and loan closings during the 2013 nine month period.

Three Months Ended February 28, 2013

Total equities revenue was $167.4 million for the three months ended February 28, 2013 and includes within Principal transaction revenues an unrealized gain of $26.5 million recognized on our investment in Knight Capital. While U.S. equity markets posted gains during our first quarter, with the S&P index up 7%, investors remained cautious as evidenced by declining volumes. Although market volumes declined, our equity trading desks experienced ample client trading volumes. For the three months ended February 28, 2013, performance from certain strategic investments benefited from the increase in the overall stock markets and other positioning.

Year Ended November 30, 2012

For the year ended November 30, 2012, total equities revenue was $642.4 million, including a gain of $151.9 million earned on our investment in Knight Capital and recognized within Principal transaction revenues. While U.S. equity markets posted gains during the year with the S&P index up over 13%, investor caution, due to less favorable economic data in the U.S. and concerns of a slowdown in the global economy, was evidenced through declining volumes which contributed to reduced commissions. Similarly, European equity revenues were affected by lower overall volumes across the broader markets, compounded by fears over Eurozone uncertainty. Partially offsetting these lower revenues was an increase in our Asian equity commissions as our client base increased. Trading revenue from our equity derivatives business improved on a change in our strategy regarding client activity. LoanCore closed its first securitization in May 2012, which contributed to alternative equity investment revenues.

Fixed Income Revenue

Fixed income revenue includes commissions, principal transactions and net interest revenue from investment grade corporate bonds, mortgage- and asset-backed securities, government and agency securities, municipal bonds, emerging markets debt, high yield and distressed securities, bank loans, foreign exchange and commodities trading activities.

Year Ended November 30, 2014

Fixed income revenue was $747.6 million for the year ended November 30, 2014. Included within Interest expense for the period is positive income of $55.5 million from the allocation to our fixed income business of a portion of the amortization of premiums arising from adjusting our long-term debt to fair value as part of accounting for the Leucadia Transaction.

The fixed income markets during the year ended November 30, 2014 were impacted at various points by uncertainty with respect to U.S. economic data and concerns about the global economy, as well as reactions to legal matters regarding Freddie Mac and Fannie Mae and anticipated monetary policy, which created market uncertainty. Client trading demand was lower across most of the fixed income platform with the exception of increased customer flow in our international rates business, which benefited from tightening yields in Europe. Credit spreads continued to tighten as the U.S. Federal Reserve continued to taper its bond buyback program at a measured pace. In the fourth quarter of 2014, the volatility in the equity markets and the lowering of oil prices, put downward pressure on high yield bonds, especially those in the energy and transport sectors, as well as on the distressed trading markets. We experienced a decline in the results of our efforts in distressed trading for the year, which was primarily due to mark to market inventory losses as a result of the broad sell-off in distressed and post-reorganization securities, although investor interest in high yield asset classes was strong during the year as investors continued to migrate to certain asset classes in search of higher yields. Futures sales and trading revenues for the year ended November 30, 2014 were negatively impacted by challenging market conditions for foreign currency trading and U.S. futures trading given political and economic instability in various global environments.

During the fourth quarter, as a result of the growth and margin challenges recently faced in our Jefferies Bache business, which conducts our futures and foreign exchange trading activities, we decided to pursue strategic alternatives for the business. We are currently evaluating various options, which may include a sale to or combination with another similar business that improves the combined businesses' competitive standing and margin. Global net revenues from this business activity for the year ended November 30, 2014, which are included within our Fixed income results, were $175.3 million. This is comprised of commissions, principal transaction revenues and net interest revenues.

Nine Months Ended November 30, 2013

Fixed income revenue was $504.1 million for the nine months ended November 30, 2013. Included within Interest expense for the period is positive income of $40.1 million from the allocation to our fixed income business of a portion of the amortization of premiums arising from adjusting our long-term debt to fair value as part of acquisition accounting.

The second quarter of fiscal 2013 was characterized by improving U.S. macroeconomic conditions, and, through the first half of May 2013, the U.S. Federal Reserve's policies resulted in historically low yields for fixed income securities motivating investors to take on more risk in search for yield. In May 2013, however, the Treasury market experienced a steep sell-off and credit spreads widened across the U.S. fixed income markets in reaction to an anticipated decrease in Federal Reserve treasury issuances and mortgage debt security purchases in future periods. These market conditions negatively impacted our U.S. rates, corporates and U.S. mortgages revenues through

August as the volatility made it difficult to realize net revenue from our customer flow. In the latter part of the 2013 year, the fixed income markets stabilized with lower volatility and tightening spreads increasing overall customer flows across the various fixed income product classes.

While revenues rebounded towards the end of the fiscal year for our mortgage-backed securities business, the mid-year sell-off in U.S. Treasuries and the widening of credit spreads for mortgage products negatively impacted the overall results for the nine months ended November 30, 2013 by reducing trading volumes and increasing market volatility. Corporate bond revenues were also negatively impacted by the widening of credit spreads in the third quarter though there was significant improvement during the fourth quarter of 2013 with more robust trading volumes and narrowing credit spreads. Municipal securities underperformed as an asset class for a large part of the period as investors discounted greater risk than they had previously although investors began to return to the municipal market at the end of the period increasing our trading volumes. Components of our futures business experienced varying degrees of fluctuations in customer trading volume, but trading volume was relatively constant when considered overall and across the full nine month period ended November 30, 2013.

While our U.S. rates, corporates and U.S. mortgages desks underpeformed, our leveraged credit business produced solid results as investors sought investment yields in this fixed income class and issuers of bank debt were active with the supply level creating a positive effect on liquidity in the secondary market. Further, the low interest rate environment in the U.S. caused investors to seek higher yields in emerging market debt. In addition, suppressed long-term interest rates in the U.S. encouraged investment in international mortgage-backed securities resulting in increased trading volumes, improved market liquidity and ultimately increased revenues on our international mortgage desk, despite experiencing reduced market liquidity and consequently lower levels of secondary market activity during the summer months of 2013.

During the second quarter of 2013, we redeemed the third party interests in our high yield joint venture, Jefferies High Yield Holdings, LLC. As a result of this redemption, effective April 1, 2013, results of this business are allocated to us in full.

Three Months Ended February 28, 2013

For the three months ended February 28, 2013, fixed income revenue was $352.0 million. Credit spreads narrowed through the first quarter of 2013. In January 2013, global macroeconomic conditions appeared to be improving, with the U.S. economy expanding and the U.S. Federal reserve continuing quantitative easing. U.S. rates revenues were robust, with strong treasury issuance and strong demand and yields at historic lows. Revenues from our leveraged finance and emerging markets sales and trading businesses were sound as investor confidence returned in 2013 and investors were attracted to the relatively higher yield on these products. Revenue in our emerging markets business is reflective of our efforts to strengthen our position in this business and revenues for the period include significant gains generated by certain high yield positions. Revenues from our international mortgage desk were positively impacted by the demand for European mortgage bonds and foreign exchange revenues demonstrated a successful navigation of volatile currency markets. Revenues also benefited from new client activity associated with our expansion of our global metals desk in the latter part of 2012. However, international rates sales and trading revenues were negatively impacted by investor concerns over the European markets resulting in restrained trading volumes and a high level of market volatility.

Of the net earnings recognized in Jefferies High Yield Holdings, LLC (our high yield and distressed securities and bank loan trading and investment business) for the three months ended February 28, 2013, approximately 65% is allocated to minority investors and are presented within interest on mandatorily redeemable preferred interests and net earnings to noncontrolling interests in our Consolidated Statements of Earnings.

Year Ended November 30, 2012

Fixed income revenue was $1,253.3 million for the year ended November 30, 2012. In 2012, despite occasional investor concerns surrounding the European sovereign debt crisis and global economic growth, a Greek default was avoided, and coordinated austerity measures taken by European governments and the European Central Bank proved successful in allaying fears of a Eurozone breakup and disbanding of the Euro currency. In the U.S., Treasuries benefited from their perception of safety and a third round of quantitative easing by the U.S. Federal Reserve.

JEFFERIES GROUP LLC AND SUBSIDIARIES

Investors continued to seek higher yields in a low interest rate environment. Narrowing credit spreads and improved credit and emerging market conditions contributed to strong performances and customer flow across a broad number of fixed income products.

Revenues from our leveraged finance sales and trading business for the year ended November 30, 2012 reflected investor confidence and tightened credit spreads. Additionally, certain of our high yield positions generated significant gains. Similarly, mortgage revenues benefited from a market rally on tighter interest and mortgage index spreads. Municipal trading activities also benefited from spreads tightening over the period as well as investors seeking higher yields in a low interest rate environment. Additionally, revenues from our investment grade corporates business profited on improved credit market conditions, tightening spreads and stronger trading volumes.

In 2012, we recognized gains on our investment in shares of the London Metal Exchange and benefited from new client activity with the global metals desk introduced in the latter part of 2012. Fixed income revenues for the year ended November 30, 2012 also include a gain of $23.8 million on the sale of mortgage servicing rights for military housing assets.

Other Revenue

Other revenue for the nine months ended November 30, 2013 includes a gain of $4.6 million related to the restructuring of our ownership interest in our commodity asset management business. For the year ended November 30, 2012, Other revenue of $13.2 million is primarily comprised of gains on debt extinguishment of $9.9 million in connection with the accounting treatment for certain purchases of our long-term debt by our secondary market making corporates desk and a bargain purchase gain of $3.4 million arising in the accounting for the acquisition of Hoare Govett on February 1, 2012. (See Note 5, Acquisitions and Note 14, Long-term Debt, respectively, in our consolidated financial statements for additional information.)

Investment Banking Revenue

We provide a full range of capital markets and financial advisory services across most industry sectors to our clients in the Americas, Europe and Asia. Capital markets revenue includes underwriting and placement revenue related to corporate debt, municipal bonds, mortgage- and asset-backed securities and equity and equity-linked securities. Advisory revenue consists primarily of advisory and transaction fees generated in connection with merger, acquisition and restructuring transactions. The following table sets forth our investment banking revenue (in thousands):

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months February 28, 2013	Year Ended November 30, 2012
Equity	$ 339,683	$ 228,394	$ 61,380	$ 193,797
Debt	627,536	415,932	140,672	455,790
Capital markets	967,219	644,326	202,052	649,587
Advisory	562,055	369,191	86,226	476,296
Total	$ 1,529,274	$ 1,013,517	$ 288,278	$ 1,125,883

Year Ended November 30, 2014

Low borrowing costs and generally strong capital market conditions throughout most of our fiscal year were important factors in driving the growth in our debt and equity capital markets businesses. These factors, together with generally strong corporate balance sheets and record equity valuations, were important in driving the growth in our merger and acquisition advisory business.

Investment banking revenues were a record $1,529.3 million for the year ended November 30, 2014. From equity and debt capital raising activities, we generated $339.7 million and $627.5 million in revenues, respectively. During the year ended November 30, 2014, we completed 1,109 public and private debt financings that raised $250 billion and we completed 184 public equity financings and nine convertible offerings that raised $66 billion (159 of which we acted as sole or joint bookrunner). Financial advisory revenues totaled $562.1 million, including revenues from 132 merger and acquisition transactions and 12 restructuring and recapitalization transactions with an aggregate transaction value of $176 billion.

Nine Months Ended November 30, 2013

During the nine month period, despite uneven U.S. economic growth and uncertainty surrounding the U.S. Federal Reserve's decision on quantitative easing, capital market conditions continued to improve due to the availability of low-priced credit and a general rise in the stock market. Mergers and acquisition activity gained momentum through the later part of the 2013 nine month period.

Investment banking revenue was $1,013.5 million for the nine months ended November 30, 2013. From equity and debt capital raising activities, we generated $228.4 million and $415.9 million in revenues, respectively. During the nine months ended November 30, 2013, we completed 412 public and private debt financings that raised $162.3 billion in aggregate, as companies took advantage of low borrowing costs and we completed 130 public equity financings that raised $32.9 billion (111 of which we acted as sole or joint bookrunner). During the nine month period, our financial advisory revenues totaled $369.2 million, including revenues from 108 merger and acquisition transactions where we served as financial advisor.

Three Months Ended February 28, 2013

For the three months ended February 28, 2013, investment banking revenue was $288.3 million, including advisory revenues of $86.2 million and $202.1 million in revenues from capital market activities. Debt capital markets revenue were $140.7 million, driven by a high number of debt capital market transactions as companies took advantage of lower borrowing costs and more favorable economic and market conditions. During the three months ended February 28, 2013, we completed 121 public and private debt financings that raised a total of $42 billion. Equity capital markets revenue totaled $61.4 million, completing 30 public equity financings that raised $10.0 billion (25 of which we acted as sole or joint bookrunner). Reflective of a subdued mergers and acquisition deal environment, despite improving fundamentals, for the three months ended February 28, 2013, advisory revenue totaled $86.2 million. During the three months ended February 28, 2013, we served as financial advisor on 31 merger and acquisition transactions and two restructuring transactions with an aggregate transaction value of approximately $21 billion.

Year Ended November 30, 2012

Investment banking revenue was $1,125.9 million for the year ended November 30, 2012, with higher debt capital market revenues offset by lower advisory revenues. Revenue was driven by a higher number of debt capital market transactions as companies took advantage of lower borrowing costs and more favorable economic and market conditions. During 2012, we completed 482 public and private debt financings raising a total of $175 billion. Equity capital markets revenue totaled $193.8 million for the year ended November 30, 2012 and we completed 111 public equity financings raising $21 billion in capital (96 of which we acted as sole or joint bookrunner). For 2012, advisory revenue totaled $476 million, as we served as financial advisor on 111 merger and acquisition and 10 restructuring transactions having an aggregate transaction value of approximately $104 billion.

Asset Management Fees and Investment Income (Loss) from Managed Funds

Asset management revenue includes management and performance fees from funds and accounts managed by us, management and performance fees from related party managed funds and accounts and investment income (loss) from our investments in these funds, accounts and related party managed funds. The key components of asset management revenue are the level of assets under management and the performance return, whether on an absolute basis or relative to a benchmark or hurdle. These components can be affected by financial markets, profits and losses in the applicable investment portfolios and client capital activity. Further, asset management fees vary with the nature of investment management services. The terms under which clients may terminate our investment management authority, and the requisite notice period for such termination, varies depending on the nature of the investment vehicle and the liquidity of the portfolio assets.

JEFFERIES GROUP LLC AND SUBSIDIARIES

On September 11, 2013, we restructured our ownership interest in CoreCommodity, our commodity asset management business. Pursuant to the terms of that restructuring, we acquired Class B Units in what is now called CoreCommodity Capital, LLC. As a consequence, subsequent to September 11, 2013, we no longer report asset management revenues, assets under management and managed accounts attributed to the commodities asset class. On February 28, 2014, we sold our Class B Units to Leucadia at fair market value.

During the fourth quarter of 2014, as part of a strategic review of our business, we decided to liquidate our International Asset Management business, which provides long only investment solutions in global convertible bonds to institutional investors. Asset management fees and assets under management from this business comprise our convertibles asset strategy in the tables below. We currently anticipate liquidation to occur within the next 12 months; pending regulatory approvals.

The following summarizes the results of our Asset Management businesses for the year ended November 30, 2014, the nine months ended November 30, 2013, the three months ended February 28, 2013 and the year ended November 30, 2012 (in thousands):

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Asset management fees:				
Fixed income	$ 6,087	$ 3,932	$ 1,154	$ 4,094
Equities	18,075	7,626	2,295	4,573
Convertibles	2,520	2,890	1,376	10,387
Commodities	—	12,025	6,258	19,076
Total asset management fees	26,682	26,473	11,083	38,130
Investment income (loss) from managed funds	(9,635)	9,620	(200)	(11,164)
Total	$ 17,047	$ 36,093	$ 10,883	$ 26,966

As a result of deconsolidation of certain strategic investment entities during the first quarter of 2014, results above attributed to Equities now include asset management fees from these entities. Fixed income asset management fees represent ongoing consideration we receive from the sale of contracts to manage certain collateralized loan obligations ("CLOs") to Babson Capital Management, LLC in January 2010. As sale consideration, we are entitled to a portion of the asset management fees earned under the contracts for their remaining lives. Investment income (loss) from managed funds comprise net unrealized markups (markdowns) in private equity funds managed by related parties.

Assets under Management

Period end assets under management by predominant asset strategy were as follows (in millions):

	November 30, 2014	November 30, 2013
Assets under management (1):		
Equities	$ 483	$ 14
Convertibles	225	492
Total	$ 708	$ 506

(1) Assets under management include assets actively managed by us, including hedge funds and certain managed accounts. Assets under management do not include the assets of funds that are consolidated due to the level or nature of our investment in such funds.

JEFFERIES GROUP LLC AND SUBSIDIARIES

Non-interest Expenses

Non-interest expenses for the year ended November 30, 2014, the nine months ended November 30, 2013, the three months ended February 28, 2013 and the year ended November 30, 2012 were as follows (in thousands):

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Compensation and benefits	$ 1,698,530	$ 1,213,908	$ 474,217	$ 1,770,798
Non-compensation expenses:				
Floor brokerage and clearing fees	215,329	150,774	46,155	183,013
Technology and communications	268,212	193,683	59,878	244,511
Occupancy and equipment rental	107,767	86,701	24,309	97,397
Business development	106,984	63,115	24,927	95,330
Professional services	109,601	72,802	24,135	73,427
Bad debt provision	55,355	179	1,945	1,152
Goodwill impairment	54,000	—	—	—
Other	71,339	91,856	12,530	61,346
Total non-compensation expenses	988,587	659,110	193,879	756,176
Total non-interest expenses	$ 2,687,117	$ 1,873,018	$ 668,096	$ 2,526,974

Compensation and Benefits

Compensation and benefits expense consists of salaries, benefits, cash bonuses, commissions, annual cash compensation awards, historical annual share-based compensation awards and the amortization of certain nonannual share-based and cash compensation awards to employees. Cash- and historical share-based awards granted to employees as part of year end compensation generally contain provisions such that employees who terminate their employment or are terminated without cause may continue to vest in their awards, so long as those awards are not forfeited as a result of other forfeiture provisions (primarily non-compete clauses) of those awards. Accordingly, the compensation expense for a substantial portion of awards granted at year end as part of annual compensation is fully recorded in the year of the award.

Included within Compensation and benefits expense are share-based amortization expense for senior executive awards granted in January 2010 and September 2012, non-annual share-based and cash-based awards to other employees and certain year end awards that contain future service requirements for vesting. Such awards are being amortized over their respective future service periods.

Year Ended November 30, 2014

Compensation and benefits expense for the year ended November 30, 2014 was $1,698.5 million, which is 56.8% as a percentage of Net revenues. Amortization expense of $284.3 million related to share- and cash-based awards is included within 2014 compensation cost, as well as additional amortization expense of $14.4 million related to the write-up of the cost of outstanding share-based awards, which had remaining future service requirements at the date of the Leucadia Transaction. Employee headcount was 3,915 at November 30, 2014. We expanded our headcount modestly during 2014, primarily in our investment banking and equities businesses. These increases were partially offset by headcount reductions due to corporate services outsourcing.

Nine Months Ended November 30, 2013 and Three Months Ended February 28, 2013

Compensation and benefits expense was $1,213.9 million for the nine months ended November 30, 2013 and was $474.2 million for the three months ended February 28, 2013, which is 56.7% and 57.9% as a percentage of Net revenues for the nine months ended November 30, 2013 and the three months ended February 28, 2013, respectively. Amortization expense of $232.0 million and $73.1 million related to share- and cash-based awards is included within compensation cost for the nine months ended November 30, 2013 and the three months ended February 28, 2013, respectively. Compensation cost in the nine months ended November 30, 2013 also included additional amortization expense of $11.0 million related to the write-up of the cost of outstanding share-based awards, which had remaining future service requirements at the date of the Leucadia Transaction. Employee headcount was 3,797 at November 30, 2013.

Year Ended November 30, 2012

Compensation and benefits expense for the year ended November 30, 2012 was of $1,770.8 million, equivalent to 57.8% of Net revenues, and includes a full year of compensation costs related to Jefferies Bache. Compensation and benefits expense for the period includes amortization expense of $283.9 million related to share- and cash-based awards. In addition, compensation expense includes $22.9 million relating to the acquisition of Jefferies Bache on July 1, 2011 and Hoare Govett on February 1, 2012, comprised of the amortization of retention and stock replacement awards granted to Jefferies Bache employees as replacement awards for previous Prudential stock awards that were forfeited at acquisition and amortization of retention awards granted to Hoare Govett employees and bonus costs for employees as a result of the completion of the acquisition of Hoare Govett. When excluding these costs, together with the gain on debt extinguishment of $9.9 million relating to trading activities in our own debt, amortization of discounts recognized on our long-term debt purchased and re-issued in December 2011 and January 2012 and recognized in Interest expense of $4.8 million and the bargain purchase gain of $3.4 million on our Hoare Govett acquisition, our ratio of Compensation and benefits expense to Net revenues for the year ended November 30, 2012 was 57.2%. Compensation and benefits expense for the year ended November 30, 2012 also includes severance costs of approximately $30.6 million. Employee headcount was 3,804 at November 30, 2012.

Non-Compensation Expenses

Year Ended November 30, 2014

Non-compensation expenses were $988.6 million for the year ended November 30, 2014, equating to 33.1% of Net revenues. Non-compensation expenses include a goodwill impairment loss of $51.9 million related to our Jefferies Bache business, which constitutes our global futures sales and trading operations. In addition, a goodwill impairment loss of $2.1 million was recognized for the period related to our International Asset Management business. (See the “Critical Accounting Policies—Goodwill” section herein.) Additionally, approximately $7.6 million in impairment losses were recognized related to customer relationship intangible assets within our Jefferies Bache and International Asset Management businesses, which is presented within Other expenses.

Floor brokerage and clearing expenses for the period are reflective of the trading volumes in our equities trading businesses. Technology and communications expense includes costs associated with development of the various trading systems and projects associated with corporate support infrastructure, including communication enhancements to our global headquarters at 520 Madison Avenue and incremental amortization expense associated with fair value adjustments to capitalized software recognized as part of accounting for the Leucadia Transaction. Occupancy and equipment rental expense reflects incremental office re-configuration expenditures at 520 Madison Avenue. Business development costs reflect our continued efforts to continue to build market share, including our loan origination business conducted through our Jefferies Finance joint venture. We continue to incur legal and consulting fees as part of implementing various regulatory requirements, which is recognized in Professional services expense. During the fourth quarter of 2014, we recognized a bad debt provision, which primarily relates to a receivable of $52.3 million from a client to which we provided futures clearing and execution services, which declared bankruptcy.

Nine Months Ended November 30, 2013

Non-compensation expenses were $659.1 million for the nine months ended November 30, 2013, equating to 30.8% of Net revenues. Non-compensation expenses include approximately $21.1 million in incremental amortization expense associated with fair value adjustments to identifiable tangible and intangible assets recognized as part of acquisition accounting reported within Technology and communications expense and Other expense, $6.3 million in additional lease expense related to recognizing existing leases at their current market value in Occupancy and equipment rental expense and $11.6 million in merger-related investment banking filing fees recognized in Professional services expense. Additionally, during the nine month period an $8.7 million charge was recognized in Occupancy and equipment rental expense due to vacating certain office space in London. Other expenses for the nine months ended November 30, 2013 include $38.4 million in litigation expenses, which includes litigation costs related to the final judgment on our last outstanding auction rate securities legal matter and to agreements reached in principle with the relevant authorities pertaining to an investigation of purchases and sales of mortgage-backed securities. Excluding these expenses, our Non-compensation expenses as a percentage of Net revenues, after excluding from revenues $76.9 million of net interest income due to the amortization of premiums arising from the one-time fair value adjustment of our long term debt to fair value as of the date of the Leucadia Transaction and the concurrent assumption of our mandatorily redeemable convertible preferred stock by Leucadia, was 27.8%.

Floor brokerage and clearing expenses for the period are reflective of the trading volumes in our fixed income and equities trading businesses, including a meaningful volume of trading by our foreign exchange business. Technology and communications expense includes costs associated with development of the various trading systems and various projects associated with corporate support infrastructure, including technology initiatives to support Dodd-Frank reporting requirements. We continued to incur legal and consulting fees as part of implementing various regulatory requirements, which is recognized in Professional services expense.

Three Months Ended February 28, 2013

Non-compensation expenses were $193.9 million for the three months ended February 28, 2013, or 23.7% of Net revenues. Floor brokerage and clearing expense for the 2013 first quarter is commensurate with equity, fixed income and futures trading volumes for the quarter. Occupancy and equipment expense for the period includes costs associated with taking on additional space at our global head office in New York offset by a reduction in integration costs for technology and communications as significant system migrations for Jefferies Bache have been completed. Professional services expense includes legal and consulting fees of $2.1 million related to the Leucadia Transaction and business and development expense contains costs incurred in connection with our efforts to build out our market share.

Year Ended November 30, 2012

Non-compensation expenses were $756.2 million for the year ended November 30, 2012, equating to 24.7% of Net revenues, and includes a full year of operating costs of Jefferies Bache. Floor brokerage and clearing expense of $183.0 million was commensurate with lower equity trading volumes, though includes a full twelve months of Jefferies Bache futures activity in 2012. Technology and communications expense was $244.5 million with increased costs associated with the continued build out of our Asian businesses offset by lower corporate support infrastructure project costs. Occupancy and equipment expense was $97.4 million for 2012, reflecting the cost for our office growth in Asia and Europe and additional space at our global head office in New York. Legal and consulting fees related to the announced Leucadia Transaction and efforts associated with Dodd-Frank compliance contributed to Professional services expense of $73.4 million for the year ended November 30, 2012. Business development expense of $95.3 million is primarily driven by our continued efforts to build market share, specifically our futures business. Other expenses of $62.5 million for the 2012 year include a $2.9 million impairment charge recognized in the second quarter of 2012 on certain indefinite-lived intangible assets, donations to Hurricane Sandy relief of $4.1 million and fees associated with the announced Leucadia Transaction.

Income Taxes

For the year ended November 30, 2014, the provision for income taxes was $142.1 million, equating to an effective tax rate of 46.9%. For the nine months ended November 30, 2013, the three months ended February 28, 2013 and the year ended November 30, 2012, the provision for income taxes was $94.7 million, $48.6 million and $168.6 million, respectively, equating to an effective tax rate of 35.8%, 34.9% and 34.3%, respectively. At November 30, 2014, the effective tax rate differed from the U.S. federal statutory rate of 35.0%, primarily due to state income taxes, the impact of the goodwill impairment charge that is not tax-deductible and a valuation allowance provided on deferred tax assets within our London Jefferies Bache business, partially offset by tax-exempt income and international earnings taxed at rates that are generally lower than the U.S. federal statutory rate.

Earnings per Common Share

Diluted net earnings per common share was $0.35 for the three months ended February 28, 2013 on 217,844,000 shares. Diluted net earnings per common share was $1.22 for the year ended November 30, 2012 on 220,110,000 shares. Earnings per share data is not provided for periods subsequent to February 28, 2013, coinciding with the date we became a limited liability company and wholly-owned subsidiary of Leucadia. (See Note 20, Earnings per Share, in our consolidated financial statements for further information regarding the calculation of earnings per common share.)

JEFFERIES GROUP LLC AND SUBSIDIARIES

Accounting Developments

For a discussion of recently issued accounting developments and their impact on our consolidated financial statements. (See Note 3, Accounting Developments, in our consolidated financial statements.)

Critical Accounting Policies

The consolidated financial statements are prepared in conformity with U.S. GAAP, which require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Actual results can and may differ from estimates. These differences could be material to the financial statements.

We believe our application of U.S. GAAP and the associated estimates are reasonable. Our accounting policies and estimates are constantly reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

We believe our critical accounting policies (policies that are both material to the financial condition and results of operations and require our most subjective or complex judgments) are our valuation of financial instruments, assessment of goodwill and our use of estimates related to compensation and benefits during the year.

Valuation of Financial Instruments

Financial instruments owned and Financial instruments sold, not yet purchased are recorded at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Unrealized gains or losses are generally recognized in Principal transaction revenues in our Consolidated Statements of Earnings.

The following is a summary of the fair value of major categories of financial instruments owned and financial instruments sold, not yet purchased, at November 30, 2014 and November 30, 2013 (in thousands):

	November 30, 2014		November 30, 2013	
	Financial Instruments Owned	Financial Instruments Sold, Not Yet Purchased	Financial Instruments Owned	Financial Instruments Sold, Not Yet Purchased
Corporate equity securities	$ 2,426,242	1,985,864	$ 2,098,597	$ 1,823,299
Corporate debt securities	3,398,194	1,612,217	2,982,768	1,346,078
Government, federal agency and other sovereign obligations	6,125,901	4,044,140	5,346,152	3,155,683
Mortgage- and asset-backed securities	4,493,214	4,557	4,473,135	34,691
Loans and other receivables	1,556,018	870,975	1,349,128	695,300
Derivatives	406,268	363,515	261,093	180,079
Investments	168,541	—	101,282	—
Physical commodities	62,234	—	37,888	36,483
	$ 18,636,612	$ 8,881,268	$ 16,650,043	$ 7,271,613

Fair Value Hierarchy - In determining fair value, we maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect our assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. We apply a hierarchy to categorize our fair value measurements broken down into three levels based on the transparency of inputs, where Level 1 uses observable prices in active markets and Level 3 uses valuation techniques that incorporate significant unobservable inputs and broker quotes that are considered less observable. Greater use of management judgment is required in determining fair value when inputs are less observable or unobservable in the marketplace, such as when the volume or level of trading activity for a financial instrument has decreased and when certain factors suggest that observed transactions may not be reflective of orderly market transactions. Judgment must be applied in determining the appropriateness of available prices, particularly in assessing whether available data reflects current prices and/or reflects the results of recent market transactions. Prices or quotes are weighed when estimating fair value with greater reliability placed on information from transactions that are considered to be representative of orderly market transactions.

Fair value is a market based measure; therefore, when market observable inputs are not available, our judgment is applied to reflect those judgments that a market participant would use in valuing the same asset or liability. The availability of observable inputs can vary for different products. We use prices and inputs that are current as of the measurement date even in periods of market disruption or illiquidity. The valuation of financial instruments classified in Level 3 of the fair value hierarchy involves the greatest amount of management judgment. (See Note 2, Summary of Significant Accounting Policies and Note 6, Fair Value Disclosures, in our consolidated financial statements for further information on the fair value definition, Level 1, Level 2, Level 3 and related valuation techniques.)

Level 3 Assets and Liabilities – The following table reflects the composition of our Level 3 assets and Level 3 liabilities by asset class at November 30, 2014 and November 30, 2013 (in thousands):

	Financial Instruments Owned		Financial Instruments Sold, Not Yet Purchased	
	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013
Loans and other receivables	$ 97,258	$ 145,890	$ 14,450	$ 22,462
Investments at fair value	95,389	101,242	—	—
Residential mortgage-backed securities	82,557	105,492	—	—
Derivatives	54,190	1,493	49,552	8,398
Collateralized debt obligations	91,498	37,216	—	—
Commercial mortgage-backed securities	26,655	17,568	—	—
Corporate debt securities	55,918	25,666	223	—
Corporate equity securities	20,964	9,884	38	38
Other asset-backed securities	2,294	12,611	—	—
Total Level 3 financial instruments	526,723	457,062	$ 64,263	$ 30,898
Investments in managed funds	54,982	57,285		
Total Level 3 assets	$ 581,705	$ 514,347		
Total Level 3 financial instruments as a percentage of total financial instruments	2.8%	2.7%	0.7%	0.4%

While our Financial instruments sold, not yet purchased, which are included within liabilities on our Consolidated Statements of Financial Condition, are accounted for at fair value, we do not account for any of our other liabilities at fair value, except for certain secured financings that arise in connection with our securitization activities included with Other secured financings of approximately $30.8 million and $39.7 million at November 30, 2014 and November 30, 2013, respectively, and the conversion option to Leucadia shares embedded in our 3.875% Convertible Senior debenture of approximately $0.7 million and $9.6 million reported within Long-term debt at November 30, 2014 and November 30, 2013, respectively.

JEFFERIES GROUP LLC AND SUBSIDIARIES

The following table reflects activity with respect to our Level 3 assets and liabilities (in millions):

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months February 28, 2013	Year Ended November 30, 2012
Assets:				
Transfers from Level 3 to Level 2	$ 58.2	$ 55.9	$ 112.7	$ 81.8
Transfers from Level 2 to Level 3	145.0	82.4	100.5	180.6
Net gains (losses)	(39.4)	9.4	14.5	28.8
Liabilities:				
Transfers from Level 3 to Level 2	$ 4.3	$ 0.1	$ 0.7	$ 2.2
Transfers from Level 2 to Level 3	—	—	—	—
Net gains (losses)	(6.0)	(1.1)	(2.7)	(2.5)

For additional discussion on transfers of assets and liabilities among the fair value hierarchy levels, see Note 6, Fair Value Disclosures, in our consolidated financial statements.

Controls Over the Valuation Process for Financial Instruments - Our Independent Price Verification Group, independent of the trading function, plays an important role in determining that our financial instruments are appropriately valued and that fair value measurements are reliable. This is particularly important where prices or valuations that require inputs are less observable. In the event that observable inputs are not available, the control processes are designed to assure that the valuation approach utilized is appropriate and consistently applied and that the assumptions are reasonable. Where a pricing model is used to determine fair value, these control processes include reviews of the pricing model’s theoretical soundness and appropriateness by risk management personnel with relevant expertise who are independent from the trading desks. In addition, recently executed comparable transactions and other observable market data are considered for purposes of validating assumptions underlying the model.

Goodwill

At November 30, 2014, goodwill recorded on our Consolidated Statement of Financial Condition is $1,662.6 million (3.7% of total assets). The nature and accounting for goodwill is discussed in Note 2, Summary of Significant Accounting Policies and Note 12, Goodwill and Other Intangible Assets, in our consolidated financial statements. Goodwill must be allocated to reporting units and tested for impairment at least annually, or when circumstances or events make it more likely than not that an impairment occurred. Goodwill is tested by comparing the estimated fair value of each reporting unit with its carrying value. Our annual goodwill impairment testing date is August 1. We engaged an independent valuation specialist to assist us in our valuation process at August 1, 2014. The results of our annual impairment test did not indicate any goodwill impairment in any of our reporting units.

We use allocated tangible equity plus allocated goodwill and intangible assets as a proxy for the carrying amount of each reporting unit. The amount of equity allocated to a reporting unit is based on our cash capital model deployed in managing our businesses, which seeks to approximate the capital a business would require if it were operating independently. For further information on our Cash Capital Policy, refer to the Liquidity, Financial Condition and Capital Resources section herein. Intangible assets are allocated to a reporting unit based on either specifically identifying a particular intangible asset as pertaining to a reporting unit or, if shared among reporting units, based on an assessment of the reporting unit’s benefit from the intangible asset in order to generate results.

Estimating the fair value of a reporting unit requires management judgment and often involves the use of estimates and assumptions that could have a significant effect on whether or not an impairment charge is recorded and the magnitude of such a charge. Estimated fair values for our reporting units utilize market valuation methods that incorporate price-to-earnings and price-to-book multiples of comparable public companies, as well as discounted cash flow valuation methodologies that incorporate risk-adjusted discount rates. In addition, for certain reporting units, we utilize a net asset value method. Under the market approach, the key assumptions are the selected multiples and our internally developed forecasts of future profitability, growth and return on equity for each reporting unit. The weight assigned to the multiples requires judgment in qualitatively and quantitatively evaluating the size, profitability and the nature of the business activities of the reporting units as compared to the comparable publicly-traded companies. In addition, as the fair values determined under the market approach represent a noncontrolling interest, we apply a control premium to arrive at the estimate fair value of each reporting unit on a controlling basis.

Futures Reporting Unit – Our Jefferies Bache business has experienced various challenges with respect to its profitability. Consequently, during the fourth quarter of 2014, management decided to pursue alternative strategies for the Futures reporting unit, including a possible divestiture. Given this circumstance, we performed an updated impairment test for the goodwill allocated to the Futures reporting unit at November 30, 2014. Given the uncertainty surrounding the prospects for the reporting unit, we utilized dual valuation methods to estimate the reporting unit's fair value. We employed a discounted cash flow methodology, which, given the increasing uncertainty as to the profitability forecasts for the Futures business, caused us to incorporate a higher risk-adjusted discount rate than used in our annual impairment test, which impacted the fair value estimate. Additionally, we employed a market valuation approach. The key assumption under the market approach is the selection of an appropriate price multiple and the consideration of the operating performance of the Futures reporting unit as compared to selected publicly traded guideline companies. Based on the most recent performance of the business and its margin challenges, the level and expected growth in return on tangible equity was benchmarked against the guideline companies in selecting an appropriate multiple. Giving proper weighting to the outputs from both valuation approaches, we determined that the fair value of the Futures reporting unit did not exceed its carrying value.

As a result of the decline in the estimated fair value of the Futures reporting unit since our annual impairment testing date of August 1, 2014, we recognized an impairment loss of the allocated goodwill of $51.9 million for the quarter ended November 30, 2014. The effect of the impairment loss is to reduce the balance of goodwill attributed to the Futures business to $-0- at November 30, 2014. In addition, considering the most recent operating margin for the business, we estimated that the fair value of recognized customer relationship intangible assets using a discounted cash flow methodology was $-0- at November 30, 2014. Accordingly, we recognized an impairment loss of $7.5 million during the fourth quarter of 2014 related to this intangible asset.

International Asset Management – As part of strategic evaluations of our businesses, during the fourth quarter of 2014, management decided to liquidate our International Asset Management business, which consists of long only, convertible bond strategies offered to institutional investors. We used a net asset value approach at August 1, 2014 to perform our annual goodwill impairment testing of this reporting unit and, accordingly, the fair value of the International Asset Reporting Unit was equal to its book value. Considering management's decision to cease this business activity, we do not reasonably anticipate any future cash flows associated with this reporting unit beyond one year to support the carrying value of the International Asset Management reporting unit. During the fourth quarter of 2014, we recognized an impairment loss of the allocated goodwill of $2.1 million, which reduced the balance of goodwill attributed to this reporting unit to $-0- at November 30, 2014.

As of November 30, 2014, substantially all of our goodwill is allocated to our Investment Banking, Equities and Fixed Income reporting units, which is $1,659.6 million of total goodwill of $1,662.6 million at November 30, 2014.

Refer to Note 12, Goodwill and Other Intangible Assets for further details on goodwill and intangible assets.

Compensation and Benefits

A portion of our compensation and benefits represents discretionary bonuses, which are finalized at year end. In addition to the level of net revenues, our overall compensation expense in any given year is influenced by prevailing labor markets, revenue mix, profitability, individual and business performance metrics, and our use of share-based compensation programs. We believe the most appropriate way to allocate estimated annual total compensation among interim periods is in proportion to projected net revenues earned. Consequently, during the year we accrue compensation and benefits based on annual targeted compensation ratios, taking into account the mix of our revenues and the timing of expense recognition.

JEFFERIES GROUP LLC AND SUBSIDIARIES

For further discussion of these and other significant accounting policies, see Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements.

Liquidity, Financial Condition and Capital Resources

Our Chief Financial Officer and Global Treasurer are responsible for developing and implementing our liquidity, funding and capital management strategies. These policies are determined by the nature and needs of our day to day business operations, business opportunities, regulatory obligations, and liquidity requirements.

Our actual levels of capital, total assets and financial leverage are a function of a number of factors, including asset composition, business initiatives and opportunities, regulatory requirements and cost and availability of both long term and short term funding. We have historically maintained a balance sheet consisting of a large portion of our total assets in cash and liquid marketable securities, arising principally from traditional securities brokerage and trading activity. The liquid nature of these assets provides us with flexibility in financing and managing our business.

Analysis of Financial Condition

A business unit level balance sheet and cash capital analysis is prepared and reviewed with senior management on a weekly basis. As a part of this balance sheet review process, capital is allocated to all assets and gross and adjusted balance sheet limits are established. This process ensures that the allocation of capital and costs of capital are incorporated into business decisions. The goals of this process are to protect the firm’s platform, enable our businesses to remain competitive, maintain the ability to manage capital proactively and hold businesses accountable for both balance sheet and capital usage.

We actively monitor and evaluate our financial condition and the composition of our assets and liabilities. Substantially all of our Financial instruments owned and Financial instruments sold, not yet purchased are valued on a daily basis and we monitor and employ balance sheet limits for our various businesses. In connection with our government and agency fixed income business and our role as a primary dealer in these markets, a sizable portion of our securities inventory is comprised of U.S. government and agency securities and other G-7 government securities.

The following table provides detail on key balance sheet asset and liability line items (in millions):

	November 30, 2014	November 30, 2013	% Change
Total assets	$ 44,517.6	$ 40,177.0	10.8%
Cash and cash equivalents	4,080.0	3,561.1	14.6%
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	3,444.7	3,616.6	-4.8%
Financial instruments owned	18,636.6	16,650.0	11.9%
Financial instruments sold, not yet purchased	8,881.3	7,271.6	22.1%
Total Level 3 assets	581.7	514.3	13.1%
Securities borrowed	$ 6,853.1	$ 5,359.8	27.9%
Securities purchased under agreements to resell	3,926.9	3,746.9	4.8%
Total securities borrowed and securities purchased under agreements to resell	$ 10,780.0	$ 9,106.7	18.4%
Securities loaned	$ 2,598.5	$ 2,506.1	3.7%
Securities sold under agreements to repurchase	10,672.2	10,779.8	-1.0%
Total securities loaned and securities sold under agreements to repurchase	$ 13,270.7	$ 13,285.9	-0.1%

Total assets at November 30, 2014 and November 30, 2013 were $44.5 billion and $40.2 billion, respectively. During the year ended November 30, 2014, average total assets were approximately 13% higher than total assets at November 30, 2014.

Jefferies LLC (our U.S. futures commission merchant) and Jefferies Bache Limited (our U.K. commodities and financial futures broker-dealer), receive cash or securities as margin to secure customer futures trades. Jefferies LLC ("Jefferies") (a U.S. broker-dealer), under SEC Rule 15c3-3 and under CFTC Regulation 1.25, is required to maintain customer cash or qualified securities in a segregated reserve account for the exclusive benefit of our clients. We are required to conduct customer segregation calculations to ensure the appropriate amounts of funds are segregated and that no customer funds are used to finance firm activity. Similar requirements exist under the U.K. Financial Conduct Authority's Client Money Rules with respect to our European-based activities conducted through Jefferies Bache Limited and Jefferies International Limited (a U.K. broker-dealer). Customer funds received are required to be separately segregated and held by us as statutory trustee for our customers. If we rehypothecate customer securities, that activity is conducted only to finance customer activity. Additionally, we do not lend customer cash to counterparties to conduct securities financing activity (*i.e.*, we do not lend customer cash to reverse in securities). Further, we have no customer loan activity in Jefferies International Limited and we do not have any European prime brokerage operations. In Jefferies Bache Limited, any funds received from a customer are placed on deposit and not used as part of our operations. We do not transfer U.S. customer assets to our U.K. entities.

Our total Financial instruments owned inventory at November 30, 2014 was $18.6 billion, an increase of 12.0% from inventory of $16.7 billion at November 30, 2013, driven by increases in inventory positions across most asset classes. Higher trading volumes and increased client activity during most periods of the year and increases in equity and corporate debt offerings contributed to overall inventory levels. Financial instruments sold, not yet purchased inventory was $8.9 billion and $7.3 billion at November 30, 2014 and November 30, 2013, respectively, with the increase primarily driven by increased trading by our U.S. and international rates businesses. Derivative activity and outstanding balances, including both over-the-counter and listed contracts, increased across multiple inventory classes from that of the prior year. Our overall net inventory position was $9.8 billion and $9.4 billion at November 30, 2014 and November 30, 2013, respectively. The change in our net inventory balance is primarily attributed to an increase in our net inventory of corporate equity and debt securities, partially offset by a reduction in our net inventory of U.S. government and agency securities and sovereign obligations.

We continually monitor our overall securities inventory, including the inventory turnover rate, which confirms the liquidity of our overall assets. As a Primary Dealer in the U.S. and with our similar role in several European jurisdictions, we carry inventory and make an active market for our clients in securities issued by the various governments. These inventory positions are substantially comprised of the most liquid securities in the asset class, with a significant portion in holdings of securities of G-7 countries. For further detail on our outstanding sovereign exposure to Greece, Ireland, Italy, Portugal and Spain at November 30, 2014, refer to the Risk Management section herein.

Of our total Financial instruments owned, approximately 74% are readily and consistently financeable at haircuts of 10% or less. In addition, as a matter of our policy, a portion of these assets has internal capital assessed, which is in addition to the funding haircuts provided in the securities finance markets. Additionally, our Financial instruments owned primarily consisting of bank loans, investments and non-agency mortgage-backed securities are predominantly funded by long term capital. Under our cash capital policy, we model capital allocation levels that are more stringent than the haircuts used in the market for secured funding; and we maintain surplus capital at these maximum levels.

At November 30, 2014 and November 30, 2013, our Level 3 financial instruments owned was 3% of our financial instruments owned.

Securities financing assets and liabilities include both financing for our financial instruments trading activity and matched book transactions. Matched book transactions accommodate customers, as well as obtain securities for the settlement and financing of inventory positions. The aggregate outstanding balance of our securities borrowed and securities purchased under agreements to resell increased by 18% from November 30, 2013 to November 30, 2014, primarily due to an increase in firm financing of our short inventory and an increase in our matched book activity.

The outstanding balance of our securities loaned and securities sold under agreements to repurchase was relatively unchanged from November 30, 2013 to November 30, 2014 due to a decrease in our matched book activity, offset by an increase in firm financing of our inventory, less netting for our collateralized financing transactions. By executing repurchase agreements with central clearing corporations to finance liquid inventory, rather than bi-lateral arrangements, we reduce the credit risk associated with these arrangements and decrease net outstanding balances. Our average month end balances of total reverse repos and stock borrows and total repos and stock loans during the year ended November 30, 2014 were 19% and 22% higher, respectively, than the November 30, 2014 balances.

The following table presents our period end balance, average balance and maximum balance at any month end within the periods presented for Securities purchased under agreements to resell and Securities sold under agreements to repurchase (in millions):

	Successor		Predecessor
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Securities Purchased Under Agreements to Resell:			
Period end	$ 3,927	$ 3,747	$ 3,578
Month end average	5,788	4,936	5,132
Maximum month end	8,081	6,007	6,288
Securities Sold Under Agreements to Repurchase:			
Period end	$ 10,672	$ 10,780	$ 7,976
Month end average	13,291	13,308	11,895
Maximum month end	16,586	16,502	15,168

Fluctuations in the balance of our repurchase agreements from period to period and intraperiod are dependent on business activity in those periods. Additionally, the fluctuations in the balances of our securities purchased under agreements to resell over the periods presented are influenced in any given period by our clients' balances and our clients' desires to execute collateralized financing arrangements via the repurchase market or via other financing products. Average balances and period end balances will fluctuate based on market and liquidity conditions and we consider the fluctuations intraperiod to be typical for the repurchase market.

JEFFERIES GROUP LLC AND SUBSIDIARIES

Leverage Ratios

The following table presents total assets, adjusted assets, total equity, total member's equity, tangible equity and tangible member's equity with the resulting leverage ratios at November 30, 2014 and November 30, 2013 (in thousands):

		November 30, 2014	November 30, 2013
Total assets		$44,517,648	$40,176,996
Deduct:	Securities borrowed	(6,853,103)	(5,359,846)
	Securities purchased under agreements to resell	(3,926,858)	(3,746,920)
Add:	Financial instruments sold, not yet purchased	8,881,268	7,271,613
	Less derivative liabilities	(363,515)	(180,079)
Subtotal		8,517,753	7,091,534
Deduct:	Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	(3,444,674)	(3,616,602)
	Goodwill and intangible assets	(1,904,417)	(1,986,436)
Adjusted assets		$36,906,349	$32,558,726
Total equity		$ 5,463,431	$ 5,421,674
Deduct:	Goodwill and intangible assets	(1,904,417)	(1,986,436)
Tangible equity		$ 3,559,014	$ 3,435,238
Total member's equity		$ 5,424,583	$ 5,304,520
Deduct:	Goodwill and intangible assets	(1,904,417)	(1,986,436)
Tangible member's equity		$ 3,520,166	$ 3,318,084
Leverage ratio (1)		8.1	7.4
Tangible gross leverage ratio (2)		12.1	11.5
Leverage ratio - excluding impacts of the Leucadia Transaction (3)		10.3	9.3
Adjusted leverage ratio (4)		10.4	9.5

(1) Leverage ratio equals total assets divided by total equity.

(2) Tangible gross leverage ratio (a non-GAAP financial measure) equals total assets less goodwill and identifiable intangible assets divided by tangible member's equity. The tangible gross leverage ratio is used by Rating Agencies in assessing our leverage ratio.

(3) Leverage ratio - excluding impacts of the Leucadia Transaction (a non-GAAP financial measure) equals total assets less the increase in goodwill and asset fair values in accounting for the Leucadia Transaction of $1,957 million less amortization and impairments of goodwill and certain intangible assets of $108 million and $27 million during the year ended November 30, 2014 and the period since the Leucadia Transaction to November 30, 2013, respectively, on assets recognized at fair value in accounting for the Leucadia Transaction divided by the sum of total equity less $1,310 million and $1,326 million at November 30, 2014 and November 30, 2013, respectively, being the increase in equity arising from consideration of $1,426 million excluding the $125 million attributable to the assumption of our preferred stock by Leucadia, and less the impact on equity due to amortization of $9 million and $25 million at November 30, 2014 and November 30, 2013, respectively, on assets and liabilities recognized at fair value in accounting for the Leucadia Transaction.

(4) Adjusted leverage ratio (a non-GAAP financial measure) equals adjusted assets divided by tangible total equity.

Adjusted assets is a non-GAAP financial measure and excludes certain assets that are considered of lower risk as they are generally self-financed by customer liabilities through our securities lending activities. We view the resulting measure of adjusted leverage, also a non-GAAP financial measure, as a more relevant measure of financial risk when comparing financial services companies.

Liquidity Management

The key objectives of the liquidity management framework are to support the successful execution of our business strategies while ensuring sufficient liquidity through the business cycle and during periods of financial distress. Our liquidity management policies are designed to mitigate the potential risk that we may be unable to access adequate financing to service our financial obligations without material franchise or business impact.

The principal elements of our liquidity management framework are our Contingency Funding Plan, our Cash Capital Policy and our assessment of Maximum Liquidity Outflow.

Contingency Funding Plan. Our Contingency Funding Plan is based on a model of a potential liquidity contraction over a one year time period. This incorporates potential cash outflows during a liquidity stress event, including, but not limited to, the following: (a) repayment of all unsecured debt maturing within one year and no incremental unsecured debt issuance; (b) maturity rolloff of outstanding letters of credit with no further issuance and replacement with cash collateral; (c) higher margin requirements than currently exist on assets on securities financing activity, including repurchase agreements; (d) liquidity outflows related to possible credit downgrade; (e) lower availability of secured funding; (f) client cash withdrawals; (g) the anticipated funding of outstanding investment and loan commitments; and (h) certain accrued expenses and other liabilities and fixed costs.

Cash Capital Policy. We maintain a cash capital model that measures long-term funding sources against requirements. Sources of cash capital include our equity and the noncurrent portion of long-term borrowings. Uses of cash capital include the following: (a) illiquid assets such as equipment, goodwill, net intangible assets, exchange memberships, deferred tax assets and certain investments; (b) a portion of securities inventory that is not expected to be financed on a secured basis in a credit stressed environment (*i.e.*, margin requirements) and (c) drawdowns of unfunded commitments. To ensure that we do not need to liquidate inventory in the event of a funding crisis, we seek to maintain surplus cash capital, which is reflected in the leverage ratios we maintain. Our total capital of $11.3 billion at November 30, 2014 exceeded our cash capital requirements.

Maximum Liquidity Outflow. Our businesses are diverse, and our liquidity needs are determined by many factors, including market movements, collateral requirements and client commitments, all of which can change dramatically in a difficult funding environment. During a liquidity crisis, credit-sensitive funding, including unsecured debt and some types of secured financing agreements, may be unavailable, and the terms (*e.g.*, interest rates, collateral provisions and tenor) or availability of other types of secured financing may change. As a result of our policy to ensure we have sufficient funds to cover what we estimate may be needed in a liquidity crisis, we hold more cash and unencumbered securities and have greater long-term debt balances than our businesses would otherwise require. As part of this estimation process, we calculate a Maximum Liquidity Outflow that could be experienced in a liquidity crisis. Maximum Liquidity Outflow is based on a scenario that includes both a market-wide stress and firm-specific stress, characterized by some or all of the following elements:

- Global recession, default by a medium-sized sovereign, low consumer and corporate confidence, and general financial instability.
- Severely challenged market environment with material declines in equity markets and widening of credit spreads.
- Damaging follow-on impacts to financial institutions leading to the failure of a large bank.
- A firm-specific crisis potentially triggered by material losses, reputational damage, litigation, executive departure, and/or a ratings downgrade.

The following are the critical modeling parameters of the Maximum Liquidity Outflow:

- Liquidity needs over a 30-day scenario.
- A two-notch downgrade of our long-term senior unsecured credit ratings.
- No support from government funding facilities.
- A combination of contractual outflows, such as upcoming maturities of unsecured debt, and contingent outflows (*e.g.*, actions though not contractually required, we may deem necessary in a crisis). We assume that most contingent outflows will occur within the initial days and weeks of a crisis.
- No diversification benefit across liquidity risks. We assume that liquidity risks are additive.

The calculation of our Maximum Liquidity Outflow under the above stresses and modeling parameters considers the following potential contractual and contingent cash and collateral outflows:

- All upcoming maturities of unsecured long-term debt, commercial paper, promissory notes and other unsecured funding products assuming we will be unable to issue new unsecured debt or rollover any maturing debt.
- Repurchases of our outstanding long-term debt in the ordinary course of business as a market maker.
- A portion of upcoming contractual maturities of secured funding trades due to either the inability to refinance or the ability to refinance only at wider haircuts (*i.e.*, on terms which require us to post additional collateral). Our assumptions reflect, among other factors, the quality of the underlying collateral and counterparty concentration.
- Collateral postings to counterparties due to adverse changes in the value of our over-the-counter ("OTC") derivatives and other outflows due to trade terminations, collateral substitutions, collateral disputes, collateral calls or termination payments required by a two-notch downgrade in our credit ratings.
- Variation margin postings required due to adverse changes in the value of our outstanding exchange-traded derivatives and any increase in initial margin and guarantee fund requirements by derivative clearing houses.
- Liquidity outflows associated with our prime brokerage business, including withdrawals of customer credit balances, and a reduction in customer short positions.
- Liquidity outflows to clearing banks to ensure timely settlements of cash and securities transactions.
- Draws on our unfunded commitments considering, among other things, the type of commitment and counterparty.
- Other upcoming large cash outflows, such as tax payments.

Based on the sources and uses of liquidity calculated under the Maximum Liquidity Outflow scenarios we determine, based on a calculated surplus or deficit, additional long-term funding that may be needed versus funding through the repurchase financing market and consider any adjustments that may be necessary to our inventory balances and cash holdings. At November 30, 2014, we have sufficient excess liquidity to meet all contingent cash outflows detailed in the Maximum Liquidity Outflow. We regularly refine our model to reflect changes in market or economic conditions and the firm's business mix.

Sources of Liquidity

The following are financial instruments that are cash and cash equivalents or are deemed by management to be generally readily convertible into cash, marginable or accessible for liquidity purposes within a relatively short period of time (in thousands):

	November 30, 2014	Average balance Quarter ended November 30, 2014 (1)	November 30, 2013
Cash and cash equivalents:			
Cash in banks	$1,083,605	$ 603,459	$ 830,438
Certificate of deposit	75,000	59,524	50,005
Money market investments	2,921,363	2,333,772	2,680,676
Total cash and cash equivalents	4,079,968	2,996,755	3,561,119
Other sources of liquidity:			
Debt securities owned and securities purchased under agreements to resell (2)	1,056,766	1,125,420	1,316,867
Other (3)	363,713	572,024	403,738
Total other sources	1,420,479	1,697,444	1,720,605
Total cash and cash equivalents and other liquidity sources	$5,500,447	$ 4,694,199	$5,281,724
Total cash and cash equivalents and other liquidity sources as % of Total Assets	12.4%		13.1%
Total cash and cash equivalents and other liquidity sources as % of Total Assets less Goodwill and Intangible Assets	12.9%		13.8%

(1) Average balances are calculated based on weekly balances.

JEFFERIES GROUP LLC AND SUBSIDIARIES

(2) Consists of high quality sovereign government securities and reverse repurchase agreements collateralized by U.S. government securities and other high quality sovereign government securities; deposits with a central bank within the European Economic Area, Canada, Australia, Japan, Switzerland or the USA; and securities issued by a designated multilateral development bank and reverse repurchase agreements with underlying collateral comprised of these securities.

(3) Other includes unencumbered inventory representing an estimate of the amount of additional secured financing that could be reasonably expected to be obtained from our financial instruments owned that are currently not pledged after considering reasonable financing haircuts and additional funds available under the committed senior secured revolving credit facility available for working capital needs of Jefferies Bache, LLC. On September 1, 2014, Jefferies Bache, LLC merged with and into Jefferies, with Jefferies as the surviving entity.

In addition to the cash balances and liquidity pool presented above, the majority of financial instruments (both long and short) in our trading accounts are actively traded and readily marketable. At November 30, 2014, we have the ability to readily obtain repurchase financing for 74% of our inventory at haircuts of 10% or less, which reflects the liquidity of our inventory. We continually assess the liquidity of our inventory based on the level at which we could obtain financing in the market place for a given asset. Assets are considered to be liquid if financing can be obtained in the repurchase market or the securities lending market at collateral haircut levels of 10% or less. The following summarizes our financial instruments by asset class that we consider to be of a liquid nature and the amount of such assets that have not been pledged as collateral at November 30, 2014 and November 30, 2013 (in thousands):

	November 30, 2014		November 30, 2013	
	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)
Corporate equity securities	$ 2,191,288	$ 297,628	$ 1,982,877	$ 137,721
Corporate debt securities	2,583,779	11,389	2,250,512	26,983
U.S. Government, agency and municipal securities	3,124,780	250,278	2,513,388	400,821
Other sovereign obligations	2,671,807	877,366	2,346,485	991,774
Agency mortgage-backed securities (1)	3,395,771	—	2,976,133	—
Physical commodities	62,234	—	37,888	—
	$ 14,029,659	$ 1,436,661	$ 12,107,283	$ 1,557,299

(1) Consists solely of agency mortgage-backed securities issued by Freddie Mac, Fannie Mae and Ginnie Mae. These securities include pass-through securities, securities backed by adjustable rate mortgages ("ARMs"), collateralized mortgage obligations, commercial mortgage-backed securities and interest- and principal-only securities.

(2) Unencumbered liquid balances represent assets that can be sold or used as collateral for a loan, but have not been.

Average liquid financial instruments for both the three and twelve months ended November 30, 2014 was $17.2 billion and for the three and twelve months ended November 30, 2013 were $15.7 billion and $16.1 billion, respectively.

In addition to being able to be readily financed at modest haircut levels, we estimate that each of the individual securities within each asset class above could be sold into the market and converted into cash within three business days under normal market conditions, assuming that the entire portfolio of a given asset class was not simultaneously liquidated. There are no restrictions on the unencumbered liquid securities, nor have they been pledged as collateral.

Sources of Funding and Capital Resources

Our assets are funded by equity capital, senior debt, convertible debt, securities loaned, securities sold under agreements to repurchase, customer free credit balances, bank loans and other payables.

Secured Financing

We rely principally on readily available secured funding to finance our inventory of financial instruments. Our ability to support increases in total assets is largely a function of our ability to obtain short and intermediate-term secured funding, primarily through securities financing transactions. We finance a portion of our long inventory and cover some of our short inventory by pledging and borrowing securities in the form of repurchase or reverse repurchase agreements (collectively “repos”), respectively. Approximately 80% of our repurchase financing activities use collateral that is considered eligible collateral by central clearing corporations. Central clearing corporations are situated between participating members who borrow cash and lend securities (or vice versa); accordingly repo participants contract with the central clearing corporation and not one another individually. Therefore, counterparty credit risk is borne by the central clearing corporation which mitigates the risk through initial margin demands and variation margin calls from repo participants. The comparatively large proportion of our total repo activity that is eligible for central clearing reflects the high quality and liquid composition of the inventory we carry in our trading books. The tenor of our repurchase and reverse repurchase agreements generally exceeds the expected holding period of the assets we are financing. A significant portion of our financing of European Sovereign inventory is executed using central clearinghouse financing arrangements rather than via bi-lateral repo agreements. For those asset classes not eligible for central clearinghouse financing, we seek to execute our bi-lateral financings on an extended term basis.

In addition to the above financing arrangements, in November 2012, we initiated a program whereby we issue notes backed by eligible collateral under a master repurchase agreement, which provides an additional financing source for our inventory (our “repurchase agreement financing program”). At November 30, 2014, the outstanding amount of the notes issued under the program was $575.0 million in aggregate, which is presented within Other secured financings on the Consolidated Statement of Financial Condition. Of the $575.0 million aggregate notes, $60.0 million matures in February 2015, $85.0 million matures in March 2015, $200.0 million in July 2016 and $80.0 million in August 2016, all bearing interest at a spread over one month LIBOR. The remaining $150.0 million matures in February 2016 and bears interest at a spread over three month LIBOR. For additional discussion on the program, refer to Note 10, Variable Interest Entities, in our consolidated financial statements.

Weighted average maturity of repurchase agreements for non-clearing corporation eligible funded inventory is approximately three months at November 30, 2014. Our ability to finance our inventory via central clearinghouses and bi-lateral arrangements is augmented by our ability to draw bank loans on an uncommitted basis under our various banking arrangements. At November 30, 2014, short-term borrowings, which include bank loans, as well as borrowings under revolving credit facilities which must be repaid within one year or less, totaled $12.0 million. Interest under the bank lines is generally at a spread over the federal funds rate. Letters of credit are used in the normal course of business mostly to satisfy various collateral requirements in favor of exchanges in lieu of depositing cash or securities. Average daily short-term borrowings for the year ended November 30, 2014, the nine months ended November 30, 2013 and the three months ended February 28, 2013 were $81.7 million, $43.3 million and $110.0 million, respectively.

Total Capital

At November 30, 2014 and November 30, 2013, we have total long-term capital of $11.3 billion and $11.2 billion resulting in a long-term debt to equity capital ratio of 1.06:1 and 1.07:1, respectively. Our total capital base at November 30, 2014 and November 30, 2013 was as follows (in thousands):

	November 30, 2014	November 30, 2013
Long-Term Debt (1)	$ 5,805,673	$ 5,777,130
Total Equity	5,463,431	5,421,674
Total Capital	$ 11,269,104	$ 11,198,804

(1) Long-term debt for purposes of evaluating long-term capital at November 30, 2014 and November 30, 2013 excludes $170.0 million and $200.0 million, respectively, of our outstanding borrowings under our long-term revolving Credit Facility and excludes $507.9 million of our 3.875% Senior Notes at November 30, 2014 and $255.7 million of our 5.875% Senior Notes at November 30, 2013, as these notes mature in less than one year from the period end.

Long-Term Debt

On August 26, 2011, we entered into a committed senior secured revolving credit facility ("Credit Facility") with a group of commercial banks in Dollars, Euros and Sterling, for an aggregate committed amount of $950.0 million with availability subject to one or more borrowing bases and of which $250.0 million can be borrowed by Jefferies Bache Limited without a borrowing base requirement. On June 26, 2014, we amended and restated the Credit Facility to extend the term of the Credit Facility for three years and reduced the committed amount to $750.0 million. The borrowers under the Credit Facility are Jefferies Bache Financial Services, Inc., Jefferies Bache, LLC and Jefferies Bache Limited, with a guarantee from Jefferies Group LLC. On September 1, 2014, Jefferies Bache, LLC merged with and into Jefferies. Jefferies is the surviving entity, and therefore, a borrower under the Credit Facility. At November 30, 2014 and November 30, 2013, we had borrowings outstanding under the Credit Facility amounting to $170.0 million and $200.0 million, respectively.

Interest is based on the Federal funds rate or, in the case of Euro and Sterling borrowings, the Euro Interbank Offered Rate and the London Interbank Offered Rate, respectively. The Credit Facility is guaranteed by Jefferies Group LLC and contains financial covenants that, among other things, imposes restrictions on future indebtedness of our subsidiaries, requires Jefferies Group LLC to maintain specified levels of tangible net worth and liquidity amounts, and requires certain of our subsidiaries to maintain specified levels of regulated capital. On a monthly basis we provide a certificate to the Administrative Agent of the Credit Facility as to the maintenance of various financial covenant ratios at all times during the preceding month. At November 30, 2014 and November 30, 2013, the minimum tangible net worth requirement was $2,603.1 million and $2,564.0 million, respectively, and the minimum liquidity requirement was $541.7 million and $532.8 million, respectively, for which we were in compliance. Throughout the period, no instances of noncompliance with the Credit Facility occurred and we expect to remain in compliance given our current liquidity and anticipated additional funding requirements given our business plan and profitability expectations. While our subsidiaries are restricted under the Credit Facility from incurring additional indebtedness beyond trade payables and derivative liabilities in the normal course of business, we do not believe that these restrictions will have a negative impact on our liquidity.

On May 20, 2014, under our $2.0 billion Euro Medium Term Note Program, we issued senior unsecured notes with a principal amount of €500.0 million, due 2020, which bear interest at 2.375% per annum. Proceeds amounted to €498.7 million.

At November 30, 2014, our long-term debt, excluding the Credit Facility, has a weighted average maturity of 8 years. Our 5.875% Senior Notes with a principal amount of $250.0 million matured in June 2014.

Our long-term debt ratings at December 31, 2014 are as follows:

	Rating	Outlook
Moody's Investors Service (1)	Baa3	Negative
Standard and Poor's (2)	BBB-	Stable
Fitch Ratings	BBB-	Stable

(1) On December 19, 2014, Moody's affirmed our long-term debt rating of Baa3 and assigned a negative outlook to our rating.
(2) On December 11, 2014, Standard and Poor's ("S&P") announced its review of the ratings on 13 U.S. securities firms by applying its new ratings criteria for the sector. As part of this review, S&P downgraded our long-term debt rating one notch from "BBB" to "BBB-" and left the rating outlook unchanged at "stable".

We rely upon our cash holdings and external sources to finance a significant portion of our day to day operations. Access to these external sources, as well as the cost of that financing, is dependent upon various factors, including our debt ratings. Our current debt ratings are dependent upon many factors, including industry dynamics, operating and economic environment, operating results, operating margins, earnings trend and volatility, balance sheet composition, liquidity and liquidity management, our capital structure, our overall risk management, business diversification and our market share and competitive position in the markets in which we operate. Deteriorations in any of these factors could impact our credit ratings. While certain aspects of a credit rating downgrade are quantifiable pursuant to contractual provisions, the impact on our business and trading results in future periods is inherently uncertain and depends on a number of factors, including the magnitude of the downgrade, the behavior of individual clients and future mitigating action taken by us.

In connection with certain over-the-counter derivative contract arrangements and certain other trading arrangements, we may be required to provide additional collateral to counterparties, exchanges and clearing organizations in the event of a credit rating downgrade. At November 30, 2014, the amount of additional collateral that could be called by counterparties, exchanges and clearing organizations under the terms of such agreements in the event of a downgrade of our long-term credit rating below investment grade was $93.3 million. For certain foreign clearing organizations credit rating is only one of several factors employed in determining collateral that could be called. The above represents management's best estimate for additional collateral to be called in the event of credit rating downgrade. The impact of additional collateral requirements is considered in our Contingency Funding Plan and calculation of Maximum Liquidity Outflow, as described above.

Contractual Obligations and Commitments

The tables below provide information about our commitments related to debt obligations, purchase obligations, investments and derivative contracts at November 30, 2014. The table presents principal cash flows with expected maturity dates (in millions):

	Expected Maturity Date					
	2015	2016	2017 and 2018	2019 and 2020	2021 and Later	Total
Contractual obligations:						
Unsecured long-term debt (contractual principal payments net of unamortized discounts and premiums)	$ 507.9	$ 363.2	$ 842.4	$1,453.5	$3,146.6	$ 6,313.6
Senior secured revolving credit facilty	—	—	170.0	—	—	170.0
Interest payment obligations on senior notes	328.4	296.5	541.5	382.2	1,280.8	2,829.4
Purchase obligations (1)	56.7	54.6	88.1	52.4	35.5	287.3
	$ 893.0	$ 714.3	$1,642.0	$1,888.1	$4,462.9	$ 9,600.3
Commitments and guarantees:						
Equity commitments	$ —	$ 9.3	$ 0.8	$ —	$ 216.3	$ 226.4
Loan commitments	50.7	440.2	283.1	20.7	0.2	794.9
Mortgage-related and other purchase commitments	1,058.5	1,165.8	117.6	—	—	2,341.9
Forward starting repos	5,127.2	—	—	—	—	5,127.2
Other unfunded commitments	6.3	—	—	—	23.0	29.3
Derivative Contracts (2):						
Derivative contracts-non credit related	59,875.6	229.6	252.1	721.8	487.7	61,566.8
Derivative contracts - credit related	—	—	—	485.0	—	485.0
	$66,118.3	$1,844.9	$ 653.6	$1,227.5	$ 727.2	$70,571.5

(1) Purchase obligations for goods and services primarily include payments for outsourcing and computer and telecommunications maintenance agreements. Purchase obligations at November 30, 2014 reflect the minimum contractual obligations under legally enforceable contracts.

(2) Certain of our derivative contracts meet the definition of a guarantee and are therefore included in the above table. (See Note 22, Commitments, Contingencies and Guarantees, in our consolidated financial statements for additional information on commitments.)

As lessee, we lease certain premises and equipment under noncancelable agreements expiring at various dates through 2029 which are operating leases. At November 30, 2014, future minimum aggregate annual lease payments under such leases (net of subleases) for fiscal years ended November 30, 2015 through 2019 and the aggregate amount thereafter, are as follows (in thousands):

JEFFERIES GROUP LLC AND SUBSIDIARIES

Fiscal Year	Operating Leases
2015	$ 42,697
2016	53,056
2017	56,089
2018	56,038
2019	54,785
Thereafter	443,361
Total	$ 706,026

During 2012, we entered into a master sale and leaseback agreement under which we sold and have leased back existing and additional new equipment supplied by the lessor with partial expirations through 2019. The transaction resulted in a gain of $2.0 million, which is being amortized into earnings in proportion to and is reflected net against the leased equipment. The lease may be terminated on September 30, 2017 for a termination cost of the present value of the remaining lease payments plus a residual value. At November 30, 2014, minimum future lease payments are as follows (in thousands):

Fiscal Year	
2015	$ 3,887
2016	3,887
2017	3,887
2018	1,583
2019	167
Net minimum lease payments	13,411
Less amount representing interest	927
Present value of net minimum lease payments	$12,484

In the normal course of business we engage in other off balance sheet arrangements, including derivative contracts. Neither derivatives’ notional amounts nor underlying instrument values are reflected as assets or liabilities in our Consolidated Statements of Financial Condition. Rather, the fair value of derivative contracts are reported in the Consolidated Statements of Financial Condition as Financial instruments owned—derivative contracts or Financial instruments sold, not yet purchased—derivative contracts as applicable. Derivative contracts are reflected net of cash paid or received pursuant to credit support agreements and are reported on a net by counterparty basis when a legal right of offset exists under an enforceable master netting agreement. (See Note 2, Summary of Significant Accounting Policies, Note 6, Fair Value Disclosures, and Note 7, Derivative Financial Instruments, in our consolidated financial statements for additional information about our accounting policies and our derivative activities.)

We are routinely involved with variable interest entities (“VIEs”) in connection with our mortgage- and other asset- backed securities and collateralized loan obligation securitization activities. VIEs are entities in which equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are consolidated by the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a variable interest entity (“VIE”) that most significantly impact the entity’s economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. Where we are the primary beneficiary of a VIE, we consolidate the VIE. We do not generally consolidate the various VIEs related to our securitization activities because we are not the primary beneficiary.

At November 30, 2014, we did not have any commitments to purchase assets from our securitization vehicles. (See Note 9, Securitization Activities and Note 10, Variable Interest Entities, in our consolidated financial statements for additional information regarding our involvement with VIEs.)

We expect to make cash payments of $617.4 million on January 31, 2015 related to compensation awards for fiscal 2014.

Due to the uncertainty regarding the timing and amounts that will ultimately be paid, our liability for unrecognized tax benefits has been excluded from the above contractual obligations table. (See Note 21, Income Taxes, in our consolidated financial statements for further information.)

Equity Capital

On March 1, 2013, all of the outstanding common shares of Jefferies Group LLC were exchanged for shares of Leucadia and Jefferies Group LLC became wholly-owned by Leucadia with Leucadia as the sole equity owner of Jefferies Group LLC. The aggregate purchase price was approximately $4.8 billion and therefore, as a result of the Leucadia Transaction, our member's equity capital approximated $4.8 billion upon consummation. We do not anticipate making capital distributions in the future.

As compared to November 30, 2013, the increase to total member's equity at November 30, 2014 is primarily attributed to net earnings, partially offset by foreign currency translation adjustments during the year ended November 30, 2014.

Net Capital

As broker-dealers registered with the SEC and member firms of the Financial Industry Regulatory Authority ("FINRA"), Jefferies (a U.S. broker-dealer) and Jefferies Execution are subject to the Securities and Exchange Commission Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital, and have elected to calculate minimum capital requirements under the alternative method permitted by Rule 15c3-1 in calculating net capital. On September 1, 2014, Jefferies Bache, LLC (a Futures Commission Merchant ("FCM")) merged with and into Jefferies. Jefferies, as the surviving entity, registered as an FCM and is subject to Rule 1.17 of the Commodities Futures Trading Commission ("CFTC"), which sets forth minimum financial requirements. The minimum net capital requirement in determining excess net capital for a dually-registered U.S. broker-dealer and FCM is equal to the greater of the requirement under Rule 15c3-1 or CFTC Rule 1.17.

At November 30, 2014, Jefferies and Jefferies Execution's net capital and excess net capital were as follows (in thousands):

	Net Capital	Excess Net Capital
Jefferies	$1,025,113	$ 913,465
Jefferies Execution	6,150	5,900

FINRA is the designated self-regulatory organization ("DSRO") for our U.S. broker-dealers and the Chicago Mercantile Exchange is the DSRO for Jefferies as an FCM.

Certain other U.S. and non-U.S. subsidiaries are subject to capital adequacy requirements as prescribed by the regulatory authorities in their respective jurisdictions, including Jefferies International Limited and Jefferies Bache Limited, which are authorized and regulated by the Financial Conduct Authority in the U.K. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law on July 21, 2010. The Dodd-Frank Act contains provisions that require the registration of all swap dealers, major swap participants, security-based swap dealers, and/or major security-based swap participants. While entities that register under these provisions will be subject to regulatory capital requirements, these regulatory capital requirements have not yet been finalized. We expect that these provisions will result in modifications to the regulatory capital requirements of some of our entities, and will result in some of our other entities becoming subject to regulatory capital requirements for the first time, including Jefferies Derivative Products, LLC and Jefferies Bache Financial Services, Inc., which registered as swap dealers with the CFTC during January 2013 and Jefferies Financial Products, LLC, which registered during August 2014.

The regulatory capital requirements referred to above may restrict our ability to withdraw capital from our regulated subsidiaries.

Risk Management

Overview

Risk is an inherent part of our business and activities. The extent to which we properly and effectively identify, assess, monitor and manage each of the various types of risk involved in our activities is critical to our financial soundness, viability and profitability. Accordingly, we have a comprehensive risk management approach, with a formal governance structure and processes to identify, assess, monitor and manage risk. Principal risks involved in our business activities include market, credit, liquidity and capital, operational, legal and compliance, new business, and reputational risk.

Risk management is a multifaceted process that requires communication, judgment and knowledge of financial products and markets. Accordingly, our risk management process encompasses the active involvement of executive and senior management, and also many departments independent of the revenue-producing business units, including the Risk Management, Operations, Compliance, Legal and Finance Departments. Our risk management policies, procedures and methodologies are fluid in nature and are subject to ongoing review and modification.

For discussion of liquidity and capital risk management, refer to the “Liquidity, Financial Condition and Capital Resources” section herein.

Governance and Risk Management Structure

Our Board of Directors. Our Board of Directors and its Audit Committee play an important role in reviewing our risk management process and risk tolerance. Our Board of Directors and Audit Committee are provided with data relating to risk at each of its regularly scheduled meetings. Our Chief Risk Officer and Global Treasurer meet with the Board of Directors on not less than a quarterly basis to present our risk profile and liquidity profile and to respond to questions.

Risk Committees. We make extensive use of internal committees to govern risk taking and ensure that business activities are properly identified, assessed, monitored and managed. Our Risk Management Committee meets weekly to discuss our risk, capital, and liquidity profile in detail. In addition, business or market trends and their potential impact on the risk profile are discussed. Membership is comprised of our Chief Executive Officer and Chairman, Chairman of the Executive Committee, Chief Financial Officer, Chief Risk Officer and Global Treasurer. The Committee approves limits for us as a whole, and across risk categories and business lines. It also reviews all limit breaches. Limits are reviewed on at least an annual basis. Other risk related committees include Market Risk Management, Credit Risk Management, New Business, Underwriting Acceptance, Margin Oversight, Executive Management and Operating Committees. These Committees govern risk taking and ensure that business activities are properly managed for their area of oversight.

Risk Related Policies. We make use of various policies in the risk management process:

- *Market Risk Policy*- This policy sets out roles, responsibilities, processes and escalation procedures regarding market risk management.
- *Independent Price Verification Policy*- This policy sets out roles, responsibilities, processes and escalation procedures regarding independent price verification for securities and other financial instruments.
- *Operational Risk Policy*- This policy sets out roles, responsibilities, processes and escalation procedures regarding operational risk management.

- *Credit Risk Policy*- This policy provides standards and controls for credit risk-taking throughout our global business activities. This policy also governs credit limit methodology and counterparty review.
- *Model Validation Policy*- This policy sets out roles, processes and escalation procedures regarding model validation and model risk management.

Risk Management Key Metrics

We apply a comprehensive framework of limits on a variety of key metrics to constrain the risk profile of our business activities. The size of the limit reflects our risk tolerance for a certain activity under normal business conditions. Key metrics included in our framework include inventory position and exposure limits on a gross and net basis, scenario analysis and stress tests, Value-at-Risk, sensitivities (greeks), exposure concentrations, aged inventory, amount of Level 3 assets, counterparty exposure, leverage, cash capital, and performance analysis metrics.

Market Risk

The potential for changes in the value of financial instruments is referred to as market risk. Our market risk generally represents the risk of loss that may result from a change in the value of a financial instrument as a result of fluctuations in interest rates, credit spreads, equity prices, commodity prices and foreign exchange rates, along with the level of volatility. Interest rate risks result primarily from exposure to changes in the yield curve, the volatility of interest rates, and credit spreads. Equity price risks result from exposure to changes in prices and volatilities of individual equities, equity baskets and equity indices. Commodity price risks result from exposure to the changes in prices and volatilities of individual commodities, commodity baskets and commodity indices. Market risk arises from market making, proprietary trading, underwriting, specialist and investing activities. We seek to manage our exposure to market risk by diversifying exposures, controlling position sizes, and establishing economic hedges in related securities or derivatives. Due to imperfections in correlations, gains and losses can occur even for positions that are hedged. Position limits in trading and inventory accounts are established and monitored on an ongoing basis. Each day, consolidated position and exposure reports are prepared and distributed to various levels of management, which enable management to monitor inventory levels and results of the trading groups.

Value-at-Risk

We estimate Value-at-Risk (“VaR”) using a model that simulates revenue and loss distributions on substantially all financial instruments by applying historical market changes to the current portfolio. Using the results of this simulation, VaR measures the potential loss in value of our financial instruments over a specified time horizon at a given confidence level. We calculate a one-day VaR using a one year look-back period measured at a 95% confidence level.

As with all measures of VaR, our estimate has inherent limitations due to the assumption that historical changes in market conditions are representative of the future. Furthermore, the VaR model measures the risk of a current static position over a one-day horizon and might not capture the market risk of positions that cannot be liquidated or offset with hedges in a one-day period. Published VaR results reflect past trading positions while future risk depends on future positions.

While we believe the assumptions and inputs in our risk model are reasonable, we could incur losses greater than the reported VaR because the historical market prices and rates changes may not be an accurate measure of future market events and conditions. Consequently, this VaR estimate is only one of a number of tools we use in our daily risk management activities. When comparing our VaR numbers to those of other firms, it is important to remember that different methodologies and assumptions could produce significantly different results.

Our average daily VaR increased to $14.35 million for the year ended November 30, 2014 from $10.43 million for the year ended November 30, 2013. The increase was primarily driven by higher equity price risk as a result of an increase in various equity block positions compared to the prior year along with our investments in Knight Capital and Harbinger. The increase was partially offset by an increase in the diversification benefit across asset classes.

Market risk from interest rate volatility, currency rates and commodity prices risk did not change significantly from the comparable 2013 period. We have also calculated our average VaR excluding both our investments in Knight Capital and Harbinger for the years ended November 30, 2014 and 2013 to be $8.55 million and $6.59 million, respectively. On March 18, 2014, we sold our investment in Harbinger to Leucadia at the closing price on that date.

The following table illustrates each separate component of VaR for each component of market risk by interest rate, equity, currency and commodity products, as well as for our overall trading positions using the past 365 days of historical data (in millions).

	Daily VaR (1) Value-at-Risk In Trading Portfolios							
Risk Categories	VaR at November 30, 2014	Daily VaR for the Year Ended November 30, 2014			VaR at November 30, 2013	Daily VaR for the Year Ended November 30, 2013		
		Average	High	Low		Average	High	Low
Interest Rates	$ 5.56	$ 5.77	$ 8.69	$ 3.16	$ 7.33	$ 5.38	$ 9.46	$3.68
Equity Prices	10.53	11.08	14.68	7.85	12.22	6.57	12.37	3.85
Currency Rates	0.87	1.33	6.59	0.15	0.56	0.83	2.07	0.11
Commodity Prices	0.19	0.70	2.14	0.07	0.74	0.94	1.70	0.37
Diversification Effect (2)	(3.87)	(4.53)	—	—	(4.60)	(3.29)	N/A	N/A
Firmwide	$ 13.28	$ 14.35	$ 19.68	$ 10.31	$ 16.25	$10.43	$16.25	$6.00

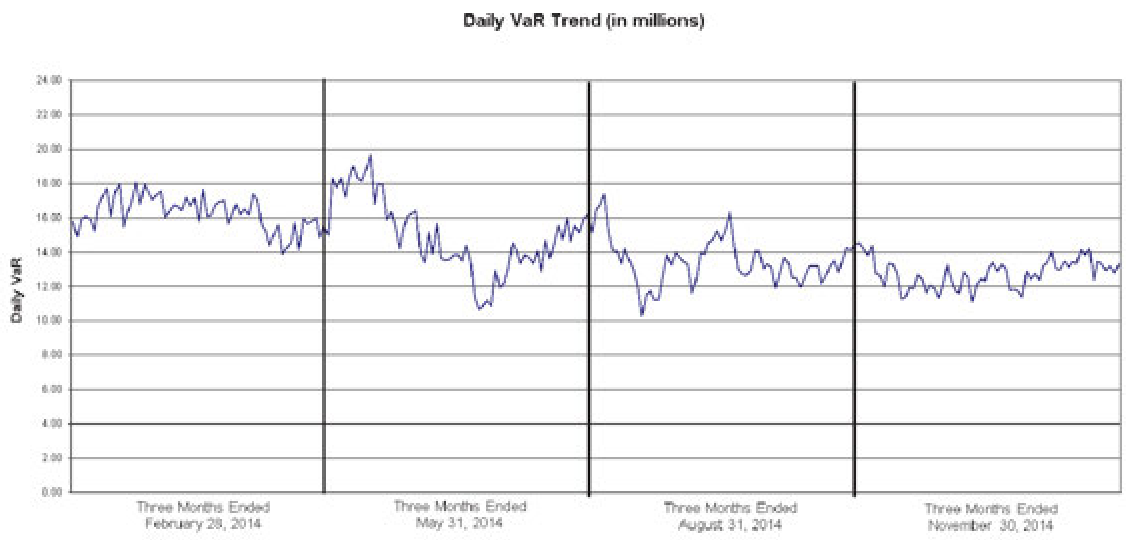
(1) VaR is the potential loss in value of our trading positions due to adverse market movements over a defined time horizon with a specific confidence level. For the VaR numbers reported above, a one-day time horizon, with a one year look-back period, and a 95% confidence level were used.

(2) The diversification effect is not applicable for the maximum and minimum VaR values as the firmwide VaR and the VaR values for the four risk categories might have occurred on different days during the period.

The aggregated VaR presented here is less than the sum of the individual components (*i.e.*, interest rate risk, foreign exchange rate risk, equity risk and commodity price risk) due to the benefit of diversification among the four risk categories. Diversification benefit equals the difference between aggregated VaR and the sum of VaRs for the four risk categories and arises because the market risk categories are not perfectly correlated.

On April 1, 2013, we redeemed the third party noncontrolling interests in our high yield business. The presentation of VaR therefore reflects the full economic interests of this business since the redemption date. This modification to include a full allocation of the high yield trading business in our calculation had no material effect on VaR calculated for the year ended and as of November 30, 2013.

The chart below reflects our daily VaR over the last four quarters:



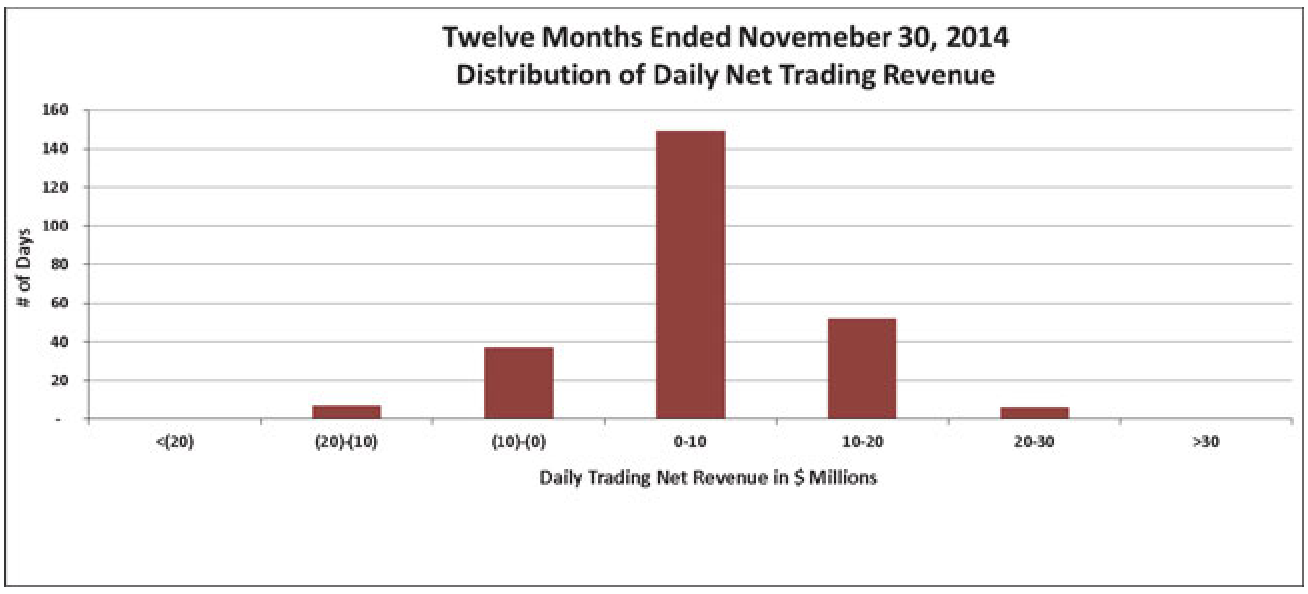
Certain positions within financial instruments are not included in the VaR model because VaR is not the most appropriate measure of risk. Accordingly, Risk Management has additional procedures in place to assure that the level of potential loss that would arise from market movements are within acceptable levels. Such procedures include performing stress tests, monitoring concentration risk and tracking price target/stop loss levels. The table below presents the potential reduction in net income associated with a 10% stress of the fair value of the positions that are not included in the VaR model at November 30, 2014 (in thousands):

	10% Sensitivity
Private investments	$ 39,019
Corporate debt securities in default	12,971
Trade claims	2,330

The primary method used to test the efficacy of the VaR model is to compare our actual daily net revenue for those positions included in our VaR calculation with the daily VaR estimate. This evaluation is performed at various levels of the trading portfolio, from the holding company level down to specific business lines. For the VaR model, trading related revenue is defined as principal transaction revenue, trading related commissions, revenue from securitization activities and net interest income. For a 95% confidence one day VaR model (*i.e.*, no intra-day trading), assuming current changes in market value are consistent with the historical changes used in the calculation, net trading losses would not be expected to exceed the VaR estimates more than twelve times on an annual basis (*i.e.*, once in every 20 days). During the year ended November 30, 2014, results of the evaluation at the aggregate level demonstrated three days when the net trading loss exceeded the 95% one day VaR.

Daily Net Trading Revenue

There were 44 days with trading losses out of a total of 251 days in the year ended November 30, 2014, including 17 in the three months ended November 30, 2014. Excluding trading losses associated with the daily marking to market of our position in Knight Capital in the year ended November 30, 2014, there were 26 days with trading losses, of which 16 occurred in the fourth quarter of 2014. The histogram below presents the distribution of our actual daily net trading revenue for substantially all of our trading activities for the year ended November 30, 2014 (in millions).



Scenario Analysis and Stress Tests

While VaR measures potential losses due to adverse changes in historical market prices and rates, we use stress testing to analyze the potential impact of specific events or moderate or extreme market moves on our current portfolio both firm wide and within business segments. Stress scenarios comprise both historical market price and rate changes and hypothetical market environments, and generally involve simultaneous changes of many risk factors. Indicative market changes in our scenarios include, but are not limited to, a large widening of credit spreads, a substantial decline in equities markets, significant moves in selected emerging markets, large moves in interest rates, changes in the shape of the yield curve and large moves in European markets. In addition, we also perform ad hoc stress tests and add new scenarios as market conditions dictate. Because our stress scenarios are meant to reflect market moves that occur over a period of time, our estimates of potential loss assume some level of position reduction for liquid positions. Unlike our VaR, which measures potential losses within a given confidence interval, stress scenarios do not have an associated implied probability; rather, stress testing is used to estimate the potential loss from market moves that tend to be larger than those embedded in the VaR calculation.

Stress testing is performed and reported regularly as part of the risk management process. Stress testing is used to assess our aggregate risk position as well as for limit setting and risk/reward analysis.

Counterparty Credit Risk and Issuer Country Exposure

Counterparty Credit Risk

Credit risk is the risk of loss due to adverse changes in a counterparty’s credit worthiness or its ability or willingness to meet its financial obligations in accordance with the terms and conditions of a financial contract. We are exposed to credit risk as trading counterparty to other broker-dealers and customers, as a direct lender and through extending loan commitments, as a holder of securities and as a member of exchanges and clearing organizations.

It is critical to our financial soundness and profitability that we properly and effectively identify, assess, monitor, and manage the various credit and counterparty risks inherent in our businesses. Credit is extended to counterparties in a controlled manner in order to generate acceptable returns, whether such credit is granted directly or is incidental to a transaction. All extensions of credit are monitored and managed on an enterprise level in order to limit exposure to loss related to credit risk.

Our Credit Risk Framework is responsible for identifying credit risks throughout the operating businesses, establishing counterparty limits and managing and monitoring those credit limits. Our framework includes:

- defining credit limit guidelines and credit limit approval processes;
- providing a consistent and integrated credit risk framework across the enterprise;
- approving counterparties and counterparty limits with parameters set by the Risk Management Committee;
- negotiating, approving and monitoring credit terms in legal and master documentation;
- delivering credit limits to all relevant sales and trading desks;
- maintaining credit reviews for all active and new counterparties;
- operating a control function for exposure analytics and exception management and reporting;
- determining the analytical standards and risk parameters for on-going management and monitoring of global credit risk books;
- actively managing daily exposure, exceptions, and breaches;
- monitoring daily margin call activity and counterparty performance (in concert with the Margin Department); and
- setting the minimum global requirements for systems, reports, and technology.

Credit Exposures

Credit exposure exists across a wide-range of products including cash and cash equivalents, loans, securities finance transactions and over-the-counter derivative contracts.

- Loans and lending arise in connection with our capital markets activities and represents the notional value of loans that have been drawn by the borrower and lending commitments that were outstanding at November 30, 2014. In addition, credit exposures on forward settling traded loans are included within our loans and lending exposures for consistency with the balance sheet categorization of these items.
- Securities and margin finance includes credit exposure arising on securities financing transactions (reverse repurchase agreements, repurchase agreements and securities lending agreements) to the extent the fair value of the underlying collateral differs from the contractual agreement amount and from margin provided to customers.
- Derivatives represent OTC derivatives, which are reported net by counterparty when a legal right of setoff exists under an enforceable master netting agreement. Derivatives are accounted for at fair value net of cash collateral received or posted under credit support agreements. In addition, credit exposures on forward settling trades are included within our derivative credit exposures.
- Cash and cash equivalents include both interest-bearing and non-interest bearing deposits at banks.

Current counterparty credit exposures at November 30, 2014 and November 30, 2013 are summarized in the tables below and provided by credit quality, region and industry (in millions). Credit exposures presented take netting and collateral into consideration by counterparty and master agreement. Collateral taken into consideration includes both collateral received as cash as well as collateral received in the form of securities or other arrangements. Current exposure is the loss that would be incurred on a particular set of positions in the event of default by the counterparty, assuming no recovery. Current exposure equals the fair value of the positions less collateral. Issuer risk is the credit risk arising from inventory positions (for example, corporate debt securities and secondary bank loans). Issuer risk is included in our country risk exposure tables below. Of our counterparty credit exposure at November 30, 2014, excluding cash and cash equivalents, 70% are investment grade counterparties, compared to 66% at November 30, 2013, and are mainly concentrated in North America. When comparing our credit exposure at November 30, 2014 with credit exposure at November 30, 2013, excluding cash and cash equivalents, current exposure has increased 66% to approximately $1.7 billion from $1.0 billion, primarily due to exposure to investment grade banks and broker-dealers and, to a lesser extent, other financial services sectors**.**

Counterparty Credit Exposure by Credit Rating

	Loans and Lending At		Securities and Margin Finance At		OTC Derivatives At		Total At		Cash and Cash Equivalents At		Total with Cash and Cash Equivalents At	
	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013
AAA Range	$ —	$ —	$ 1.9	$ 0.2	$ —	$ —	$ 1.9	$ 0.2	$ 2,921.4	$ 2,680.6	$ 2,923.3	$ 2,680.8
AA Range	2.7	—	134.6	104.8	7.1	14.7	144.4	119.5	412.9	144.1	557.3	263.6
A Range	7.6	—	586.9	374.4	218.1	56.7	812.6	431.1	731.3	734.7	1,543.9	1,165.8
BBB Range	132.3	71.0	73.6	39.9	34.8	16.2	240.7	127.1	2.8	1.7	243.5	128.8
BB or Lower	189.9	120.3	127.9	115.4	45.2	9 5	363.0	245.2	—	—	363.0	245.2
Unrated	139.6	86.6	—	—	—	18.6	139.6	105.2	11.5	—	151.1	105.2
Total	$ 472.1	$ 277.9	$ 924.9	$ 634.7	$ 305.2	$ 115.7	$ 1,702.2	$ 1,028.3	$ 4,079.9	$ 3,561.1	$ 5,782.1	$ 4,589.4

Counterparty Credit Exposure by Region

	Loans and Lending At		Securities and Margin Finance At		OTC Derivatives At		Total At		Cash and Cash Equivalents At		Total with Cash and Cash Equivalents At	
	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013
Asia/Latin America/Other	$ 48.8	$ —	$ 55.7	$ 30.9	$ 24.6	$ 11.6	$ 129.1	$ 42.5	$ 221.0	$ 183.3	$ 350.1	$ 225.8
Europe	8.5	—	218.2	180.3	76.1	47.6	302.8	227.9	617.5	269.3	920.3	497.2
North America	414.8	277.9	651.0	423.5	204.5	56.5	1,270.3	757.9	3,241.4	3,108.5	4,511.7	3,866.4
Total	$ 472.1	$ 277.9	$ 924.9	$ 634.7	$ 305.2	$ 115.7	$ 1,702.2	$ 1,028.3	$ 4,079.9	$ 3,561.1	$ 5,782.1	$ 4,589.4

Counterparty Credit Exposure by Industry

	Loans and Lending At		Securities and Margin Finance At		OTC Derivatives At		Total At		Cash and Cash Equivalents At		Total with Cash and Cash Equivalents At	
	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013
Asset Managers	$ —	$ —	$ 91.8	$ 7.1	$ —	$ 0 5	$ 91.8	$ 7.6	$ 2,921.4	$ 2,680.7	$ 3,013.2	$ 2,688.3
Banks, Broker-dealers	10.7	—	482.2	354.9	251.4	73.8	744.3	428.7	1,158.5	880.4	1,902.8	1,309.1
Commodities	—	—	59.9	35.6	24.8	9.4	84.7	45.0	—	—	84.7	45.0
Other	461.4	277.9	291.0	237.1	29.0	32.0	781.4	547.0	—	—	781.4	547.0
Total	$ 472.1	$ 277.9	$ 924.9	$ 634.7	$ 305.2	$ 115.7	$ 1,702.2	$ 1,028.3	$ 4,079.9	$ 3,561.1	$ 5,782.1	$ 4,589.4

For additional information regarding credit exposure to OTC derivative contracts, refer to Note 7, Derivative Financial Instruments, in our consolidated financial statements included within this Annual Report on Form 10-K.

Country Risk Exposure

Country risk is the risk that events or developments that occur in the general environment of a country or countries due to economic, political, social, regulatory, legal or other factors, will affect the ability of obligors of the country to honor their obligations. We define country risk as the country of jurisdiction or domicile of the obligor. The following tables reflect our top exposure at November 30, 2014 and November 30, 2013 to the sovereign governments, corporations and financial institutions in those non-U.S. countries in which we have a net long issuer and counterparty exposure (in millions):

	November 30, 2014								
	Issuer Risk			Counterparty Risk				Issuer and Counterparty Risk	
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
Germany	$ 357.6	$ (153.7)	$ 196.1	$ —	$ 97.8	$ 16.8	$ 59.5	$ 514.6	$ 574.1
Spain	587.2	(171.0)	—	0.2	1.2	—	—	417.6	417.6
Great Britain	441.0	(252.5)	(25.4)	6.5	29.8	25.2	138.9	224.6	363.5
Belgium	137.6	(65.9)	(8.4)	—	2.5	—	278.7	65.8	344.5
Canada	123.1	(28.8)	(27.3)	—	120.2	79.6	5.3	266.8	272.1
Netherlands	341.4	(121.0)	(13.5)	—	5.4	—	—	212.3	212.3
Italy	1,467.9	(880.1)	(427.7)	—	—	0.3	—	160.4	160.4
Hong Kong	18.4	(8.5)	—	—	0.6	—	145.1	10.5	155.6
Luxembourg	5.6	(6.9)	2.9	—	0.4	—	127.2	2.0	129.2
Puerto Rico	108.2	—	—	—	—	0.8	—	109.0	109.0
Total	$ 3,588.0	$ (1,688.4)	$ (303.3)	$ 6.7	$ 257.9	$ 122.7	$ 754.7	$ 1,983.6	$ 2,738.3

	November 30, 2013								
	Issuer Risk			Counterparty Risk				Issuer and Counterparty Risk	
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
Great Britain	$ 418.8	$ (181.5)	$ (27.2)	$ —	$ 42.5	$ 20.7	$ 113.1	$ 273.3	$ 386.4
Germany	462.0	(226.1)	(70.5)	—	93.2	10.9	3.3	269.5	272.8
Netherlands	445.7	(198.8)	(2.3)	—	5.2	1.5	0.3	251.3	251.6
Italy	1,181.4	(1,017.6)	74.2	—	1.8	0.1	—	239.9	239.9
Canada	140.6	(59.0)	18.8	—	99.5	0.2	2.2	200.1	202.3
Spain	352.3	(159.8)	0.3	—	3.0	0.2	0.1	196.0	196.1
Puerto Rico	130.1	—	—	—	—	—	—	130.1	130.1
Luxembourg	75.0	(15.1)	—	—	0.1	—	68.0	60.0	128.0
Hong Kong	33.9	(18.3)	(0.9)	—	0.3	—	104.3	15.0	119.3
Austria	130.2	(32.8)	—	—	5.0	—	0.1	102.4	102.5
Total	$ 3,370.0	$ (1,909.0)	$ (7.6)	$ —	$ 250.6	$ 33.6	$ 291.4	$ 1,737.6	$ 2,029.0

Exposure to the Sovereign Debt, Corporate and Financial Securities of Greece, Ireland, Italy, Portugal and Spain

The table below reflects our exposure to the sovereign debt and economic derivative positions in Greece, Ireland, Italy, Portugal, and Spain at November 30, 2014, and our exposure to the securities of corporations, financial institutions and mortgage-backed securities collateralized by assets domiciled in these countries. This table is presented in a manner consistent with how management views and monitors these exposures as part of our risk management framework. Our issuer exposure to these European countries arises primarily in the context of our market making activities and our role as a major dealer in the debt securities of these countries. While the economic derivative positions are presented on a notional basis, we believe this best reflects the underlying market risk due to interest rates or the issuer's credit as a result of our positions. Long and short financial instruments are offset against each other for determining net exposure although they do not represent identical offsetting positions of the same debt security. Components of risk embedded in the securities will generally offset, however, basis risk due to duration and the specific issuer may still exist. Economic hedges as represented by the notional amounts of the derivative contracts may not be perfect offsets for the risk represented by the net fair value of the debt securities.

JEFFERIES GROUP LLC AND SUBSIDIARIES

	November 30, 2014						
	Fair Value			Notional Amount			
	Long Debt Securities (1) (2)	Short Debt Securities (2) (3)	Net Cash Inventory	Long Derivatives	Short Derivatives	Net Derivatives	Total Net Exposure
Greece:							
Sovereigns	$ 1.0	$ 0.3	$ 0.7	$ —	$ —	$ —	$ 0.7
Corporations (4)	7.9	1.3	6.6	—	0.2	(0.2)	6.4
Financial Institutions	3.3	—	3.3	—	—	—	3.3
Structured Products	1.4	—	1.4	—	—	—	1.4
Total Greece	13.6	1.6	12.0	—	0.2	(0.2)	11.8
Ireland:							
Sovereigns	2.4	0.4	2.0	—	—	—	2.0
Corporations	1.7	1.1	0.6	—	—	—	0.6
Financial Institutions	17.1	12.5	4.6	—	—	—	4.6
Structured Products	2.0	—	2.0	—	—	—	2.0
Total Ireland	23.2	14.0	9.2	—	—	—	9.2
Italy:							
Sovereigns (5)	1,283.9	858.0	425.9	51.8	479.5	(427.7)	(1.8)
Corporations	61.3	10.6	50.7	—	—	—	50.7
Financial Institutions	60.2	11.5	48.7	—	—	—	48.7
Structured Products	62.5	—	62.5	—	—	—	62.5
Total Italy	1,467.9	880.1	587.8	51.8	479.5	(427.7)	160.1
Portugal:							
Sovereigns	72.0	45.3	26.7	—	—	—	26.7
Corporations	—	1.7	(1.7)	—	—	—	(1.7)
Financial Institutions	2.2	—	2.2	—	—	—	2.2
Structured Products	28.3	—	28.3	—	—	—	28.3
Total Portugal	102.5	47.0	55.5	—	—	—	55.5
Spain:							
Sovereigns	270.0	154.9	115.1	—	—	—	115.1
Corporations	18.9	13.0	5.9	—	—	—	5.9
Financial Institutions	111.9	3.1	108.8	—	—	—	108.8
Structured Products	186.4	—	186.4	—	—	—	186.4
Total Spain	587.2	171.0	416.2	—	—	—	416.2
Total	$ 2,194.4	$ 1,113.7	$1,080.7	$ 51.8	$ 479.7	$ (427.9)	$ 652.8
Total Sovereign	$ 1,629.3	$ 1,058.9	$ 570.4	$ 51.8	$ 479.5	$ (427.7)	$ 142.7
Total Non-sovereign	$ 565.1	$ 54.8	$ 510.3	$ —	$ 0.2	$ (0.2)	$ 510.1

(1) Long securities represent the fair value of debt securities and are presented within Financial instruments owned—corporate debt securities and government, federal agency and other sovereign obligations and mortgage- and asset-backed securities on the face of the Consolidated Statements of Financial Condition and are accounted for at fair value with changes in fair value recognized in Principal transactions revenues.

(2) Classification of securities by country and by issuer type is presented based on the view of our Risk Management Department. Risk Management takes into account whether a particular security or issuer of a security is guaranteed or otherwise backed by a sovereign government and also takes into account whether a corporate or financial institution that issues a particular security is owned by a sovereign government when determining domicile and whether a particular security should be classified for risk purposes as a sovereign obligation. The classification of debt securities within the table above will differ from the financial statement presentation in the Consolidated Statements of Financial Condition because the classification used for financial statement presentation in the Consolidated Statements of Financial Condition classifies a debt security solely by the direct issuer and the domicile of the direct issuer.

(3) Short securities represent the fair value of debt securities sold short and are presented within Financial instruments sold, not yet purchased - corporate debt securities and government, federal agency and other sovereign obligations on the face of the Consolidated Statements of Financial Condition and are accounted for at fair value with changes in fair value recognized in Principal transactions revenues.

(4) These derivative contract positions are comprised of listed equity options.

(5) These derivative contract positions are comprised of bond futures that are executed on exchanges outside Italy.

JEFFERIES GROUP LLC AND SUBSIDIARIES

For the quarter ended November 30, 2014, our exposure to the sovereign debt of Greece, Ireland, Italy, Portugal and Spain calculated on an average daily basis was as follows (in millions):

	Remaining Maturity Less Than One Year	Remaining Maturity Greater Than or Equal to One Year	Total Average Balance
Financial instruments owned - Debt securities			
Greece	$ —	$ 4.1	$ 4.1
Ireland	1.3	6.5	7.8
Italy	675.6	1,841.9	2,517.5
Portugal	6.7	106.2	112.9
Spain	125.9	304.6	430.5
Total average fair value of long debt securities (1)	809.5	2,263.3	3,072.8
Financial instruments sold - Debt securities			
Greece	—	2.8	2.8
Ireland	0.5	3.8	4.3
Italy	537.0	1,113.1	1,650.1
Portugal	3.0	80.5	83.5
Spain	3.1	301.7	304.8
Total average fair value of short debt securities	543.6	1,501.9	2,045.5
Total average net fair value of debt securities	265.9	761.4	1,027.3
Derivative contracts - long notional exposure Italy	—	103.6 (2)	103.6
Total average notional amount - long	—	103.6	103.6
Derivative contracts - short notional exposure Italy	—	297.9 (2)	297.9
Total average notional amount - short	—	297.9	297.9
Total average net derivative notional exposure	—	(194.3)	(194.3)
Total average net exposure to select European countries	$ 265.9	$ 567.1	$ 833.0

(1) Classification of securities by country and by issuer type is presented based on the view of our Risk Management Department. Risk Management takes into account whether a particular security or issuer of a security is guaranteed or otherwise backed by a sovereign government and also takes into account whether a corporate or financial institution that issues a particular security is owned by a sovereign government when determining domicile and whether a particular security should be classified for risk purposes as a sovereign obligation. The classification of debt securities within the table above will differ from the financial statement presentation in the Consolidated Statements of Financial Condition because the classification used for financial statement presentation in the Consolidated Statements of Financial Condition classifies a debt security solely by the direct issuer and the domicile of the direct issuer.

(2) These positions are comprised of bond futures executed on exchanges outside Italy.

In addition, our non-U.S. sovereign obligations recorded in Financial Instruments owned and financial instruments sold, not yet purchased are routinely financed through reverse repurchase agreements and repurchase agreements, of which a significant portion are executed with central clearing organizations. Accordingly, we utilize foreign sovereign obligations as underlying collateral for our repurchase financing arrangements. At November 30, 2014, repurchase financing arrangements that are used to finance the debt securities presented above had underlying collateral of issuers domiciled in Greece, Ireland, Italy, Portugal and Spain as follows (in millions):

	November 30, 2014		
	Reverse Repurchase Agreements (1)	Repurchase Agreements (1)	Net
Greece	$ —	$ —	$ —
Ireland	5.2	81.0	(75.8)
Italy	1,081.3	1,533.2	(451.9)
Portugal	35.5	57.3	(21.8)
Spain	159.1	513.4	(354.3)
Total	$ 1,281.1	$ 2,184.9	$(903.8)

(1) Amounts represent the contract amount of the repurchase financing arrangements.

Our collateral management of the risk due to exposure from these sovereign obligations is subject to our overall collateral and cash management risk framework. For further discussion regarding our cash and liquidity management framework and processes, see the “Liquidity, Financial Condition and Capital Resources” section herein.

Operational Risk

Operational risk refers to the risk of loss resulting from our operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our operating systems, business disruptions and inadequacies or breaches in our internal control processes. Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. In addition, the transactions we process have become increasingly complex. If our financial, accounting or other data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer an impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage.

These systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. We also face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. Any such failure or termination could adversely affect our ability to effect transactions and manage our exposure to risk. In addition, despite the contingency plans we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with which we conduct business.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize our or our clients’ or counterparties’ confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients’, our counterparties’ or third parties’ operations. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

Our Operational Risk framework includes governance, collection of operational risk incidents, proactive operational risk management, and periodic review and analysis of business metrics to identify and recommend controls and process-related enhancements.

Each revenue producing and support department is responsible for the management and reporting of operational risks and the implementation of the Operational Risk policy and processes within the department. Operational Risk policy, framework, infrastructure, methodology, processes, guidance and oversight of the operational risk processes are centralized and consistent firm wide and also subject to regional operational risk governance.

Legal and Compliance Risk

Legal and compliance risk includes the risk of noncompliance with applicable legal and regulatory requirements. We are subject to extensive regulation in the different jurisdictions in which we conduct our business. We have various procedures addressing issues such as regulatory capital requirements, sales and trading practices, use of and safekeeping of customer funds, credit granting, collection activities, anti-money laundering and record keeping. These risks also reflect the potential impact that changes in local and international laws and tax statutes have on the economics and viability of current or future transactions. In an effort to mitigate these risks, we continuously review new and pending regulations and legislation and participate in various industry interest groups. We also maintain an anonymous hotline for employees or others to report suspected inappropriate actions by us or by our employees or agents.

New Business Risk

New business risk refers to the risks of entering into a new line of business or offering a new product. By entering a new line of business or offering a new product, we may face risks that we are unaccustomed to dealing with and may increase the magnitude of the risks we currently face. The New Business Committee reviews proposals for new businesses and new products to determine if we are prepared to handle the additional or increased risks associated with entering into such activities.

Reputational Risk

We recognize that maintaining our reputation among clients, investors, regulators and the general public is an important aspect of minimizing legal and operational risks. Maintaining our reputation depends on a large number of factors, including the selection of our clients and the conduct of our business activities. We seek to maintain our reputation by screening potential clients and by conducting our business activities in accordance with high ethical standards. Our reputation and business activity can be affected by statements and actions of third parties, even false or misleading statements by them. We actively monitor public comment concerning us and are vigilant in seeking to assure accurate information and perception prevails.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Quantitative and qualitative disclosures about market risk are set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations —Risk Management" in Part II, Item 7 of this Form 10-K.

JEFFERIES GROUP LLC AND SUBSIDIARIES

Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Management's Report on Internal Control over Financial Reporting	59
Report of Independent Registered Public Accounting Firm	60
Report of Independent Registered Public Accounting Firm	61
Report of Independent Registered Public Accounting Firm	62
Consolidated Statements of Financial Condition at November 30, 2014 and 2013	63
Consolidated Statements of Earnings for the Year Ended November 30, 2014, Nine Months Ended November 30, 2013, Three Months Ended February 28, 2013 and for the Year Ended November 30, 2012	64
Consolidated Statements of Comprehensive Income for the Year ended November 30, 2014, Nine Months Ended November 30, 2013, Three Months Ended February 28, 2013 and for the Year Ended November 30, 2012	65
Consolidated Statements of Changes in Equity for the Year Ended November 30, 2014, Nine Months Ended November 30, 2013, Three Months Ended February 28, 2013 and for the Year Ended November 30, 2012	66
Consolidated Statements of Cash Flows for the Year Ended November 30, 2014, Nine Months Ended November 30, 2013, Three Months Ended February 28, 2013 and for the Year Ended November 30, 2012	67
Notes to Consolidated Financial Statements	69

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated our internal control over financial reporting as of November 30, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework (2013)*. As a result of this assessment and based on the criteria in this framework, management has concluded that, as of November 30, 2014, our internal control over financial reporting was effective.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has audited and issued a report on our internal control over financial reporting, which appears on page 60.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Member of Jefferies Group LLC

In our opinion, the accompanying consolidated statement of financial condition as of November 30, 2014 and 2013 and the related consolidated statements of earnings, of comprehensive income, of changes in equity, and of cash flows for the year ended November 30, 2014 and the nine months ended November 30, 2013 present fairly, in all material respects, the financial position of Jefferies Group LLC and its subsidiaries (Successor company) at November 30, 2014 and 2013 and the results of their operations and their cash flows for the year ended November 30, 2014 and the nine months ended November 30, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2014, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
January 28, 2015

[Table of Contents](#)

Report of Independent Registered Public Accounting Firm

To Board of Directors and Shareholders of Jefferies Group, Inc.

In our opinion, the consolidated statements of earnings, of comprehensive income, of changes in equity and of cash flows of Jefferies Group, Inc. and its subsidiaries (Predecessor company) for the three months ended February 28, 2013 present fairly, in all material respects, the results of operations and cash flows of Jefferies Group, Inc. and its subsidiaries for the three months ended February 28, 2013, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
New York, New York
January 28,2015

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Member of Jefferies Group LLC:

We have audited the consolidated statement of earnings, comprehensive income, stockholders' equity, and cash flow of Jefferies Group LLC (formerly Jefferies Group, Inc.) and subsidiaries (the "Company") for the year ended November 30, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of Jefferies Group LLC operations and cash flows for the years ended November 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP
New York, New York

January 28, 2013 (January 28, 2014 as to the effects discussed in Note 1—Immaterial Prior Year Adjustments included in the Annual Report on Form 10-K of Jefferies Group LLC and its subsidiaries for the year ended November 30, 2013)

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands)

	November 30, 2014	November 30, 2013
ASSETS		
Cash and cash equivalents ($178 and $176 at November 30, 2014 and November 30, 2013, respectively, related to consolidated VIEs)	$ 4,079,968	$ 3,561,119
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	3,444,674	3,616,602
Financial instruments owned, at fair value, (including securities pledged of $14,794,488 and $13,253,537 at November 30, 2014 and November 30, 2013, respectively; and $62,990 and $97,912 at November 30, 2014 and November 30, 2013, respectively, related to consolidated VIEs)	18,636,612	16,650,043
Investments in managed funds	74,365	57,285
Loans to and investments in related parties	773,141	701,873
Securities borrowed	6,853,103	5,359,846
Securities purchased under agreements to resell	3,926,858	3,746,920
Securities received as collateral	5,418	11,063
Receivables:		
Brokers, dealers and clearing organizations	2,164,006	2,207,978
Customers	1,250,520	958,246
Fees, interest and other ($363 and $0 at November 30, 2014 and November 30, 2013, respectively, related to consolidated VIEs)	262,437	251,072
Premises and equipment	251,957	202,467
Goodwill	1,662,636	1,722,346
Other assets ($0 and $2,275 at November 30, 2014 and November 30, 2013, respectively, related to consolidated VIEs)	1,131,953	1,130,136
Total assets	$ 44,517,648	$ 40,176,996
LIABILITIES AND EQUITY		
Short-term borrowings	$ 12,000	$ 12,000
Financial instruments sold, not yet purchased, at fair value	8,881,268	7,271,613
Collateralized financings:		
Securities loaned	2,598,487	2,506,122
Securities sold under agreements to repurchase	10,672,157	10,779,845
Other secured financings ($597,999 and $226,000 at November 30, 2014 and November 30, 2013, respectively, related to consolidated VIEs)	605,824	234,711
Obligation to return securities received as collateral	5,418	11,063
Payables:		
Brokers, dealers and clearing organizations	2,280,103	1,320,700
Customers	6,241,965	5,169,321
Accrued expenses and other liabilities ($589 and $706 at November 30, 2014 and November 30, 2013, respectively, related to consolidated VIEs)	1,273,378	1,217,141
Long-term debt	6,483,617	6,232,806
Total liabilities	39,054,217	34,755,322
EQUITY		
Member's paid-in capital	5,439,256	5,280,420
Accumulated other comprehensive income:		
Currency translation adjustments	(9,654)	21,341
Additional minimum pension liability	(5,019)	2,759
Total accumulated other comprehensive income	(14,673)	24,100
Total member's equity	5,424,583	5,304,520
Noncontrolling interests	38,848	117,154
Total equity	5,463,431	5,421,674
Total liabilities and equity	$ 44,517,648	$ 40,176,996

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share amounts)

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Revenues:				
Commissions	$ 668,801	$ 472,596	$ 146,240	$ 548,437
Principal transactions	532,292	399,091	300,278	1,035,974
Investment banking	1,529,274	1,003,517	288,278	1,125,883
Asset management fees and investment income from managed funds	17,047	36,093	10,883	26,966
Interest	1,019,970	714,248	249,277	1,031,839
Other	78,881	94,195	27,004	164,974
Total revenues	3,846,265	2,719,740	1,021,960	3,934,073
Interest expense	856,127	579,059	203,416	872,421
Net revenues	2,990,138	2,140,681	818,544	3,061,652
Interest on mandatorily redeemable preferred interests of consolidated subsidiaries	—	3,368	10,961	42,883
Net revenues, less interest on mandatorily redeemable preferred interests of consolidated subsidiaries	2,990,138	2,137,313	807,583	3,018,769
Non-interest expenses:				
Compensation and benefits	1,698,530	1,213,908	474,217	1,770,798
Non-compensation expenses:				
Floor brokerage and clearing fees	215,329	150,774	46,155	183,013
Technology and communications	268,212	193,683	59,878	244,511
Occupancy and equipment rental	107,767	86,701	24,309	97,397
Business development	106,984	63,115	24,927	95,330
Professional services	109,601	72,802	24,135	73,427
Bad debt provision	55,355	179	1,945	1,152
Goodwill impairment	54,000	—	—	—
Other	71,339	91,856	12,530	61,346
Total non-compensation expenses	988,587	659,110	193,879	756,176
Total non-interest expenses	2,687,117	1,873,018	668,096	2,526,974
Earnings before income taxes	303,021	264,295	139,487	491,795
Income tax expense	142,061	94,686	48,645	168,646
Net earnings	160,960	169,609	90,842	323,149
Net earnings attributable to noncontrolling interests	3,400	8,418	10,704	40,740
Net earnings attributable to Jefferies Group LLC/common stockholders	$ 157,560	$ 161,191	$ 80,138	$ 282,409
Earnings per common share:				
Basic	N/A	N/A	$ 0.35	$ 1.23
Diluted	N/A	N/A	$ 0.35	$ 1.22
Dividends declared per common share	N/A	N/A	$ 0.075	$ 0.300
Weighted average common shares:				
Basic	N/A	N/A	213,732	215,989
Diluted	N/A	N/A	217,844	220,101

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Net earnings	$ 160,960	$ 169,609	$ 90,842	$ 323,149
Other comprehensive income (loss), net of tax:				
Currency translation adjustments	(30,995)	21,341	(10,018)	1,511
Minimum pension liability adjustments, net of tax (1)	(7,778)	2,759	—	(4,158)
Total other comprehensive income (loss), net of tax (2)	(38,773)	24,100	(10,018)	(2,647)
Comprehensive income:	122,187	193,709	80,824	320,502
Net earnings attributable to noncontrolling interests	3,400	8,418	10,704	40,740
Comprehensive income attributable to Jefferies Group LLC/common stockholders	$ 118,787	$ 185,291	$ 70,120	$ 279,762

(1) Includes income tax benefit of $0.5 million, $2.5 million, $-0- and $0.2 million for the year ended November 30, 2014, nine months ended November 30, 2013, three months ended February 28, 2013, and for the year ended November 30, 2012.

(2) None of the components of other comprehensive income (loss) are attributable to noncontrolling interests.

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except per share amount)

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Common stock, par value $0.0001 per share				
Balance, beginning of period	$ —	$ —	$ 20	$ 20
Issued	—	—	1	1
Retired	—	—	—	(1)
Balance, end of period	$ —	$ —	$ 21	$ 20
Member's paid-in capital				
Balance, beginning of period	$ 5,280,420	$ 4,754,101	$ —	$ —
Contributions	—	362,255	—	—
Net earnings to Jefferies Group LLC	157,560	161,191	—	—
Tax benefit for issuance of share-based awards	1,276	2,873	—	—
Balance, end of period	$ 5,439,256	$ 5,280,420	$ —	$ —
Additional paid-in capital				
Balance, beginning of period	$ —	$ —	$ 2,219,959	$ 2,207,410
Benefit plan share activity (1)	—	—	3,138	12,076
Share-based expense, net of forfeitures and clawbacks	—	—	22,288	83,769
Proceeds from exercise of stock options	—	—	57	104
Acquisitions and contingent consideration	—	—	2,535	—
Tax (deficiency) benefit for issuance of share-based awards	—	—	(17,965)	19,789
Equity component of convertible debt, net of tax	—	—	—	(427)
Dividend equivalents on share-based plans	—	—	1,418	6,531
Retirement of treasury stock	—	—	—	(109,293)
Balance, end of period	$ —	$ —	$ 2,231,430	$ 2,219,959
Retained earnings				
Balance, beginning of period	$ —	$ —	$ 1,281,855	$ 1,067,858
Net earnings to common shareholders	—	—	80,138	282,409
Dividends	—	—	(17,217)	(68,412)
Balance, end of period	$ —	$ —	$ 1,344,776	$ 1,281,855
Accumulated other comprehensive income (loss) (2) (3)				
Balance, beginning of period	$ 24,100	$ —	$ (53,137)	$ (50,490)
Currency adjustment	(30,995)	21,341	(10,018)	1,511
Pension adjustment, net of tax	(7,778)	2,759	—	(4,158)
Balance, end of period	$ (14,673)	$ 24,100	$ (63,155)	$ (53,137)
Treasury stock, at cost				
Balance, beginning of period	$ —	$ —	$ (12,682)	$ (486)
Purchases	—	—	(166,541)	(113,562)
Returns / forfeitures	—	—	(1,922)	(7,928)
Retirement of treasury stock	—	—	—	109,294
Balance, end of period	$ —	$ —	$ (181,145)	$ (12,682)
Total member's / common stockholders' equity	$ 5,424,583	$ 5,304,520	$ 3,331,927	$ 3,436,015
Noncontrolling interests				
Balance, beginning of period	$ 117,154	$ 356,180	$ 346,738	$ 312,663
Net earnings attributable to noncontrolling interests	3,400	8,418	10,704	40,740
Contributions	39,075	100,210	—	—
Distributions	—	(25)	(1,262)	(13,570)
Redemptions	—	(347,629)	—	—
(Deconsolidation) Consolidation of asset management entity	(120,781)	—	—	6,905
Balance, end of period	$ 38,848	$ 117,154	$ 356,180	$ 346,738
Total equity	$ 5,463,431	$ 5,421,674	$ 3,688,107	$ 3,782,753

(1) Includes grants related to the Incentive Plan, Deferred Compensation Plan and Directors' Plan.
(2) The components of other comprehensive income (loss) are attributable to Jefferies Group LLC (formerly Jefferies Group, Inc.). None of the components of other comprehensive income (loss) are attributable to noncontrolling interests.
(3) There were no reclassifications out of Accumulated other comprehensive income during the year ended November 30, 2014 and nine months ended November 30, 2013.

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Cash flows from operating activities:				
Net earnings	$ 160,960	$ 169,609	$ 90,842	$ 323,149
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:				
Depreciation and amortization	691	(2,509)	17,393	72,692
Goodwill impairment	54,000	—	—	—
Gain on repurchase of long-term debt	—	—	—	(9,898)
Gain on sale of mortgage servicing rights	—	—	—	(23,826)
Interest on mandatorily redeemable preferred interests of consolidated subsidiaries	—	3,368	10,961	42,883
Accruals related to various benefit plans and stock issuances, net of forfeitures	—	—	23,505	87,918
Deferred income taxes	122,195	31,284	30,835	84,643
Income on loans to and investments in related parties	(90,243)	(92,181)	—	—
Distributions received on investments in related parties	53,985	37,742	—	—
Other adjustments	(78,064)	(14,740)	(1,154)	(7,462)
Net change in assets and liabilities:				
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	166,108	113,754	352,891	(738,117)
Receivables:				
Brokers, dealers and clearing organizations	11,872	506,774	(1,225,840)	(101,903)
Customers	(294,412)	(170,286)	67,626	200,679
Fees, interest and other	(12,062)	(29,388)	(29,149)	(33,694)
Securities borrowed	(1,497,438)	(41,678)	(224,557)	75,379
Financial instruments owned	(2,243,053)	(200,974)	229,394	52,737
Loans to and investments in related parties	—	—	(197,166)	7,302
Investments in managed funds	13,473	2,674	(2,213)	12,977
Securities purchased under agreements to resell	(200,568)	(156,197)	(224,418)	(463,829)
Other assets	(146,114)	47,296	(5,346)	(22,178)
Payables:				
Brokers, dealers and clearing organizations	968,615	(532,255)	(1,018,241)	(82,031)
Customers	1,089,423	(224,772)	(124,233)	804,539
Securities loaned	95,607	600,539	(28,138)	227,737
Financial instruments sold, not yet purchased	1,832,930	(2,511,777)	2,327,667	801,971
Securities sold under agreements to repurchase	(84,303)	2,794,412	(197,493)	(1,439,130)
Accrued expenses and other liabilities	69,459	414,515	(267,336)	316,367
Net cash (used in) provided by operating activities	(6,939)	745,210	(394,170)	188,905
Cash flows from investing activities:				
Contributions to loans to and investments in related parties	(2,786,394)	(2,241,232)	—	—
Distributions from loans to and investments in related parties	2,751,384	2,360,691	—	—
Net payments on premises and equipment	(110,536)	(48,534)	(10,706)	(63,236)
Cash received in connection with acquisition during the period, net of cash acquired	—	—	—	2,257
Cach disposed in connection with disposal of reporting units, net of cash received	—	(4,939)	—	—
Cash received from sales of mortgage servicing rights	—	—	—	30,851
(Deconsolidation) consolidation of asset management entity	(137,856)	—	—	9,711
Cash received from contingent consideration	6,253	3,796	1,203	4,104
Cash paid from contingent consideration	—	—	—	(1,172)
Net cash (used in) provided by investing activities	(277,149)	69,782	(9,503)	(17,485)

Continued on next page.

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED
(In thousands)

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Cash flows from financing activities:				
Excess tax benefits from the issuance of share-based awards	$ 1,921	$ 3,054	$ 5,682	$ 31,413
Proceeds from short-term borrowings	18,965,163	13,623,650	6,744,000	12,912,063
Payments on short-term borrowings	(18,965,163)	(13,711,650)	(6,794,000)	(12,819,557)
Proceeds from secured credit facility	2,819,000	920,000	900,000	1,325,000
Payments on secured credit facility	(2,849,000)	(980,000)	(990,007)	(1,075,000)
Repayment of long-term debt	(250,000)	—	—	(253,232)
Net proceeds from other secured financings	371,113	114,711	60,000	—
Payments on repurchase of long-term debt	—	—	—	(1,435)
Payments on mandatorily redeemable preferred interest of consolidated subsidiaries	—	(64)	(61)	(5,366)
Payments on repurchase of common stock	—	—	(166,541)	(113,562)
Payments on dividends	—	—	(15,799)	(61,881)
Proceeds from exercise of stock options, not including tax benefits	—	—	57	104
Net proceeds from issuance of senior notes, net of issuance costs	681,222	—	991,469	201,010
Proceeds from contributions of noncontrolling interests	39,075	100,210	—	—
Payments on distributions to noncontrolling interests	—	(347,654)	(1,262)	(13,570)
Net cash provided by (used in) financing activities	813,331	(277,743)	733,538	125,987
Effect of exchange rate changes on cash and cash equivalents	(10,394)	5,912	(4,502)	1,391
Net increase in cash and cash equivalents	518,849	543,161	325,363	298,798
Cash and cash equivalents at beginning of period	3,561,119	3,017,958	2,692,595	2,393,797
Cash and cash equivalents at end of period	$ 4,079,968	$ 3,561,119	$ 3,017,958	$ 2,692,595
Supplemental disclosures of cash flow information:				
Cash paid (received) during the period for:				
Interest	$ 922,194	$ 638,657	$ 178,836	$ 869,354
Income taxes paid (refunds), net	120,703	55,251	(34,054)	43,113

Noncash financing activities:

In connection with the transaction with Leucadia National Corporation, Jefferies Group LLC recorded accounting adjustments for the Leucadia Transaction, which resulted in changes to equity. Refer to Note 4, Leucadia and Related Transactions, for further details.

On March 31, 2013, Leucadia contributed its mandatorily redeemable preferred interests in JHYH to Jefferies Group, LLC. The contribution was recorded as a capital contribution and increased member's equity by $362.3 million. Refer to Note 4, Leucadia and Related Transactions, for further details.

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Index

Note	Page
Note 1. Organization and Basis of Presentation	70
Note 2. Summary of Significant Accounting Policies	71
Note 3. Accounting Developments	79
Note 4. Leucadia and Related Transactions	81
Note 5. Acquisition	83
Note 6. Fair Value Disclosures	83
Note 7. Derivative Financial Instruments	101
Note 8. Collateralized Transactions	106
Note 9. Securitization Activities	109
Note 10. Variable Interest Entities	110
Note 11. Investments	114
Note 12. Goodwill and Other Intangible Assets	117
Note 13. Short-Term Borrowings	120
Note 14. Long-Term Debt	120
Note 15. Mandatorily Redeemable Convertible Preferred Stock	122
Note 16. Noncontrolling Interests and Mandatorily Redeemable Preferred Interests of Consolidated Subsidiaries	123
Note 17. Benefit Plans	124
Note 18. Compensation Plans	129
Note 19. Non-Interest Expenses	131
Note 20. Earnings per Share	131
Note 21. Income Taxes	132
Note 22. Commitments, Contingencies and Guarantees	136
Note 23. Net Capital Requirements	139
Note 24. Segment Reporting	140
Note 25. Related Party Transactions	142
Note 26. Selected Quarterly Financial Data (Unaudited)	144

Note 1. Organization and Basis of Presentation

Organization

Jefferies Group LLC and its subsidiaries operate as a global full service, integrated securities and investment banking firm. Jefferies Group LLC was previously known as Jefferies Group, Inc., which on March 1, 2013 was converted into a limited liability company and renamed Jefferies Group LLC. In addition, certain subsidiaries of Jefferies Group, Inc. also converted into limited liability companies. The accompanying Consolidated Financial Statements therefore refer to Jefferies Group LLC and represent the accounts of Jefferies Group, Inc., as it was formerly known, and all our subsidiaries (together "we" or "us"). The subsidiaries of Jefferies Group LLC include Jefferies LLC ("Jefferies"), Jefferies Execution Services, Inc. ("Jefferies Execution"), Jefferies International Limited, Jefferies Bache Limited, Jefferies Hong Kong Limited, Jefferies Bache Financial Services, Inc., Jefferies Mortgage Funding, LLC and Jefferies Leveraged Credit Products, LLC and all other entities in which we have a controlling financial interest or are the primary beneficiary.

On March 1, 2013, Jefferies Group LLC, through a series of transactions, became an indirect wholly owned subsidiary of Leucadia National Corporation ("Leucadia") (referred to herein as the "Leucadia Transaction"). Each outstanding share of Jefferies Group LLC was converted into 0.81 of a share of Leucadia common stock (the "Exchange Ratio"). Leucadia did not assume nor guarantee any of our outstanding debt securities. Our 3.875% Convertible Senior Debentures due 2029 are now convertible into Leucadia common shares at a price that reflects the Exchange Ratio and the 3.25% Series A Convertible Cumulative Preferred Stock of Jefferies Group, Inc. was exchanged for a comparable series of convertible preferred shares of Leucadia. Jefferies Group LLC continues to operate as a full-service investment banking firm and as the holding company of its various regulated and unregulated operating subsidiaries, retain a credit rating separate from Leucadia and remain a Securities and Exchange Commission ("SEC") reporting company, filing annual, quarterly and periodic financial reports. Richard Handler, our Chief Executive Officer and Chairman, is also the Chief Executive Officer of Leucadia, as well as a Director of Leucadia. Brian P. Friedman, our Chairman of the Executive Committee, is also Leucadia's President and a Director of Leucadia.

We operate in two business segments, Capital Markets and Asset Management. Capital Markets, which represents substantially our entire business, includes our securities, commodities, futures and foreign exchange trading and investment banking activities, which provides the research, sales, trading, origination and advisory effort for various equity, fixed income and advisory products and services. Asset Management provides investment management services to various private investment funds and separate accounts.

On September 1, 2014, Jefferies Bache, LLC merged with and into Jefferies (a broker-dealer in the United States of America ("U.S.")), with Jefferies as the surviving entity. In addition, on April 1, 2013, we merged Jefferies High Yield Trading, LLC (our high yield trading broker-dealer) with Jefferies and our high yield activities are now conducted by Jefferies. In addition, during the three months ended May 31, 2013, we redeemed the third party interests in our high yield joint venture.

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for financial information.

As more fully described in Note 4, Leucadia and Related Transactions, the Leucadia Transaction is accounted for using the acquisition method of accounting, which requires that the assets, including identifiable intangible assets, and liabilities of Jefferies Group LLC be recorded at their fair values. The application of the acquisition method of accounting has been pushed down and reflected in the financial statements of Jefferies Group LLC as a wholly-owned subsidiary of Leucadia. The application of push down accounting represents the termination of the prior reporting entity and the creation of a new reporting entity, which do not have the same bases of accounting. As a result, our consolidated financial statements are presented for periods subsequent to March 1, 2013 for the new reporting entity (the "Successor"), and before March 1, 2013 for the prior reporting entity (the "Predecessor.") The Predecessor and Successor periods are separated by a vertical line to highlight the fact that the financial information for such periods has been prepared under two different cost bases of accounting.

We have made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. GAAP. The most important of these estimates and assumptions relate to fair value measurements, compensation and benefits, goodwill and intangible assets, the ability to realize deferred tax assets and the recognition and measurement of uncertain tax positions. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Cash Flow Statement Presentation

Amounts relating to loans and investments in related parties are classified as components of investing activities on the Consolidated Statements of Cash Flows to conform to the presentation of our Parent company in connection with the establishment of a new accounting entity through the application of push down accounting. These amounts are classified by the Predecessor entity as operating activities for reporting periods prior to the Leucadia Transaction.

Consolidation

Our policy is to consolidate all entities in which we control by ownership a majority of the outstanding voting stock. In addition, we consolidate entities which meet the definition of a variable interest entity ("VIE") for which we are the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. For consolidated entities that are less than wholly owned, the third-party's holding of equity interest is presented as Noncontrolling interests in the Consolidated Statements of Financial Condition and Consolidated Statements of Changes in Equity. The portion of net earnings attributable to the noncontrolling interests is presented as Net earnings to noncontrolling interests in the Consolidated Statements of Earnings.

In situations where we have significant influence, but not control, of an entity that does not qualify as a variable interest entity, we apply either the equity method of accounting or fair value accounting pursuant to the fair value option election under U.S. GAAP, with our portion of net earnings or gains and losses recorded within Other revenues or Principal transaction revenues, respectively. We also have formed nonconsolidated investment vehicles with third-party investors that are typically organized as partnerships or limited liability companies and are carried at fair value. We act as general partner or managing member for these investment vehicles and have generally provided the third-party investors with termination or "kick-out" rights.

Intercompany accounts and transactions are eliminated in consolidation.

Immaterial Adjustments

We have made correcting adjustments (referred to as "adjustments") to our financial statements at November 30, 2013. The first adjustment relates to a decrease of $88.7 million to Receivables from customers and a corresponding increase to Receivables from brokers, dealers and clearing organizations. The second adjustment relates to a decrease of $39.4 million to Payables from customers and a corresponding increase to Payables from brokers, dealers and clearing organizations. There was no change to Total assets or Total liabilities at November 30, 2013 as a result of these adjustments. The adjustments had the impact of increasing the Net change in Receivables: Brokers, dealers and clearing organizations by $170.5 million, decreasing the Net change in Receivables: Customers by $170.5 million, decreasing the Net change in Payables: Brokers, dealers and clearing organizations by $24.5 million, and increasing the Net change in Payables: Customers by $24.5 million on the Consolidated Statements of Cash Flows for the nine months ended November 30, 2013. The adjustments had the impact of decreasing the Net change in Receivables: Brokers, dealers and clearing organizations by $198.2 million, increasing the Net change in Receivables: Customers by $198.2 million, increasing the Net change in Payables: Brokers, dealers and clearing organizations by $13.1 million, and decreasing the Net change in Payables: Customers by $13.1 million on the Consolidated Statements of Cash Flows for the three months ended February, 2013. There was no impact on Net cash (used in) provided by operating activities on the Consolidated Statements of Cash Flows for the nine months ended November 30, 2013 and the three months ended February 28, 2013. These adjustments were made in order to classify amounts arising from unsettled securities transactions with other broker dealers. We do not believe these adjustments are material to our financial statements for any previously reported period.

Note 2. Summary of Significant Accounting Policies

Revenue Recognition Policies

Commissions. All customer securities transactions are reported on the Consolidated Statements of Financial Condition on a settlement date basis with related income reported on a trade-date basis. We permit institutional customers to allocate a portion of their gross commissions to pay for research products and other services provided by third parties. The amounts allocated for those purposes are commonly referred to as soft dollar arrangements. These arrangements are accounted for on an accrual basis and, as we are not the primary obligor for these arrangements, netted against commission revenues in the Consolidated Statements of Earnings. The commissions and related expenses on client transactions executed by Jefferies, a futures commission merchant (“FCM”), are recorded on a half-turn basis.

Principal Transactions. Financial instruments owned and Financial instruments sold, but not yet purchased (all of which are recorded on a trade-date basis) are carried at fair value with gains and losses reflected in Principal transaction revenues in the Consolidated Statements of Earnings on a trade-date basis. Fees received on loans carried at fair value are also recorded within Principal transaction revenues.

Investment Banking. Underwriting revenues and fees from mergers and acquisitions, restructuring and other investment banking advisory assignments or engagements are recorded when the services related to the underlying transactions are completed under the terms of the assignment or engagement. Expenses associated with such assignments are deferred until reimbursed by the client, the related revenue is recognized or the engagement is otherwise concluded. Expenses are recorded net of client reimbursements and netted against revenues. Unreimbursed expenses with no related revenues are included in Business development and Professional services expenses in the Consolidated Statements of Earnings.

Asset Management Fees and Investment Income From Managed Funds. Asset management fees and investment income from managed funds include revenues we earn from management, administrative and performance fees from funds and accounts managed by us, revenues from management and performance fees we earn from related-party managed funds and investment income from our investments in these funds. We earn fees in connection with management and investment advisory services performed for various funds and managed accounts. These fees are based on assets under management or an agreed upon notional amount and may include performance fees based upon the performance of the funds. Management and administrative fees are generally recognized over the period that the related service is provided. Generally, performance fees are earned when the return on assets under management exceeds certain benchmark returns, “high-water marks” or other performance targets. Performance fees are accrued (or reversed) on a monthly basis based on measuring performance to date versus any relevant benchmark return hurdles stated in the investment management agreement. Performance fees are not subject to adjustment once the measurement period ends (generally annual periods) and the performance fees have been realized.

Interest Revenue and Expense. We recognize contractual interest on Financial instruments owned and Financial instruments sold, but not yet purchased, on an accrual basis as a component of interest revenue and expense. Interest flows on derivative trading transactions and dividends are included as part of the fair valuation of these contracts and recognized in Principal transaction revenues in the Consolidated Statements of Earnings rather than as a component of interest revenue or expense. We account for our short- and long-term borrowings on an accrual basis with related interest recorded as Interest expense. Discounts/premiums arising on our long-term debt are accreted/amortized to Interest expense using the effective yield method over the remaining lives of the underlying debt obligations. In addition, we recognize interest revenue related to our securities borrowed and securities purchased under agreements to resell activities and interest expense related to our securities loaned and securities sold under agreements to repurchase activities on an accrual basis.

Cash Equivalents

Cash equivalents include highly liquid investments, including certificates of deposit and money market funds, not held for resale with original maturities of three months or less.

Cash and Securities Segregated and on Deposit for Regulatory Purposes or Deposited With Clearing and Depository Organizations

In accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, Jefferies as a broker-dealer carrying client accounts, is subject to requirements related to maintaining cash or qualified securities in a segregated reserve account for the exclusive benefit of its clients. In addition, certain financial instruments used for initial and variation margin purposes with clearing and depository organizations are recorded in this caption. Jefferies as a futures commission merchant, is obligated by rules mandated by the Commodities Futures Trading Commission under the Commodities Exchange Act, to segregate or set aside cash or qualified securities to satisfy such regulations, which regulations have been promulgated to protect customer assets. Certain other entities are also obligated by rules mandated by their primary regulators to segregate or set aside cash or equivalent securities to satisfy regulations, promulgated to protect customer assets.

Financial Instruments and Fair Value

Financial instruments owned and Financial instruments sold, not yet purchased are recorded at fair value, either as required by accounting pronouncements or through the fair value option election. These instruments primarily represent our trading activities and include both cash and derivative products. Gains and losses are recognized in Principal transaction revenues in our Consolidated Statements of Earnings. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

Fair Value Hierarchy

In determining fair value, we maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect our assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. We apply a hierarchy to categorize our fair value measurements broken down into three levels based on the transparency of inputs as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities at the reported date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these financial instruments include cash instruments for which quoted prices are available but traded less frequently, derivative instruments whose fair value have been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3: Instruments that have little to no pricing observability at the reported date. These financial instruments are measured using management’s best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

Financial instruments are valued at quoted market prices, if available. Certain financial instruments have bid and ask prices that can be observed in the marketplace. For financial instruments whose inputs are based on bid-ask prices, the financial instrument is valued at the point within the bid-ask range that meets our best estimate of fair value. We use prices and inputs that are current at the measurement date. For financial instruments that do not have readily determinable fair values using quoted market prices, the determination of fair value is based upon consideration of available information, including types of financial instruments, current financial information, restrictions on dispositions, fair values of underlying financial instruments and quotations for similar instruments.

The valuation of financial instruments may include the use of valuation models and other techniques. Adjustments to valuations derived from valuation models may be made when, in management’s judgment, features of the financial instrument such as its complexity, the market in which the financial instrument is traded and risk uncertainties about market conditions require that an adjustment be made to the value derived from the models. Adjustments from the price derived from a valuation model reflect management’s judgment that other participants in the market for the financial instrument being measured at fair value would also consider in valuing that same financial instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of financial instrument and market conditions. As the observability of prices and inputs may change for a financial instrument from period to period, this condition may cause a transfer of an instrument among the fair value hierarchy levels. Transfers among the levels are recognized at the beginning of each period. The degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Valuation Process for Financial Instruments

Our Independent Price Verification ("IPV") Group, which is part of our Finance department, in partnership with Risk Management, is responsible for establishing our valuation policies and procedures. The IPV Group and Risk Management, which are independent of our business functions, play an important role and serve as a control function in determining that our financial instruments are appropriately valued and that fair value measurements are reliable. This is particularly important where prices or valuations that require inputs are less observable. In the event that observable inputs are not available, the control processes are designed to assure that the valuation approach utilized is appropriate and consistently applied and that the assumptions are reasonable. The IPV Group reports to the Global Controller and is subject to the oversight of the IPV Committee, which is comprised of our Chief Financial Officer, Global Controller, Chief Risk Officer and Principal Accounting Officer, among other personnel. Our independent price verification policies and procedures are reviewed, at a minimum, annually and changes to the policies require the approval of the IPV Committee.

Price Testing Process. The business units are responsible for determining the fair value of our financial instruments using approved valuation models and methodologies. In order to ensure that the business unit valuations represent a fair value exit price, the IPV Group tests and validates the fair value of our financial instruments inventory. In the testing process, the IPV Group obtains prices and valuation inputs from independent sources, consistently adheres to established procedures set forth in our valuation policies for sourcing prices and valuation inputs and utilizing valuation methodologies. Sources used to validate fair value prices and inputs include, but are not limited to, exchange data, recently executed transactions, pricing data obtained from third party vendors, pricing and valuation services, broker quotes and observed comparable transactions.

To the extent discrepancies between the business unit valuations and the pricing or valuations resulting from the price testing process are identified, such discrepancies are investigated by the IPV Group and fair values are adjusted, as appropriate. The IPV Group maintains documentation of its testing, results, rationale and recommendations and prepares a monthly summary of its valuation results. This process also forms the basis for our classification of fair values within the fair value hierarchy (*i.e.,* Level 1, Level 2 or Level 3). The IPV Group utilizes the additional expertise of Risk Management personnel in valuing more complex financial instruments and financial instruments with less or limited pricing observability. The results of the valuation testing are reported to the IPV Committee on a monthly basis, which discusses the results and is charged with the final conclusions as to the financial instrument fair values in the consolidated financial statements. This process specifically assists the Chief Financial Officer in asserting as to the fair presentation of our financial condition and results of operations as included within our Quarterly Reports on Form 10-Q and Annual Report on Form 10-K. At each quarter end, the overall valuation results, as concluded upon by the IPV Committee, are presented to the Audit Committee.

Judgment exercised in determining Level 3 fair value measurements is supplemented by daily analysis of profit and loss performed by the Product Control functions. Gains and losses, which result from changes in fair value, are evaluated and corroborated daily based on an understanding of each of the trading desks' overall risk positions and developments in a particular market on the given day. Valuation techniques generally rely on recent transactions of suitably comparable financial instruments and use the observable inputs from those comparable transactions as a validation basis for Level 3 inputs. Level 3 fair value measurements are further validated through subsequent sales testing and market comparable sales, if such information is available. Level 3 fair value measurements require documentation of the valuation rationale applied, which is reviewed for consistency in application from period to period; and the documentation includes benchmarking the assumptions underlying the valuation rationale against relevant analytic data.

Third Party Pricing Information. Pricing information obtained from external data providers (including independent pricing services and brokers) may incorporate a range of market quotes from dealers, recent market transactions and benchmarking model derived prices to quoted market prices and trade data for comparable securities. External pricing data is subject to evaluation for reasonableness by the IPV Group using a variety of means including comparisons of prices to those of similar product types, quality and maturities, consideration of the narrowness or wideness of the range of prices obtained, knowledge of recent market transactions and an assessment of the similarity in prices to comparable dealer offerings in a recent time period. We have a process whereby we challenge the appropriateness of pricing information obtained from external data providers (including independent pricing services and brokers) in order to validate the data for consistency with the definition of a fair value exit price. Our process includes understanding and evaluating the external data providers' valuation methodologies. For corporate, U.S. government and agency and municipal debt securities, and loans, to the extent independent pricing services or broker quotes are utilized in our valuation process, the vendor service providers are collecting and aggregating observable market information as to recent trade activity and active bid-ask submissions. The composite pricing information received from the independent pricing service is thus not based on unobservable inputs or proprietary models. For mortgage- and other asset-backed securities and collateralized debt obligations, our independent pricing service uses a matrix evaluation approach incorporating both observable yield curves and market yields on comparable securities as well as implied inputs from observed trades for comparable securities in order to determine prepayment speeds, cumulative default rates and loss severity. Further, we consider pricing data from multiple service providers as available as well as compare pricing data to prices we have observed for recent transactions, if any, in order to corroborate our valuation inputs.

Model Review Process. Where a pricing model is to be used to determine fair value, the pricing model is reviewed for theoretical soundness and appropriateness by Risk Management, independent from the trading desks, and then approved by Risk Management to be used in the valuation process. Review and approval of a model for use may include benchmarking the model against relevant third party valuations, testing sample trades in the model, backtesting the results of the model against actual trades and stress-testing the sensitivity of the pricing model using varying inputs and assumptions. In addition, recently executed comparable transactions and other observable market data are considered for purposes of validating assumptions underlying the model. Models are independently reviewed and validated by Risk Management annually or more frequently if market conditions or use of the valuation model changes.

Investments in Managed Funds

Investments in managed funds include our investments in funds managed by us and our investments in related-party managed funds in which we are entitled to a portion of the management and/or performance fees. Investments in nonconsolidated managed funds are accounted for at fair value with gains or losses included in Asset management fees and investment income from managed funds in the Consolidated Statements of Earnings.

Loans to and Investments in Related Parties

Loans to and investments in related parties include investments in private equity and other operating entities made in connection with our capital markets activities in which we exercise significant influence over operating and capital decisions and loans issued in connection with such activities. Loans to and investments in related parties are accounted for using the equity method or at cost, as appropriate. Revenues on Loans to and investments in related parties are included in Other revenues in the Consolidated Statements of Earnings. (See Note 11, Investments, and Note 25, Related Party Transactions, for additional information regarding certain of these investments.)

Securities Borrowed and Securities Loaned

Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced and received in connection with the transactions and accounted for as collateralized financing transactions. In connection with both trading and brokerage activities, we borrow securities to cover short sales and to complete transactions in which customers have failed to deliver securities by the required settlement date, and lend securities to other brokers and dealers for similar purposes. We have an active securities borrowed and lending matched book business in which we borrow securities from one party and lend them to another party. When we borrow securities, we generally provide cash to the lender as collateral, which is reflected in our Consolidated Statements of Financial Condition as Securities borrowed. We earn interest revenues on this cash collateral. Similarly, when we lend securities to another party, that party provides cash to us as collateral, which is reflected in our Consolidated Statements of Financial Condition as Securities loaned. We pay interest expense on the cash collateral received from the party borrowing the securities. The initial collateral advanced or received approximates or is greater than the fair value of the securities borrowed or loaned. We monitor the fair value of the securities borrowed and loaned on a daily basis and request additional collateral or return excess collateral, as appropriate.

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

Securities purchased under agreements to resell and Securities sold under agreements to repurchase (collectively "repos") are accounted for as collateralized financing transactions and are recorded at their contracted resale or repurchase amount plus accrued interest. We earn and incur interest over the term of the repo, which is reflected in Interest income and Interest expense on our Consolidated Statements of Earnings on an accrual basis. Repos are presented in the Consolidated Statements of Financial Condition on a net-basis by counterparty, where permitted by generally accepted accounting principles. We monitor the fair value of the underlying securities daily versus the related receivable or payable balances. Should the fair value of the underlying securities decline or increase, additional collateral is requested or excess collateral is returned, as appropriate.

Premises and Equipment

Premises and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets (generally three to ten years). Leasehold improvements are amortized using the straight-line method over the term of the related leases or the estimated useful lives of the assets, whichever is shorter. Premises and equipment includes internally developed software, which was increased to its fair market value in the allocation of the purchase price on March 1, 2013. The revised carrying values of internally developed software ready for its intended use are depreciated over the remaining useful life. (See Note 4, Leucadia and Related Transactions for more information regarding the allocation of the purchase price.)

At November 30, 2014 and November 30, 2013, furniture, fixtures and equipment, including amounts under capital leases, amounted to $351.1 million and $278.5 million, respectively, and leasehold improvements amounted to $156.9 million and $134.1 million, respectively. Accumulated depreciation and amortization was $256.0 million and $210.1 million at November 30, 2014 and November 30, 2013, respectively.

Depreciation and amortization expense amounted to $58.0 million for the year ended November 30, 2014, $38.8 million for the nine months ended November 30, 2013, $12.9 million for the three months ended February 28, 2013, and $50.5 million for the year ended November 30, 2012, respectively.

Goodwill and Intangible Assets

Goodwill. Goodwill represents the excess acquisition cost over the fair value of net tangible and intangible assets acquired. Goodwill is not amortized and is subject to annual impairment testing on August 1 or between annual tests if an event or change in circumstance occurs that would more likely than not reduce the fair value of a reporting unit below its carrying value. In testing for goodwill impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not required. If we conclude otherwise, we are required to perform the two-step impairment test. The goodwill impairment test is performed at the reporting unit level by comparing the estimated fair value of a reporting unit with its respective carrying value. If the estimated fair value exceeds the carrying value, goodwill at the reporting unit level is not impaired. If the estimated fair value is less than carrying value, further analysis is necessary to determine the amount of impairment, if any, by comparing the implied fair value of the reporting unit's goodwill to the carrying value of the reporting units goodwill.

The fair value of reporting units are based on widely accepted valuation techniques that we believe market participants would use, although the valuation process requires significant judgment and often involves the use of significant estimates and assumptions. The methodologies we utilize in estimating the fair value of reporting units include market valuation methods that incorporate price-to-earnings and price-to-book multiples of comparable exchange traded companies and multiples of merger and acquisitions of similar businesses and discounted cash flow methodologies that incorporate an appropriate risk-adjusted discount rate. The estimates and assumptions used in determining fair value could have a significant effect on whether or not an impairment charge is recorded and the magnitude of such a charge. Adverse market or economic events could result in impairment charges in future periods.

Intangible Assets. Intangible assets deemed to have finite lives are amortized on a straight line basis over their estimated useful lives, where the useful life is the period over which the asset is expected to contribute directly, or indirectly, to our future cash flows. Intangible assets are reviewed for impairment on an interim basis when certain events or circumstances exist. For amortizable intangible assets, impairment exists when the carrying amount of the intangible asset exceeds its fair value. At least annually, the remaining useful life is evaluated.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment, we have the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If we conclude otherwise, we are required to perform a quantitative impairment test. Our annual indefinite-lived intangible asset impairment testing date is August 1.

To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset that is amortized over the remaining useful life of that asset, if any. Subsequent reversal of impairment losses is not permitted.

Refer to Note 12, Goodwill and Other Intangible Assets, for further information.

Income Taxes

Prior to the Leucadia Transaction, we filed a consolidated U.S. federal income tax return, which included all of our qualifying subsidiaries. Subsequently, our results of operations are included in the consolidated federal and applicable state income tax returns filed by Leucadia. In states that neither accept nor require combined or unitary tax returns, certain subsidiaries file separate state income tax returns. We also are subject to income tax in various foreign jurisdictions in which we operate. We account for our provision for income taxes using a "separate return" method. Amounts provided for income taxes are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable. Pursuant to a tax sharing agreement entered into between us and Leucadia, payments are between us and Leucadia settle current tax assets and liabilities.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Under acquisition accounting, the recognition of certain assets and liabilities at fair value created a change in the financial reporting basis for our assets and liabilities, while the tax basis of our assets and liabilities remained the same. As a result, deferred tax assets and liabilities were recognized for the change in the basis differences. Jefferies provides deferred taxes on its temporary differences and on any carryforwards that it could claim on its hypothetical tax return. The realization of deferred tax assets is assessed and a valuation allowance is recorded to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized on the basis of its projected separate return results. The tax benefit related to Leucadia dividends and dividend equivalents paid on nonvested share-based payment awards are recognized as an increase to Additional paid-in capital. These amounts are included in tax benefits for issuance of share-based awards on the Consolidated Statements of Changes in Equity.

We record uncertain tax positions using a two-step process: (i) we determine whether it is more likely than not that each tax position will be sustained on the basis of the technical merits of the position; and (ii) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Legal Reserves

In the normal course of business, we have been named, from time to time, as a defendant in legal and regulatory proceedings. We are also involved, from time to time, in other exams, investigations and similar reviews (both formal and informal) by governmental and self-regulatory agencies regarding our businesses, certain of which may result in judgments, settlements, fines, penalties or other injunctions.

We recognize a liability for a contingency in Accrued expenses and other liabilities when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If the reasonable estimate of a probable loss is a range, we accrue the most likely amount of such loss, and if such amount is not determinable, then we accrue the minimum in the range as the loss accrual. The determination of the outcome and loss estimates requires significant judgment on the part of management. At November 30, 2014, we have reserved approximately $1.9 million for remaining payments under a non-prosecution agreement with the United States Attorney for the District of Connecticut and a settlement agreement with the SEC, both with respect to an investigation of certain purchases and sales of mortgage-backed securities. We believe that any other matters for which we have determined a loss to be probable and reasonably estimable are not material to the consolidated financial statements.

In many instances, it is not possible to determine whether any loss is probable or even possible or to estimate the amount of any loss or the size of any range of loss. We believe that, in the aggregate, the pending legal actions or regulatory proceedings and any other exams, investigations or similar reviews (both formal and informal) should not have a material adverse effect on our consolidated results of operations, cash flows or financial condition. In addition, we believe that any amount that could be reasonably estimated of potential loss or range of potential loss in excess of what has been provided in the consolidated financial statements is not material.

Share-based Compensation

Share-based awards are measured based on the grant-date fair value of the award and recognized over the period from the service inception date through the date the employee is no longer required to provide service to earn the award. Expected forfeitures are included in determining share-based compensation expense.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries having non-U.S. dollar functional currencies are translated at exchange rates at the end of a period. Revenues and expenses are translated at average exchange rates during the period. The gains or losses resulting from translating foreign currency financial statements into U.S. dollars, net of hedging gains or losses and taxes, if any, are included in Other comprehensive income. Gains or losses resulting from foreign currency transactions are included in Principal transaction revenues in the Consolidated Statements of Earnings.

Securitization Activities

We engage in securitization activities related to corporate loans, commercial mortgage loans and mortgage-backed and other asset-backed securities. Such transfers of financial assets are accounted for as sales when we have relinquished control over the transferred assets. The gain or loss on sale of such financial assets depends, in part, on the previous carrying amount of the assets involved in the transfer allocated between the assets sold and the retained interests, if any, based upon their respective fair values at the date of sale. We may retain interests in the securitized financial assets as one or more tranches of the securitization. These retained interests are included within Financial instruments owned in the Consolidated Statements of Financial Condition at fair value. Any changes in the fair value of such retained interests are recognized within Principal transactions revenues in the Consolidated Statements of Earnings.

When a transfer of assets does not meet the criteria of a sale, we account for the transfer as a secured borrowing and continue to recognize the assets of a secured borrowing in Financial instruments owned and recognize the associated financing in Other secured financings in the Consolidated Statements of Financial Condition.

Earnings per Common Share

As a single member limited liability company, earnings per share is not calculated for Jefferies Group LLC (the Successor company).

Prior to the Leucadia Transaction, Jefferies Group, Inc. (the Predecessor company) had common shares and other common share equivalents outstanding. For the Predecessor periods, basic earnings per share ("EPS") was computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding and certain other shares committed to be, but not yet issued. Net earnings available to common shareholders represent net earnings to common shareholders reduced by the allocation of earnings to participating securities. Losses are not allocated to participating securities. For Predecessor periods, diluted EPS was computed by dividing net earnings available to common shareholders plus dividends on dilutive mandatorily redeemable convertible preferred stock by the weighted average number of common shares outstanding and certain other shares committed to be, but not yet issued, plus all dilutive common stock equivalents outstanding during the period. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and, therefore, are included in the earnings allocation in computing earnings per share under the two-class method of earning per share. Restricted stock and Restricted stock units ("RSUs") granted as part of our share-based compensation contain nonforfeitable rights to dividends and dividend equivalents, respectively, and therefore, prior to the requisite service being rendered for the right to retain the award, restricted stock and RSUs meet the definition of a participating security. As such, Basic and Diluted earnings per share were calculated under the two-class method.

Note 3. Accounting Developments

Accounting Standards to be Adopted in Future Periods

Repurchase Agreements. In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The accounting guidance changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The guidance also requires new disclosures about transfers that are accounted for as sales in transactions that are economically similar to repurchase agreements and increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The guidance is effective prospectively in the second quarter of fiscal 2015. We do not expect this guidance to significantly affect our results of operations, financial condition or cash flows and we will provide the additional disclosures in our consolidated financial statements.

Revenue Recognition. In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The accounting guidance defines how companies report revenues from contracts with customers, and also requires enhanced disclosures. The guidance is effective beginning in the first quarter of fiscal 2017. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Discontinued Operations. In April 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The guidance changes the criteria for disposals to qualify as discontinued operations and requires new disclosures about disposals of both discontinued operations and certain other disposals that do not meet the new definition. The guidance is effective beginning in the first quarter of 2015. We do not expect the guidance to have a significant impact on our consolidated financial position or results of operations upon adoption.

Income Taxes. In July 2013, the FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The guidance requires an entity to net their unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements against a deferred tax asset for a net operating loss carryforward, a similar tax loss or tax credit carryforward, unless such tax loss or credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes resulting from the disallowance of a tax position. In the event that the tax position is disallowed or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit shall be presented in the financial statements as a liability and shall not be combined with deferred tax assets. The guidance is effective for fiscal years and interim periods within those years, beginning after December 15, 2013, and is to be applied prospectively to all unrecognized tax benefits that exist at the effective date. We do not expect that the adoption of this update will have a material effect on our consolidated financial statements.

Adopted Accounting Standards

Balance Sheet Offsetting Disclosures. In December 2011, the FASB issued ASU No. 2011-11, Disclosures about Offsetting Assets and Liabilities and in January 2013 the FASB issued ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The updates require new disclosures regarding balance sheet offsetting and related arrangements. For derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions, the updates require disclosure of gross asset and liability amounts, amounts offset on the balance sheet, and amounts subject to the offsetting requirements but not offset on the balance sheet. We adopted the guidance effective December 1, 2013, presenting the additional disclosures in our notes to consolidated financial statements. This guidance did not amend the existing guidance on when it is appropriate to offset; as a result, the adoption of this guidance did not affect our financial condition, results of operations or cash flows.

Accumulated Other Comprehensive Income. In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The guidance requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety from accumulated other comprehensive income to net income in the same reporting period, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. We adopted the guidance effective March 1, 2013, presenting the additional disclosures within our Consolidated Statements of Changes in Equity. Adoption did not affect our results of operations, financial condition or cash flows.

Indefinite-Lived Intangible Asset Impairment. In July 2012, the FASB issued ASU No. 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment. The guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset, other than goodwill, is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. The update does not revise the requirement to test indefinite-lived intangible assets annually for impairment, or more frequently if deemed appropriate. The adoption of this guidance on December 1, 2012 did not affect our financial condition, results of operations or cash flows as it did not affect how impairment is calculated.

Goodwill Testing. In September 2011, the FASB issued ASU No. 2011-08, Testing Goodwill for Impairment. The update outlines amendments to the two step goodwill impairment test permitting an entity to first assess qualitative factors in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step quantitative goodwill impairment test. We adopted this guidance on December 1, 2012, which did not change how goodwill impairment is calculated nor assigned to reporting units and therefore had no effect on our financial condition, results of operations or cash flows.

Comprehensive Income. In June 2011, the FASB issued ASU No. 2011-05, Presentation of Comprehensive Income. The update requires entities to report comprehensive income either (1) in a single continuous statement of comprehensive income or (2) in two separate but consecutive statements. We adopted the guidance on March 1, 2012, and elected the two separate but consecutive statements approach. Accordingly, we now present our Consolidated Statements of Comprehensive Income immediately following our Consolidated Statements of Earnings within our consolidated financial statements.

Fair Value Measurements and Disclosures. In May 2011, the FASB issued ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. The amendments prohibit the use of blockage factors at all levels of the fair value hierarchy and provide guidance on measuring financial instruments that are managed on a net portfolio basis. Additional disclosure requirements include transfers between Levels 1 and 2; and for Level 3 fair value measurements, a description of our valuation processes and additional information about unobservable inputs impacting Level 3 measurements. We adopted this guidance on March 1, 2012 and have reflected the new disclosures in our consolidated financial statements. The adoption of this guidance did not have an impact on our financial condition, results of operations or cash flows.

Reconsideration of Effective Control for Repurchase Agreements. In April 2011, the FASB issued ASU No. 2011-03, Reconsideration of Effective Control for Repurchase Agreements. In assessing whether to account for repurchase and other agreements that both entitle and obligate the transferor to repurchase or redeem financial assets before their maturity as sales or as secured financing, this guidance removes from the assessment of effective control 1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms and 2) the collateral maintenance implementation guidance related to that criterion.

The adoption of this guidance for transactions beginning on or after January 1, 2012 did not have an impact on our financial condition, results of operations or cash flows.

Note 4. Leucadia and Related Transactions

Leucadia Transaction

On March 1, 2013, Jefferies Group LLC completed a business combination with Leucadia and became a wholly-owned subsidiary of Leucadia as described in Note 1, Organization and Basis of Presentation. Each share of Jefferies Group Inc.'s common stock outstanding was converted into common shares of Leucadia at an Exchange Ratio of 0.81 of a Leucadia common share for each share of Jefferies Group, Inc. (the "Exchange Ratio"). Leucadia exchanged Jefferies Group, Inc.'s $125.0 million 3.25% Series A-1 Convertible Cumulative Preferred Stock for a new series of Leucadia $125.0 million 3.25% Cumulative Convertible Preferred Shares. In addition, each restricted share and restricted stock unit of Jefferies Group, Inc. common stock was converted at the Exchange Ratio, into an equivalent award of shares of Leucadia, with all such awards for Leucadia shares subject to the same terms and conditions, including, without limitation, vesting and, in the case of performance-based restricted stock units, performance being measured at existing targets.

Leucadia did not assume or guarantee any of our outstanding debt securities, but our 3.875% Convertible senior Debentures due 2029 with an aggregate principal amount of $345.0 million became convertible into common shares of Leucadia. Other than the conversion into Leucadia common shares, the terms of the debenture remain the same.

The Leucadia Transaction resulted in a change in our ownership and was recorded under the acquisition method of accounting by Leucadia and pushed-down to us by allocating the total purchase consideration of $4.8 billion to the cost of the assets acquired, including intangible assets, and liabilities assumed based on their estimated fair values. The excess of the total purchase price over the fair value of assets acquired and the liabilities assumed is recorded as goodwill. The goodwill arising from the Leucadia Transaction consists largely of our commercial potential and the value of our assembled workforce.

In connection with the Leucadia Transaction, we recognized $11.5 million, $2.1 million and $4.7 million in transaction costs during the nine months ended November 30, 2013, three months ended February 28, 2013, and the year ended November 30, 2012, respectively.

The summary computation of the purchase price and the fair values assigned to the assets and liabilities are presented as follows (in thousands except share amounts):

Purchase Price	
Jefferies common stock outstanding	205,368,031
Less: Jefferies common stock owned by Leucadia	(58,006,024)
Jefferies common stock acquired by Leucadia	147,362,007
Exchange ratio	0.81
Leucadia's shares issued (excluding for Jefferies shares held by Leucadia)	119,363,226
Less: restricted shares issued for share-based payment awards (1)	(6,894,856)
Leucadia's shares issued, excluding share-based payment awards	112,468,370
Closing price of Leucadia's common stock (2)	$ 26.90
Fair value of common shares acquired by Leucadia	3,025,399
Fair value of 3.25% cumulative convertible preferred shares (3)	125,000
Fair value of shares-based payment awards (4)	343,811
Fair value of Jefferies shares owned by Leucadia (5)	1,259,891
Total purchase price	**$ 4,754,101**

(1) Represents shares of restricted stock included in Jefferies common stock outstanding that contained a future service requirement at March 1, 2013.
(2) The value of the shares of common stock exchanged with Jefferies shareholders was based upon the closing price of Leucadia's common stock at February 28, 2013, the last trading day prior to the date of acquisition.
(3) Represents Leucadia's 3.25% Cumulative Convertible Preferred Shares issued in exchange for Jefferies Group, Inc.'s 3.25% Series A-1 Convertible Cumulative Preferred Stock.

(4) The fair value of share-based payment awards is calculated in accordance with ASC 718, Compensation – Stock Compensation. Share-based payment awards attributable to pre-combination service are included as part of the total purchase price. Share-based payment awards attributable to pre-combination service is estimated based on the ratio of the pre-combination service performed to the original service period of the award.

(5) The fair value of Jefferies shares owned by Leucadia was based upon a price of $21.72, the closing price of Jefferies common stock at February 28, 2013.

Assets acquired:	
Cash and cash equivalents	$ 3,017,958
Cash and securities segregated	3,728,742
Financial instruments owned, at fair value	16,413,535
Investments in managed funds	59,976
Loans to and investments in related parties	766,893
Securities borrowed	5,315,488
Securities purchased under agreements to resell	3,578,366
Securities received as collateral	25,338
Receivables:	
Brokers, dealers and clearing organizations	2,444,085
Customers	1,045,251
Fees, interest and other	225,555
Premises and equipment	192,603
Indefinite-lived intangible exchange memberships and licenses (1)	15,551
Finite-lived intangible customer relationships (1)	136,002
Finite-lived trade name (1)	131,299
Other assets	939,600
Total assets	$ 38,036,242
Liabilities assumed:	
Short-term borrowings	$ 100,000
Financial instruments sold, not yet purchased, at fair value	9,766,876
Securities loaned	1,902,687
Securities sold under agreements to repurchase	7,976,492
Other secured financings	122,294
Obligation to return securities received as collateral	25,338
Payables:	
Brokers, dealers and clearing organizations	1,787,055
Customers	5,450,781
Accrued expenses and other liabilities	793,843
Long-term debt	6,362,024
Mandatorily redeemable preferred interests	358,951
Total liabilities	$ 34,646,341
Noncontrolling interests	356,180
Fair value of net assets acquired, excluding goodwill	$ 3,033,721
Goodwill	$ 1,720,380

(1) Intangible assets are recorded within Other assets on the Consolidated Statements of Financial Condition.

The goodwill of $1.7 billion is not deductible for tax purposes.

Reorganization of Jefferies High Yield Holdings, LLC

On March 1, 2013, we commenced a reorganization of our high yield joint venture with Leucadia, conducted through Jefferies High Yield Holdings, LLC (“JHYH”) (the parent of Jefferies High Yield Trading, LLC (our high yield trading broker-dealer)). On March 1, 2013, we redeemed the outstanding third party noncontrolling interests in JHYH of $347.6 million. On March 31, 2013, Leucadia contributed its mandatorily redeemable preferred interests in JHYH of $362.3 million to Jefferies Group LLC as member’s equity. On April 1, 2013, we redeemed the mandatorily redeemable preferred interests in JHYH received from Leucadia. In addition, on April 1, 2013, our high yield trading broker-dealer was merged into Jefferies LLC (our U.S. securities broker-dealer).

Note 5. Acquisition

Hoare Govett

On February 1, 2012, we acquired the corporate broking business of Hoare Govett from RBS. Total cash consideration paid by us to RBS for the acquisition was £1. In addition, under the terms of the purchase agreement RBS agreed to pay us approximately £1.9 million towards retention payments made to certain employees, which constituted a reduction of the final purchase price. The business acquired represents the corporate broking business carried on under the name RBS Hoare Govett in the United Kingdom and comprised corporate broking advice and services, as well as certain equity sales and trading activities. The acquisition included the Hoare Govett trade name, domain name, client agreements and the exclusive right to carry on the business in succession to RBS.

We accounted for the acquisition under the acquisition method of accounting. Accordingly, the assets acquired, including identifiable intangible assets, and liabilities assumed were recorded at their respective fair values as of the date of acquisition. The fair values of the net assets acquired, including identifiable intangible assets, specifically the Hoare Govett trademark/trade name, was approximately $0.3 million, which exceeded the negative purchase price of $3.1 million (cash consideration paid of £1 less remittance from RBS of £1.9 million), resulting in a bargain purchase gain of approximately $3.4 million. The bargain purchase gain is included within Other revenues in the Consolidated Statement of Earnings for the year ended November 30, 2012 and is reported within the Capital Markets business segment. Approximately $0.4 million was recognized at the date of acquisition as the fair value of the Hoare Govett trade name. (See Note 12, Goodwill and Other Intangible Assets for further details.) Additionally, on February 1, 2012, we recognized a deferred tax liability of approximately $0.1 million, recorded within Accrued expenses and other liabilities on the Consolidated Statement of Financial Condition.

Our results of operations for the year ended November 30, 2012 include the results of operations of Hoare Govett for ten months for the period from February 1, 2012 to November 30, 2012. The acquisition closed on February 29, 2012.

Note 6. Fair Value Disclosures

The following is a summary of our financial assets and liabilities that are accounted for at fair value on a recurring basis at November 30, 2014 and November 30, 2013 by level within the fair value hierarchy (in thousands):

	November 30, 2014				
	Level 1(1)	Level 2(1)	Level 3	Counterparty and Cash Collateral Netting (2)	Total
Assets:					
Financial instruments owned:					
Corporate equity securities	$ 2,178,837	$ 226,441	$ 20,964	$ —	$ 2,426,242
Corporate debt securities	—	3,342,276	55,918	—	3,398,194
Collateralized debt obligations	—	306,218	91,498	—	397,716
U.S. government and federal agency securities	2,694,268	81,273	—	—	2,775,541
Municipal securities	—	590,849	—	—	590,849
Sovereign obligations	1,968,747	790,764	—	—	2,759,511
Residential mortgage-backed securities	—	2,879,954	82,557	—	2,962,511
Commercial mortgage-backed securities	—	966,651	26,655	—	993,306
Other asset-backed securities	—	137,387	2,294	—	139,681
Loans and other receivables	—	1,458,760	97,258	—	1,556,018
Derivatives	65,145	5,046,278	54,190	(4,759,345)	406,268
Investments at fair value	—	73,152	95,389	—	168,541
Physical commodities	—	62,234	—	—	62,234
Total financial instruments owned	$ 6,906,997	$ 15,962,237	$ 526,723	$ (4,759,345)	$ 18,636,612
Cash and cash equivalents	$ 4,079,968	$ —	$ —	$ —	$ 4,079,968
Investments in managed funds	$ —	$ 19,383	$ 54,982	$ —	$ 74,365
Cash and securities segregated and on deposit for regulatory purposes (3)	$ 3,444,674	$ —	$ —	$ —	$ 3,444,674
Securities received as collateral	$ 5,418	$ —	$ —	$ —	$ 5,418
Total Level 3 assets			$ 581,705		
Liabilities:					
Financial instruments sold, not yet purchased:					
Corporate equity securities	$ 1,911,145	$ 74,681	$ 38	$ —	$ 1,985,864
Corporate debt securities	—	1,611,994	223	—	1,612,217
Collateralized debt obligations	—	4,557	—	—	4,557
U.S. government and federal agency securities	2,253,055	—	—	—	2,253,055
Sovereign obligations	1,217,075	574,010	—	—	1,791,085
Loans	—	856,525	14,450	—	870,975
Derivatives	52,778	5,117,803	49,552	(4,856,618)	363,515
Total financial instruments sold, not yet purchased	$ 5,434,053	$ 8,239,570	$ 64,263	$ (4,856,618)	$ 8,881,268
Obligation to return securities received as collateral	$ 5,418	$ —	$ —	$ —	$ 5,418
Other secured financings	$ —	$ —	$ 30,825	$ —	$ 30,825
Embedded conversion option	$ —	$ —	$ 693	$ —	$ 693

(1) As of December 1, 2013, equity options presented within Financial instruments owned and Financial instruments sold, not yet purchased of $6.1 million and $6.6 million, respectively, were transferred from Level 1 to Level 2 as adjustments were incorporated into the valuation approach for such contracts to estimate the point within the bid-ask range that meets the best estimate of fair value.

(2) Represents counterparty and cash collateral netting across the levels of the fair value hierarchy for positions with the same counterparty.

(3) Cash and securities segregated and on deposit for regulatory purposes include U.S. government securities with a fair value of $453.7 million and Commodities Futures Trading Commission (“CFTC”) approved money market funds with a fair value of $545.0 million.

	November 30, 2013				
	Level 1 (1)	Level 2 (1)	Level 3	Counterparty and Cash Collateral Netting (2)	Total
Assets:					
Financial instruments owned:					
Corporate equity securities	$ 1,913,220	$ 175,493	$ 9,884	$ —	$ 2,098,597
Corporate debt securities	—	2,957,102	25,666	—	2,982,768
Collateralized debt obligations	—	182,095	37,216	—	219,311
U.S. government and federal agency securities	2,293,221	40,389	—	—	2,333,610
Municipal securities	—	664,054	—	—	664,054
Sovereign obligations	1,458,803	889,685	—	—	2,348,488
Residential mortgage-backed securities	—	2,932,268	105,492	—	3,037,760
Commercial mortgage-backed securities	—	1,130,410	17,568	—	1,147,978
Other asset-backed securities	—	55,475	12,611	—	68,086
Loans and other receivables	—	1,203,238	145,890	—	1,349,128
Derivatives	40,952	2,472,237	1,493	(2,253,589)	261,093
Investments at fair value	—	40	101,242	—	101,282
Physical commodities	—	37,888	—	—	37,888
Total financial instruments owned	$ 5,706,196	$ 12,740,374	$ 457,062	$ (2,253,589)	$ 16,650,043
Cash and cash equivalents	$ 3,561,119	$ —	$ —	$ —	$ 3,561,119
Investments in managed funds	$ —	$ —	$ 57,285	$ —	$ 57,285
Cash and securities segregated and on deposit for regulatory purposes (3)	$ 3,616,602	$ —	$ —	$ —	$ 3,616,602
Securities received as collateral	$ 11,063	$ —	$ —	$ —	$ 11,063
Total Level 3 assets			$ 514,347		
Liabilities:					
Financial instruments sold, not yet purchased:					
Corporate equity securities	$ 1,782,903	$ 40,358	$ 38	$ —	$ 1,823,299
Corporate debt securities	—	1,346,078	—	—	1,346,078
U.S. government and federal agency securities	1,324,326	—	—	—	1,324,326
Sovereign obligations	1,360,269	471,088	—	—	1,831,357
Residential mortgage-backed securities	—	34,691	—	—	34,691
Loans	—	672,838	22,462	—	695,300
Derivatives	43,829	2,480,463	8,398	(2,352,611)	180,079
Physical commodities	—	36,483	—	—	36,483
Total financial instruments sold, not yet purchased	$ 4,511,327	$ 5,081,999	$ 30,898	$ (2,352,611)	$ 7,271,613
Obligation to return securities received as collateral	$ 11,063	$ —	$ —	$ —	$ 11,063
Other secured financings	$ —	$ 31,000	$ 8,711	$ —	$ 39,711
Embedded conversion option	$ —	$ —	$ 9,574	$ —	$ 9,574

(1) During the nine months ended November 30, 2013, we transferred listed equity options with a fair value of $403.0 million within Financial instruments owned and $423.0 million within Financial instruments sold, not yet purchased from Level 1 to Level 2 as adjustments to the exchange closing price are necessary to best reflect the fair value of the population at its exit price.
(2) Represents counterparty and cash collateral netting across the levels of the fair value hierarchy for positions with the same counterparty.
(3) Cash and securities segregated and on deposit for regulatory purposes include U.S. government securities with a fair value of $304.2 million.

The following is a description of the valuation basis, including valuation techniques and inputs, used in measuring our financial assets and liabilities that are accounted for at fair value on a recurring basis:

Corporate Equity Securities

- Exchange Traded Equity Securities: Exchange-traded equity securities are measured based on quoted closing exchange prices, which are generally obtained from external pricing services, and are categorized within Level 1 of the fair value hierarchy, otherwise they are categorized within Level 2 or Level 3 of the fair value hierarchy.
- Non-exchange Traded Equity Securities: Non-exchange traded equity securities are measured primarily using broker quotations, pricing data from external pricing services and prices observed for recently executed market transactions and are categorized within Level 2 of the fair value hierarchy. Where such information is not available, non-exchange traded equity securities are categorized within Level 3 of the fair value hierarchy and measured using valuation techniques involving quoted prices of or market data for comparable companies, similar company ratios and multiples (*e.g.*, price/EBITDA, price/book value), discounted cash flow analyses and transaction prices observed for subsequent financing or capital issuance by the company. When using pricing data of comparable companies, judgment must be applied to adjust the pricing data to account for differences between the measured security and the comparable security (*e.g.*, issuer market capitalization, yield, dividend rate, geographical concentration).
- Equity warrants: Non-exchange traded equity warrants are generally categorized within Level 3 of the fair value hierarchy and are measured using the Black-Scholes model with key inputs impacting the valuation including the underlying security price, implied volatility, dividend yield, interest rate curve, strike price and maturity date.

Corporate Debt Securities

- Corporate Bonds: Corporate bonds are measured primarily using pricing data from external pricing services and broker quotations, where available, prices observed for recently executed market transactions and bond spreads or credit default swap spreads of the issuer adjusted for basis differences between the swap curve and the bond curve. Corporate bonds measured using these valuation methods are categorized within Level 2 of the fair value hierarchy. If broker quotes, pricing data or spread data is not available, alternative valuation techniques are used including cash flow models incorporating interest rate curves, single name or index credit default swap curves for comparable issuers and recovery rate assumptions. Corporate bonds measured using alternative valuation techniques are categorized within Level 3 of the fair value hierarchy and comprise a limited portion of our corporate bonds.
- High Yield Corporate and Convertible Bonds: A significant portion of our high yield corporate and convertible bonds are categorized within Level 2 of the fair value hierarchy and are measured primarily using broker quotations and pricing data from external pricing services, where available, and prices observed for recently executed market transactions of comparable size. Where pricing data is less observable, valuations are categorized within Level 3 and are based on pending transactions involving the issuer or comparable issuers, prices implied from an issuer’s subsequent financings or recapitalizations, models incorporating financial ratios and projected cash flows of the issuer and market prices for comparable issuers.

Collateralized Debt Obligations

Collateralized debt obligations are measured based on prices observed for recently executed market transactions of the same or similar security or based on valuations received from third party brokers or data providers and are categorized within Level 2 or Level 3 of the fair value hierarchy depending on the observability and significance of the pricing inputs. Valuation that is based on recently executed market transitions of similar securities incorporates additional review and analysis of pricing inputs and comparability criteria including but not limited to collateral type, tranche type, rating, origination year, prepayment rates, default rates, and severities.

U.S. Government and Federal Agency Securities

- U.S. Treasury Securities: U.S. Treasury securities are measured based on quoted market prices and categorized within Level 1 of the fair value hierarchy.
- U.S. Agency Issued Debt Securities: Callable and non-callable U.S. agency issued debt securities are measured primarily based on quoted market prices obtained from external pricing services and are generally categorized within Level 1 or Level 2 of the fair value hierarchy.

Municipal Securities

Municipal securities are measured based on quoted prices obtained from external pricing services and are generally categorized within Level 2 of the fair value hierarchy.

Sovereign Obligations

Foreign sovereign government obligations are measured based on quoted market prices obtained from external pricing services, where available, or recently executed independent transactions of comparable size. To the extent external price quotations are not available or recent transactions have not been observed, valuation techniques incorporating interest rate yield curves and country spreads for bonds of similar issuers, seniority and maturity are used to determine fair value of sovereign bonds or obligations. Foreign sovereign government obligations are classified in Level 1, 2 or Level 3 of the fair value hierarchy, primarily based on the country of issuance.

Residential Mortgage-Backed Securities

- Agency Residential Mortgage-Backed Securities: Agency residential mortgage-backed securities include mortgage pass-through securities (fixed and adjustable rate), collateralized mortgage obligations and interest-only and principal-only securities and are generally measured using market price quotations from external pricing services and categorized within Level 2 of the fair value hierarchy.
- Agency Residential Interest-Only and Inverse Interest-Only Securities (“Agency Inverse IOs”): The fair value of agency inverse IOs is estimated using expected future cash flow techniques that incorporate prepayment models and other prepayment assumptions to amortize the underlying mortgage loan collateral. We use prices observed for recently executed transactions to develop market-clearing spread and yield curve assumptions. Valuation inputs with regard to the underlying collateral incorporate weighted average coupon, loan-to-value, credit scores, geographic location, maximum and average loan size, originator, servicer, and weighted average loan age. Agency inverse IOs are categorized within Level 2 or Level 3 of the fair value hierarchy. We also use vendor data in developing our assumptions, as appropriate.
- Non-Agency Residential Mortgage-Backed Securities: Fair values are determined primarily using discounted cash flow methodologies and securities are categorized within Level 2 or Level 3 of the fair value hierarchy based on the observability and significance of the pricing inputs used. Performance attributes of the underlying mortgage loans are evaluated to estimate pricing inputs, such as prepayment rates, default rates and the severity of credit losses. Attributes of the underlying mortgage loans that affect the pricing inputs include, but are not limited to, weighted average coupon; average and maximum loan size; loan-to-value; credit scores; documentation type; geographic location; weighted average loan age; originator; servicer; historical prepayment, default and loss severity experience of the mortgage loan pool; and delinquency rate. Yield curves used in the discounted cash flow models are based on observed market prices for comparable securities and published interest rate data to estimate market yields.

Commercial Mortgage-Backed Securities

- Agency Commercial Mortgage-Backed Securities: Government National Mortgage Association (“GNMA”) project loans are measured based on inputs corroborated from and benchmarked to observed prices of recent securitization transactions of similar securities with adjustments incorporating an evaluation for various factors, including prepayment speeds, default rates, and cash flow structures as well as the likelihood of pricing levels in the current market environment. Federal National Mortgage Association (“FNMA”) Delegated Underwriting and Servicing (“DUS”) mortgage-backed securities are generally measured by using prices observed for recently executed market transactions to estimate market-clearing spread levels for purposes of estimating fair value. GNMA project loan bonds and FNMA DUS mortgage-backed securities are categorized within Level 2 of the fair value hierarchy.

- Non-Agency Commercial Mortgage-Backed Securities: Non-agency commercial mortgage-backed securities are measured using pricing data obtained from external pricing services and prices observed for recently executed market transactions and are categorized within Level 2 and Level 3 of the fair value hierarchy.

Other Asset-Backed Securities

Other asset-backed securities include, but are not limited to, securities backed by auto loans, credit card receivables and student loans and are categorized within Level 2 and Level 3 of the fair value hierarchy. Valuations are determined using pricing data obtained from external pricing services and prices observed for recently executed market transactions.

Loans and Other Receivables

- Corporate Loans: Corporate loans categorized within Level 2 of the fair value hierarchy are measured based on market price quotations where market price quotations from external pricing services are supported by market transaction data. Corporate loans categorized within Level 3 of the fair value hierarchy are measured based on market price quotations that are considered to be less transparent, market prices for debt securities of the same creditor, and estimates of future cash flow incorporating assumptions regarding creditor default and recovery rates and consideration of the issuer's capital structure.
- Participation Certificates in Agency Residential Loans: Valuations of participation certificates in agency residential loans are based on observed market prices of recently executed purchases and sales of similar loans. The loan participation certificates are categorized within Level 2 of the fair value hierarchy given the observability and volume of recently executed transactions and availability of data provider pricing.
- Project Loans and Participation Certificates in GNMA Project and Construction Loans: Valuations of participation certificates in GNMA project and construction loans are based on inputs corroborated from and benchmarked to observed prices of recent securitizations of assets with similar underlying loan collateral to derive an implied spread. Securitization prices are adjusted to estimate the fair value of the loans incorporating an evaluation for various factors, including prepayment speeds, default rates, and cash flow structures as well as the likelihood of pricing levels in the current market environment. The measurements are categorized within Level 2 of the fair value hierarchy given the observability and volume of recently executed transactions.
- Consumer Loans and Funding Facilities: Consumer and small business whole loans and related funding facilities are valued based on observed market transactions incorporating additional valuation inputs including, but not limited to, delinquency and default rates, prepayment rates, borrower characteristics, loan risk grades and loan age. These assets are categorized within Level 2 or Level 3 of the fair value hierarchy.
- Escrow and Trade Claim Receivables: Escrow and trade claim receivables are categorized within Level 3 of the fair value hierarchy where fair value is estimated based on reference to market prices and implied yields of debt securities of the same or similar issuers. Escrow and trade claim receivables are categorized within Level 2 of the fair value hierarchy where fair value is based on recent trade activity in the same security.

Derivatives

- Listed Derivative Contracts: Listed derivative contracts that are actively traded are measured based on quoted exchange prices, which are generally obtained from external pricing services, and are categorized within Level 1 of the fair value hierarchy. Listed derivatives for which there is limited trading activity are measured based on incorporating the closing auction price of the underlying equity security, use similar valuation approaches as those applied to over-the-counter derivative contracts and are categorized within Level 2 of the fair value hierarchy.
- OTC Derivative Contracts: Over-the-counter ("OTC") derivative contracts are generally valued using models, whose inputs reflect assumptions that we believe market participants would use in valuing the derivative in a current period transaction. Inputs to valuation models are appropriately calibrated to market data. For many OTC derivative contracts, the valuation models do not involve material subjectivity as the methodologies do not entail significant judgment and the inputs to valuation models do not involve a high degree of subjectivity as the valuation model inputs are readily observable or can be derived from actively quoted markets. OTC derivative contracts are primarily categorized within Level 2 of the fair value hierarchy given the observability and significance of the inputs to the valuation models. Where significant inputs to the valuation are unobservable, derivative instruments are categorized within Level 3 of the fair value hierarchy.

OTC options include OTC equity, foreign exchange and commodity options measured using various valuation models, such as the Black-Scholes, with key inputs impacting the valuation including the underlying security, foreign exchange spot rate or commodity price, implied volatility, dividend yield, interest rate curve, strike price and maturity date. Discounted cash flow models are utilized to measure certain OTC derivative contracts including the valuations of our interest rate swaps, which incorporate observable inputs related to interest rate curves, valuations of our foreign exchange forwards and swaps, which incorporate observable inputs related to foreign currency spot rates and forward curves and valuations of our commodity swaps and forwards, which incorporate observable inputs related to commodity spot prices and forward curves. Credit default swaps include both index and single-name credit default swaps. External prices are available as inputs in measuring index credit default swaps and single-name credit default swaps. For commodity and equity total return swaps, market prices are observable for the underlying asset and used as the basis for measuring the fair value of the derivative contracts. Total return swaps executed on other underlyings are measured based on valuations received from external pricing services.

Physical Commodities

Physical commodities include base and precious metals and are measured using observable inputs including spot prices and published indices. Physical commodities are categorized within Level 2 of the fair value hierarchy. To facilitate the trading in precious metals we undertake leasing of such precious metals. The fees earned or paid for such leases are recorded as Principal transaction revenues on the Consolidated Statements of Earnings.

Investments at Fair Value and Investments in Managed Funds

Investments at fair value and Investments in managed funds include investments in hedge funds, fund of funds, private equity funds, convertible bond funds and commodity funds, which are measured at fair value based on the net asset value of the funds provided by the fund managers and are categorized within Level 2 or Level 3 of the fair value hierarchy. Investments at fair value also include direct equity investments in private companies, which are measured at fair value using valuation techniques involving quoted prices of or market data for comparable companies, similar company ratios and multiples (*e.g.*, price/EBITDA, price/book value), discounted cash flow analyses and transaction prices observed for subsequent financing or capital issuance by the company. Direct equity investments in private companies are categorized within Level 2 or Level 3 of the fair value hierarchy. Additionally, investments at fair value include investments in insurance contracts relating to our defined benefit plan in Germany. Fair value for the insurance contracts is determined using a third party and is categorized within Level 3 of the fair value hierarchy.

The following tables present information about our investments in entities that have the characteristics of an investment company at November 30, 2014 and November 30, 2013 (in thousands):

	November 30, 2014		
	Fair Value (1)	Unfunded Commitments	Redemption Frequency (if currently eligible)
Equity Long/Short Hedge Funds (2)	$ 44,983	$ —	Monthly, Quarterly
High Yield Hedge Funds (3)	204	—	—
Fund of Funds (4)	323	94	—
Equity Funds (5)	65,216	26,023	—
Convertible Bond Funds (6)	3,355	—	At Will
Total (7)	$ 114,081	$ 26,117	

	November 30, 2013		
	Fair Value (1)	Unfunded Commitments	Redemption Frequency (if currently eligible)
Equity Long/Short Hedge Funds (2)	$ 20,927	$ —	Monthly, Quarterly
High Yield Hedge Funds (3)	244	—	—
Fund of Funds (4)	494	94	—
Equity Funds (5)	66,495	40,816	—
Convertible Bond Funds (6)	3,473	—	At Will
Total (7)	$ 91,633	$ 40,910	

(1) Where fair value is calculated based on net asset value, fair value has been derived from each of the funds' capital statements.

(2) This category includes investments in hedge funds that invest, long and short, in equity securities in domestic and international markets in both the public and private sectors. At November 30, 2014 and November 30, 2013, investments representing approximately 99% and 98%, respectively, of the fair value of investments in this category are redeemable with 30—90 days prior written notice.

(3) Includes investments in funds that invest in domestic and international public high yield debt, private high yield investments, senior bank loans, public leveraged equities, distressed debt, and private equity investments. There are no redemption provisions. The underlying assets of the funds are being liquidated and we are unable to estimate when the underlying assets will be fully liquidated.

(4) Includes investments in fund of funds that invest in various private equity funds. At November 30, 2014 and November 30, 2013, approximately 95% and 98%, respectively, of the fair value of investments in this category are managed by us and have no redemption provisions, instead distributions are received through the liquidation of the underlying assets of the fund of funds, which are estimated to be liquidated in approximately two years. For the remaining investments we have requested redemption; however, we are unable to estimate when these funds will be received.

(5) At November 30, 2014 and November 30, 2013, investments representing approximately 99% and 99%, respectively, of the fair value of investments in this category include investments in equity funds that invest in the equity of various U.S. and foreign private companies in the energy, technology, internet service and telecommunication service industries. These investments cannot be redeemed, instead distributions are received through the liquidation of the underlying assets of the funds which are expected to liquidate in one to eight years. The remaining investments are in liquidation and we are unable to estimate when the underlying assets will be fully liquidated.

(6) This category represents an investment in the Jefferies Umbrella Fund, an open-ended investment company managed by us that invests primarily in convertible bonds. The investment is redeemable with five days prior written notice.

(7) Investments at fair value in the Consolidated Statements of Financial Condition at November 30, 2014 and November 30, 2013 include $128.8 million and $66.9 million, respectively, of direct investments which do not have the characteristics of investment companies and therefore not included within this table.

Other Secured Financings

Other secured financings that are accounted for at fair value include notes issued by consolidated VIEs, which are classified as Level 2 or Level 3 within the fair value hierarchy. Fair value is based on recent transaction prices for similar assets. In addition, at November 30, 2014 and November 30, 2013, Other secured financings includes $7.8 million and $8.7 million, respectively, related to transfers of loans accounted for as secured financings rather than as sales and classified as Level 3 within the fair value hierarchy.

Embedded Conversion Option

The embedded conversion option presented within long-term debt represents the fair value of the conversion option on Leucadia shares within our 3.875% Convertible Senior Debentures, due November 1, 2029 and categorized as Level 3 within the fair value hierarchy. The conversion option was valued using a convertible bond model using as inputs the price of Leucadia's common stock, the conversion strike price, 252-day historical volatility, a maturity date of November 1, 2017 (the first put date), dividend yield and the risk-free interest rate curve.

Pricing Information

At November 30, 2014 and November 30, 2013, our Financial instruments owned and Financial instruments sold, not yet purchased are measured using different valuation bases as follows:

	November 30, 2014		November 30, 2013	
	Financial Instruments Owned	Financial Instruments Sold, Not Yet Purchased	Financial Instruments Owned	Financial Instruments Sold, Not Yet Purchased
Exchange closing prices	12%	20%	12%	25%
Recently observed transaction prices	4%	2%	5%	4%
External pricing services	71%	69%	68%	66%
Broker quotes	4%	3%	3%	3%
Valuation techniques	9%	6%	12%	2%
	100%	100%	100%	100%

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the year ended November 30, 2014 (in thousands):

	Successor								
	Year Ended November 30, 2014								
	Balance at November 30, 2013	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into/(out of) Level 3	Balance at November 30, 2014	Change in unrealized gains/(losses) relating to instruments still held at November 30, 2014 (1)
Assets:									
Financial instruments owned:									
Corporate equity securities	$ 9,884	$ 957	$ 18,138	$ (12,826)	$ —	$ —	$ 4,811	$ 20,964	$ 2,324
Corporate debt securities	25,666	2,456	62,933	(51,094)	—	—	15,867	55,918	16,000
Collateralized debt obligations	37,216	(2,303)	179,720	(170,991)	(1,297)	—	49,153	91,498	8,159
U.S government and federal agency securities	—	13	2,505	(2,518)	—	—	—	—	—
Residential mortgage-backed securities	105,492	(9,870)	42,632	(61,689)	(1,847)	—	7,839	82,557	(4,679)
Commercial mortgage-backed securities	17,568	(4,237)	49,159	(51,360)	(782)	—	16,307	26,655	(2,384)
Other asset-backed securities	12,611	1,784	4,987	(18,002)	—	—	914	2,294	1,484
Loans and other receivables	145,890	(31,311)	130,169	(92,140)	(60,390)	—	5,040	97,258	(26,864)
Investments, at fair value	101,242	16,522	34,993	(46,315)	(1,243)	—	(9,810)	95,389	865
Investments in managed funds	57,285	(13,541)	14,876	(315)	—	—	(3,323)	54,982	(13,541)
Liabilities:									
Financial instruments sold, not yet purchased:									
Corporate equity securities	$ 38	$ —	$ —	$ —	$ —	$ —	$ —	$ 38	$ —
Corporate debt securities	—	(149)	(565)	960	—	—	(23)	223	(8)
Net derivatives (2)	6,905	15,055	(24,682)	1,094	322	—	(3,332)	(4,638)	(15,615)
Loans	22,462	—	(18,332)	11,338	—	—	(1,018)	14,450	—
Other secured financings	8,711	—	—	—	(17,525)	39,639	—	30,825	—
Embedded conversion option	9,574	(8,881)	—	—	—	—	—	693	8,881

(1) Realized and unrealized gains/losses are reported in Principal transaction revenues in the Consolidated Statements of Earnings.
(2) Net derivatives represent Financial instruments owned—Derivatives and Financial instruments sold, not yet purchased—Derivatives.

Analysis of Level 3 Assets and Liabilities for the Year Ended November 30, 2014

During the year ended November 30, 2014, transfers of assets of $145.0 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

- Non-agency residential mortgage-backed securities of $30.3 million and commercial mortgage-backed securities of $16.6 million for which no recent trade activity was observed for purposes of determining observable inputs;
- Loans and other receivables of $8.5 million due to a lower number of contributors comprising vendor quotes to support classification within Level 2;
- Collateralized debt obligations of $49.6 million which have little to no transparency related to trade activity;
- Corporate debt securities of $23.4 million, corporate equity securities of $9.7 million and investments at fair value of $5.8 million due to a lack of observable market transactions.

During the year ended November 30, 2014, transfers of assets of $58.2 million from Level 3 to Level 2 are primarily attributed to:

- Non-agency residential mortgage-backed securities of $22.4 million for which market trades were observed in the period for either identical or similar securities;
- Loans and other receivables of $3.5 million and investments at fair value of $15.6 million due to a greater number of contributors for certain vendor quotes supporting classification into Level 2;
- Corporate equity securities of $4.9 million, corporate debt securities of $7.5 million and investments in managed funds $3.5 million due to an increase in observable market transactions.

Table of Contents

There were $1.0 million transfers of loan liabilities from Level 3 to Level 2 and $3.3 million transfers of net derivative liabilities from Level 3 to Level 2 due to an increase in observable inputs in the valuation and an increase in observable inputs used in the valuing of derivative contracts, respectively.

Net losses on Level 3 assets were $39.4 million and net losses on Level 3 liabilities were $6.0 million for the year ended November 30, 2014. Net losses on Level 3 assets were primarily due to a decrease in valuation of certain loans and other receivables, residential and commercial mortgage-backed securities and investments in managed funds, partially offset by increased valuations of certain investments at fair value and corporate debt securities. Net losses on Level 3 liabilities were primarily due to increased valuations of certain derivatives, partially offset by decreased valuations of the embedded conversion option.

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the nine months ended November 30, 2013 (in thousands):

	Successor								
	Nine Months Ended November 30, 2013								
	Balance, February 28, 2013	Total gains/losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into/(out of) Level 3	Balance, November 30, 2013	Change in unrealized gains/ (losses) relating to instruments still held at November 30, 2013 (1)
Assets:									
Financial instruments owned:									
Corporate equity securities	$ 13,234	$ 1,551	$ 3,583	$ (7,141)	$ —	$ —	$ (1,343)	$ 9,884	$ (419)
Corporate debt securities	31,820	(2,454)	31,014	(34,125)	—	—	(589)	25,666	(2,749)
Collateralized debt obligations	24,736	(2,309)	45,437	(32,874)	—	—	2,226	37,216	(8,384)
Residential mortgage-backed securities	169,426	(4,897)	89,792	(150,807)	(11,007)	—	12,985	105,492	(6,932)
Commercial mortgage-backed securities	17,794	(4,469)	20,130	(13,538)	(100)	—	(2,249)	17,568	(3,794)
Other asset-backed securities	1,292	(4,535)	105,291	(104,711)	—	—	15,274	12,611	(3,497)
Loans and other receivables	170,986	15,008	287,757	(115,231)	(211,805)	—	(825)	145,890	13,402
Investments, at fair value	75,067	1,678	28,594	(102)	(5,012)	—	1,017	101,242	1,705
Investments in managed funds	59,976	9,863	15,651	(17)	(28,188)	—	—	57,285	9,863
Liabilities:									
Financial instruments sold, not yet purchased:									
Corporate equity securities	$ 38	$ —	$ —	$ —	$ —	$ —	$ —	$ 38	$ —
Residential mortgage-backed securities	1,542	(1,542)	—	—	—	—	—	—	—
Net derivatives (2)	11,185	4,408	—	(300)	(8,515)	—	127	6,905	1,609
Loans	7,398	2,959	(16,027)	28,065	67	—	—	22,462	(2,970)
Other secured financings	—	—	—	—	—	8,711	—	8,711	—
Embedded conversion option (3)	16,488	(6,914)	—	—	—	—	—	9,574	6,914

(1) Realized and unrealized gains/losses are reported in Principal transaction revenues in the Consolidated Statements of Earnings.
(2) Net derivatives represent Financial instruments owned – Derivatives and Financial instruments sold, not yet purchased – Derivatives.
(3) The embedded conversion option of $16.5 million is at March 1, 2013, upon completion of the Leucadia Transaction (See Note 14.)

Analysis of Level 3 Assets and Liabilities for the Nine Months Ended November 30, 2013

During the nine months ended November 30, 2013, transfers of assets of $82.4 million from Level 2 to Level 3 of the fair value hierarchy are attributed to:

- Non-agency residential mortgage-backed securities of $58.8 million and other asset-backed securities of $16.4 million for which no recent trade activity was observed for purposes of determining observable inputs;
- Loans and other receivables of $0.8 million due to a lower number of contributors comprising vendor quotes to support classification within Level 2.
- Corporate equity securities of $2.3 million, corporate debt securities of $0.2 million and investments at fair value of $1.0 million due to lack of observable market transactions;
- Collateralized debt obligations of $2.8 million which have little to no transparency in trade activity;

During the nine months ended November 30, 2013, transfers of assets of $55.9 million from Level 3 to Level 2 are attributed to:

- Non-agency residential mortgage-backed securities of $45.9 million, commercial mortgage-backed securities of $2.2 million and other asset-backed securities of $1.1 million for which market trades were observed in the period for either identical or similar securities;
- Collateralized debt obligations of $0.6 million and loans and other receivables of $1.7 million due to a greater number of contributors for certain vendor quotes supporting classification into Level 2;
- Corporate equity securities of $3.6 million and corporate debt securities of $0.8 million due to an increase in observable market transactions.

During the nine months ended November 30, 2013, there were no transfers of liabilities from Level 2 to Level 3 and there were $0.1 million transfers of net derivative liabilities from Level 3 to Level 2 due to an increase in observable inputs used in the valuing of derivative contracts.

Net gains on Level 3 assets were $9.4 million and net losses on Level 3 liabilities were $1.1 million for the nine months ended November 30, 2013, respectively. Net gains on Level 3 assets were primarily due to increased valuations of certain corporate equity securities, loans and other receivables, investments at fair value and investments in managed funds, partially offset by a decrease in valuation of certain corporate debt securities, collateralized debt obligations, residential and commercial mortgage-backed securities and other asset-backed securities. Net losses on Level 3 liabilities were primarily due to increased valuations of certain derivative instruments and loan positions.

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the three months ended February 28, 2013 (in thousands):

	Predecessor							
	Three Months Ended February 28, 2013 (1)							
	Balance at November 30, 2012	Total gains/ losses (realized and unrealized) (2)	Purchases	Sales	Settlements	Net transfers into/(out of) Level 3	Balance at February 28, 2013	Change in unrealized gains/(losses) relating to instruments still held at February 28, 2013 (2)
Assets:								
Financial instruments owned:								
Corporate equity securities	$ 16,815	$ 200	$ 707	$ 109	$ —	$ (4,597)	$ 13,234	$ 172
Corporate debt securities	3,631	7,836	11,510	(1,918)	—	10,761	31,820	7,833
Collateralized debt obligations	31,255	3,584	4,406	(17,374)	—	2,865	24,736	(1,165)
Residential mortgage-backed securities	156,069	11,906	132,773	(130,143)	(6,057)	4,878	169,426	4,511
Commercial mortgage-backed securities	30,202	(995)	2,280	(2,866)	(1,188)	(9,639)	17,794	(2,059)
Other asset-backed securities	1,114	90	1,627	(1,342)	(19)	(178)	1,292	39
Loans and other receivables	180,393	(8,682)	105,650	(29,828)	(61,407)	(15,140)	170,986	(12,374)
Investments, at fair value	83,897	961	5,952	(4,923)	(9,721)	(1,099)	75,067	1,171
Investments in managed funds	57,763	(363)	11,068	—	(8,492)	—	59,976	(363)
Liabilities:								
Financial instruments sold, not yet purchased:								
Corporate equity securities	$ 38	$ —	$ —	$ —	$ —	$ —	$ 38	$ —
Residential mortgage-backed securities	—	25	(73,846)	75,363	—	—	1,542	(19)
Net derivatives (3)	9,188	2,648	—	—	—	(651)	11,185	(2,648)
Loans	1,711	—	(1,711)	7,398	—	—	7,398	—

(1) There were no issuances during the three months ended February 28, 2013.
(2) Realized and unrealized gains/losses are reported in Principal transaction revenues in the Consolidated Statements of Earnings.
(3) Net derivatives represent Financial instruments owned—Derivatives and Financial instruments sold, not yet purchased—Derivatives.

Analysis of Level 3 Assets and Liabilities for the Three Months Ended February 28, 2013

During the three months ended February 28, 2013, transfers of assets of $100.5 million from Level 2 to Level 3 of the fair value hierarchy are attributed to:

- Non-agency residential mortgage-backed securities of $78.4 million and commercial mortgage-backed securities of $1.3 million for which no recent trade activity was observed for purposes of determining observable inputs;
- Corporate debt securities of $10.8 million and corporate equity securities of $0.1 million due to lack of observable market transactions;
- Collateralized debt obligations of $5.3 million which have little to no transparency in trade activity;
- Loans and other receivables of $4.8 million due to a lower number of contributors comprising vendor quotes to support classification within Level 2.

During the three months ended February 28, 2013, transfers of assets of $112.7 million from Level 3 to Level 2 are attributed to:

- Non-agency residential mortgage-backed securities of $73.5 million, commercial mortgage-backed securities of $10.9 million and $0.2 million of other asset-backed securities for which market trades were observed in the period for either identical or similar securities;
- Loans and other receivables of $19.9 million and collateralized debt obligations of $2.4 million due to a greater number of contributors for certain vendor quotes supporting classification into Level 2;
- Corporate equity securities of $4.7 million due to an increase in observable market transactions.

During the three months ended February 28, 2013, there were no transfers of liabilities from Level 2 to Level 3 and there were $0.7 million transfers of net derivative liabilities from Level 3 to Level 2 due to an increase in observable significant inputs used in valuing the derivative contracts.

Net gains on Level 3 assets were $14.5 million and net losses on Level 3 liabilities were $2.7 million for the three months ended February 28, 2013. Net gains on Level 3 assets were primarily due to increased valuations of certain residential mortgage-backed securities, corporate debt securities, collateralized debt obligations and investments at fair value, partially offset by a decrease in valuation of certain loans and other receivables, commercial mortgage-backed securities and investments in managed funds. Net losses on Level 3 liabilities were primarily due to increased valuations of certain derivative instruments.

Quantitative Information about Significant Unobservable Inputs used in Level 3 Fair Value Measurements at November 30, 2014 and November 30, 2013

The tables below present information on the valuation techniques, significant unobservable inputs and their ranges for our financial assets and liabilities, subject to threshold levels related to the market value of the positions held, measured at fair value on a recurring basis with a significant Level 3 balance. The range of unobservable inputs could differ significantly across different firms given the range of products across different firms in the financial services sector. The inputs are not representative of the inputs that could have been used in the valuation of any one financial instrument (*i.e.*, the input used for valuing one financial instrument within a particular class of financial instruments may not be appropriate for valuing other financial instruments within that given class). Additionally, the ranges of inputs presented below should not be construed to represent uncertainty regarding the fair values of our financial instruments; rather the range of inputs is reflective of the differences in the underlying characteristics of the financial instruments in each category.

For certain categories, we have provided a weighted average of the inputs allocated based on the fair values of the financial instruments comprising the category. We do not believe that the range or weighted average of the inputs is indicative of the reasonableness of uncertainty of our Level 3 fair values. The range and weighted average are driven by the individual financial instruments within each category and their relative distribution in the population. The disclosed inputs when compared with the inputs as disclosed in other periods should not be expected to necessarily be indicative of changes in our estimates of unobservable inputs for a particular financial instrument as the population of financial instruments comprising the category will vary from period to period based on purchases and sales of financial instruments during the period as well as transfers into and out of Level 3 each period.

Financial Instruments Owned	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input / Range	Weighted Average
	November 30, 2014				
Corporate equity securities	$ 19,814				
Non-exchange traded securities		Market approach	EBITDA (a) multiple	3.4 to 4.7	3.6
		Scenario analysis	Estimated recovery percentage	24%	—
Corporate debt securities	$ 22,766	Convertible bond model	Discount rate/yield	32%	—
Collateralized debt obligations	$ 41,784	Discounted cash flows	Constant prepayment rate	0% to 20%	13%
			Constant default rate	0% to 2%	2%
			Loss severity	0% to 70%	39%
			Yield	2% to 51%	16%
Residential mortgage-backed securities	$ 82,557	Discounted cash flows	Constant prepayment rate	1% to 50%	13%
			Constant default rate	1% to 100%	14%
			Loss severity	20% to 80%	50%
			Yield	3% to 13%	7%
Commercial mortgage-backed securities	$ 26,655	Discounted cash flows	Yield	8% to 12%	11%
			Cumulative loss rate	4% to 72%	15%
		Scenario analysis	Estimated recovery percentage	90%	—
Other asset-backed securities	$ 2,294	Discounted cash flows	Constant prepayment rate	8%	—
			Constant default rate	3%	—
			Loss severity	70%	—
			Yield	7%	—
Loans and other receivables	$ 88,154	Comparable pricing	Comparable loan price	$100 to $101	$ 100.3
		Market approach	Yield	3% to 5%	4%
			EBITDA (a) multiple	3.4 to 8.2	7.6
		Scenario analysis	Estimated recovery percentage	10% to 41%	36%
Derivatives	$ 54,190				
Foreign exchange options		Option model	Volatility	13% to 23%	17%
Commodity forwards		Discounted cash flows	Discount rate	17%	—
Loan commitments		Comparable pricing	Comparable loan price	$100	—
Investments at fair value	$ 8,500				
Private equity securities		Market approach	Transaction Level	$50	—

Liabilities	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input / Range	Weighted Average
Financial Instruments Sold, Not Yet Purchased:					
Derivatives	$ 49,552				
FX options		Option model	Volatility	13% to 23%	17%
Unfunded commitment		Comparable pricing	Comparable loan price	$89 to $100	$ 92.0
			Credit spread	45bps	—
		Market approach	Yield	5%	—
Loans and other receivables	$ 14,450	Comparable pricing	Comparable loan price	$100	—
Other secured financings	$ 30,825	Comparable pricing	Comparable loan price	$81-$100	$ 98.7
Embedded conversion option	$ 693	Option valuation model	Historical volatility	18.9%	—

(a) Earnings before interest, taxes, depreciation and amortization (“EBITDA”).

November 30, 2013					
Financial Instruments Owned	**Fair Value (in thousands)**	**Valuation Technique**	**Significant Unobservable Input(s)**	**Input / Range**	**Weighted Average**
Corporate equity securities	$ 8,034				
Non-exchange traded securities		Market approach	EBITDA multiple	4.0 to 5.5	4.53
Warrants		Option model	Volatility	36%	—
Corporate debt securities	$ 17,699	Scenario analysis	Estimated recovery percentage	24%	—
		Comparable pricing	Comparable bond or loan price	$69.10 to $70.50	$ 69.91
		Market approach	Yield	13%	—
Collateralized debt obligations	$ 34,316	Discounted cash flows	Constant prepayment rate	0% to 20%	13%
			Constant default rate	2% to 3%	2%
			Loss severity	30% to 85%	38%
			Yield	3% to 91%	28%
Residential mortgage-backed securities	$ 105,492	Discounted cash flows	Constant prepayment rate	2% to 50%	11%
			Constant default rate	1% to 100%	17%
			Loss severity	30% to 90%	48%
			Yield	0% to 20%	7%
Commercial mortgage-backed securities	$ 17,568	Discounted cash flows	Yield	12% to 20%	14%
			Cumulative loss rate	5% to 28.2%	11%
Other asset-backed securities	$ 12,611	Discounted cash flows	Constant prepayment rate	4% to 30%	17%
			Constant default rate	2% to 11%	7%
			Loss severity	40% to 92%	64%
			Yield	3% to 29%	18%
Loans and other receivables	$ 101,931	Comparable pricing	Comparable bond or loan price	$91 to $101	$ 98.90
		Market approach	Yield	8.75% to 13.5%	10%
			EBITDA (a) multiple	6.9	—
		Scenario analysis	Estimated recovery percentage	16.9% to 92%	74%
Derivatives					
Loan commitments	$ 1,493	Comparable pricing	Comparable bond or loan price	$100.875	—
Investments at fair value					
Private equity securities	$ 30,203	Comparable pricing	Comparable share price	$414	—
		Market approach	Discount rate	15% to 30%	23%

Liabilities	**Fair Value (in thousands)**	**Valuation Technique**	**Significant Unobservable Input(s)**	**Input / Range**	**Weighted Average**
Financial Instruments Sold, Not Yet Purchased:					
Derivatives					
Equity options	$ 8,398	Option model	Volatility	36.25% to 41%	39%
Loans	$ 8,106	Comparable pricing	Comparable bond or loan price	$101.88	—
Other secured financings	$ 8,711	Comparable pricing	Comparable loan price	$99-$103	$ 101.7
Embedded conversion option	$ 9,574	Option valuation model	Historical volatility	22.55%	—

The fair values of certain Level 3 assets and liabilities that were determined based on third-party pricing information, unadjusted past transaction prices, reported net asset value or a percentage of the reported enterprise fair value are excluded from the above tables. At November 30, 2014 and November 30, 2013, asset exclusions consisted of $180.0 million and $127.7 million, respectively, primarily comprised of investments in non-exchange traded securities, private equity securities, investments in reinsurance contracts, derivatives and certain corporate loans. At November 30, 2014, liability exclusions consisted of $0.3 million comprised of corporate equity and debt securities. At November 30, 2013, liability exclusions consisted of $14.4 million of corporate loan commitments.

Sensitivity of Fair Values to Changes in Significant Unobservable Inputs

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the sensitivity of the fair value measurement to changes in significant unobservable inputs and interrelationships between those unobservable inputs (if any) are described below:

- Private equity securities, corporate debt securities, other asset-backed securities, loans and other receivables and loan commitments using comparable pricing valuation techniques. A significant increase (decrease) in the comparable share, bond or loan price in isolation would result in a significant higher (lower) fair value measurement.

- Non-exchange traded securities and loans and other receivables using a market approach valuation technique. A significant increase (decrease) in the EBITDA or other multiples in isolation would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the yield of a corporate debt security, loan and other receivable would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the discount rate of a private equity security would result in a significantly lower (higher) fair value measurement.
- Corporate debt securities and loans and other receivables using scenario analysis. A significant increase (decrease) in the possible recovery rates of the cash flow outcomes underlying the investment would result in a significantly higher (lower) fair value measurement for the financial instrument.
- Collateralized debt obligations, residential and commercial mortgage-backed securities and other asset-backed securities using a discounted cash flow valuation technique. A significant increase (decrease) in isolation in the constant default rate, and loss severities or cumulative loss rate would result in a significantly lower (higher) fair value measurement. The impact of changes in the constant prepayment rate would have differing impacts depending on the capital structure of the security. A significant increase (decrease) in the loan or bond yield would result in a significant lower (higher) fair value measurement.
- Derivative equity options and equity warrants using an option model. A significant increase (decrease) in volatility would result in a significant higher (lower) fair value measurement.
- Private equity securities using a net asset value technique. A significant increase (decrease) in the discount applied to net asset value would result in a significant (lower) higher fair value measurement.

Fair Value Option Election

We have elected the fair value option for all loans and loan commitments made by our capital markets businesses. These loans and loan commitments include loans entered into by our investment banking division in connection with client bridge financing and loan syndications, loans purchased by our leveraged credit trading desk as part of its bank loan trading activities and mortgage loan commitments and fundings in connection with mortgage- and other asset-backed securitization activities. Loans and loan commitments originated or purchased by our leveraged credit and mortgage-backed businesses are managed on a fair value basis. Loans are included in Financial instruments owned and loan commitments are included in Financial instruments owned—Derivatives and Financial instruments sold, not yet purchased—Derivatives on the Consolidated Statements of Financial Condition. The fair value option election is not applied to loans made to affiliate entities as such loans are entered into as part of ongoing, strategic business ventures. Loans to affiliate entities are included within Loans to and investments in related parties on the Consolidated Statements of Financial Condition and are accounted for on an amortized cost basis. We have elected the fair value option for our investment in Knight Capital, which is included in Financial Instruments owned – Corporate equity securities on the Consolidated Statement of Financial Condition. (See Note 11, Investments for further details regarding our investment in Knight Capital.) We have also elected the fair value option for certain financial instruments held by subsidiaries as the investments are risk managed by us on a fair value basis. The fair value option has also been elected for certain secured financings that arise in connection with our securitization activities and other structured financings. Other secured financings, Receivables—Brokers, dealers and clearing organizations, Receivables—Customers, Receivables—Fees, interest and other, Payables—Brokers, dealers and clearing organizations and Payables—Customers are accounted for at cost plus accrued interest rather than at fair value; however, the recorded amounts approximate fair value due to their liquid or short-term nature.

The following is a summary of gains (losses) due to changes in instrument specific credit risk on loans and other receivables and loan commitments measured at fair value under the fair value option (in thousands):

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Financial Instruments Owned:				
Loans and other receivables	$ (24,785)	$ 15,327	$ 3,924	$ 24,547
Financial Instruments Sold:				
Loans	$ (585)	$ (32)	$ —	$ (55)
Loan commitments	(15,459)	(1,007)	(2,746)	(7,155)

The following is a summary of the amount by which contractual principal exceeds fair value for loans and other receivables measured at fair value under the fair value option (in thousands):

	November 30, 2014	November 30, 2013
Financial Instruments Owned:		
Loans and other receivables (1)	$ 403,119	$ 264,896
Loans and other receivables greater than 90 days past due (1)	5,594	—
Loans and other receivables on nonaccrual status (1)(2)	(22,360)	—

(1) Interest income is recognized separately from other changes in fair value and is included within Interest revenues on the Consolidated Statements of Earnings.
(2) Amount includes all loans and other receivables greater than 90 or more days past due.

The aggregate fair value of loans and other receivables that were 90 or more days past due was $-0- million and $-0- at November 30, 2014 and November 30, 2013, respectively.

The aggregate fair value of loans and other receivables on nonaccrual status, which includes all loans and other receivables greater than 90 or more days past due, was $274.6 million at November 30, 2014. There were no loan receivables on nonaccrual status at November 30, 2013.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Certain assets were measured at fair value on a non-recurring basis and are not included in the tables above. These assets include goodwill and intangible assets. The following table presents those assets measured at fair value on a non-recurring basis for which the Company recognized a non-recurring fair value adjustment during the year ended November 30, 2014 (in thousands):

	Carrying Value at November 30, 2014	Level 2	Level 3	Impairment Losses for the Year Ended November 30, 2014
Futures Reporting Unit (1):				
Goodwill (2)	$ —	$ —	$ —	$ 51,900
Intangible assets (3)	—	—	—	7,534
Exchange ownership interests (4)	5,608	5,608	—	178
International Asset Management Reporting Unit (5):				
Goodwill (6)	$ —	$ —	$ —	$ 2,100
Intangible assets (7)	—	—	—	60

(1) Given management’s decision to pursue strategic alternatives for our Futures business, including possible disposal, as a result of recent operating performance and margin challenges experienced by the business, an impairment analysis of the carrying amounts of goodwill, intangible assets and certain other assets employed directly by the business was performed at November 30, 2014. (See Note 12, Goodwill and Other Intangible Assets.)

(2) An impairment loss for goodwill allocated to our Futures business with a carrying amount of $51.9 million was recognized for the year ended November 30, 2014. The fair value of the Futures business was estimated 1) by comparison to similar companies using publicly traded price-to-tangible book multiples as the basis for valuation and 2) by utilizing a discounted cash flow methodology based on internally developed forecasts of profitability and an appropriate risk-adjusted discount rate.

(3) Intangible assets relate primarily to customer relationship intangibles. An impairment loss for customer relationships within our Futures business with a carrying amount of $7.5 million was recognized in Other expenses for the year ended November 30, 2014. Fair value was estimated utilizing a discounted cash flow methodology based on projected future cash flows and operating margins and an appropriate risk-adjusted discount rate.

(4) Exchange memberships, which represent ownership interests in market exchanges on which trading business is conducted, were written down to their fair value during the year ended November 30, 2014 resulting in impairment losses of $0.2 million recognized in Other expenses. The fair value of these exchange memberships is based on observed quoted sales prices for each individual membership.

(5) Given management's decision to liquidate our International Asset Management business, an impairment analysis of the carrying amounts of goodwill, intangible assets and certain other assets employed directly by the business was performed at November 30, 2014. (See Note 12, Goodwill and Other Intangible Assets.)

(6) An impairment loss for goodwill allocated to our International Asset Management business with a carrying amount of $2.1 million was recognized for the year ended November 30, 2014. Fair value was estimated by utilizing a discounted cash flow methodology based on internally developed forecasts of profitability and an appropriate risk-adjusted discount rate.

(7) Intangible assets relate to customer relationship intangibles. Impairment losses of $0.1 million were recognized in Other expenses for the year ended November 30, 2014. Fair values were estimated utilizing a discounted cash flow methodology based on projected future cash flows and operating margins and an appropriate risk-adjusted discount rate.

There were no assets measured at fair value on a non-recurring basis, which utilized Level 1 inputs during the year ended November 30, 2014. There were no liabilities measured at fair value on a non-recurring basis during the year ended November 30, 2014. There were no significant assets or liabilities measured at fair value on a non-recurring basis during the nine months ended November 30, 2013, the three months ended February 28, 2013 and the year ended November 30, 2012.

Note 7. Derivative Financial Instruments

Off-Balance Sheet Risk

We have contractual commitments arising in the ordinary course of business for securities loaned or purchased under agreements to resell, repurchase agreements, future purchases and sales of foreign currencies, securities transactions on a when-issued basis and underwriting. Each of these financial instruments and activities contains varying degrees of off-balance sheet risk whereby the fair values of the securities underlying the financial instruments may be in excess of, or less than, the contract amount. The settlement of these transactions is not expected to have a material effect upon our consolidated financial statements.

Derivative Financial Instruments

Our derivative activities are recorded at fair value in the Consolidated Statements of Financial Condition in Financial instruments owned – derivatives and Financial instruments sold, not yet purchased – derivatives net of cash paid or received under credit support agreements and on a net counterparty basis when a legally enforceable right to offset exists under a master netting agreement. Net realized and unrealized gains and losses are recognized in Principal transaction revenues in the Consolidated Statements of Earnings on a trade date basis and as a component of cash flows from operating activities in the Consolidated Statements of Cash Flows. Acting in a trading capacity, we may enter into derivative transactions to satisfy the needs of our clients and to manage our own exposure to market and credit risks resulting from our trading activities. (See Note 6, Fair Value Disclosures and Note 22, Commitments, Contingencies and Guarantees for additional disclosures about derivative financial instruments.)

Derivatives are subject to various risks similar to other financial instruments, including market, credit and operational risk. The risks of derivatives should not be viewed in isolation, but rather should be considered on an aggregate basis along with our other trading-related activities. We manage the risks associated with derivatives on an aggregate basis along with the risks associated with proprietary trading as part of our firm wide risk management policies.

In connection with our derivative activities, we may enter into International Swaps and Derivative Association, Inc. ("ISDA") master netting agreements or similar agreements with counterparties. A master agreement creates a single contract under which all transactions between two counterparties are executed allowing for trade aggregation and a single net payment obligation. Master agreements provide protection in bankruptcy in certain circumstances and, where legally enforceable, enable receivables and payables with the same counterparty to be settled or otherwise eliminated by applying amounts due against all or a portion of an amount due from the counterparty or a third party. In addition, we enter into customized bilateral trading agreements and other customer agreements that provide for the netting of receivables and payables with a given counterparty as a single net obligation.

Under our ISDA master netting agreements, we typically also execute credit support annexes, which provide for collateral, either in the form of cash or securities, to be posted by or paid to a counterparty based on the fair value of the derivative receivable or payable based on the rates and parameters established in the credit support annex. In the event of the counterparty's default, provisions of the master agreement permit acceleration and termination of all outstanding transactions covered by the agreement such that a single amount is owed by, or to, the non-defaulting party. In addition, any collateral posted can be applied to the net obligations, with any excess returned; and the collateralized party has a right to liquidate the collateral. Any residual claim after netting is treated along with other unsecured claims in bankruptcy court.

The conditions supporting the legal right of offset may vary from one legal jurisdiction to another and the enforceability of master netting agreements and bankruptcy laws in certain countries or in certain industries is not free from doubt. The right of offset is dependent both on contract law under the governing arrangement and consistency with the bankruptcy laws of the jurisdiction where the counterparty is located. Industry legal opinions with respect to the enforceability of certain standard provisions in respective jurisdictions are relied upon as a part of managing credit risk. In cases where we have not determined an agreement to be enforceable, the related amounts are not offset. Master netting agreements are a critical component of our risk management processes as part of reducing counterparty credit risk and managing liquidity risk.

We are also a party to clearing agreements with various central clearing parties. Under these arrangements, the central clearing counterparty facilitates settlement between counterparties based on the net payable owed or receivable due and, with respect to daily settlement, cash is generally only required to be deposited to the extent of the net amount. In the event of default, a net termination amount is determined based on the market values of all outstanding positions and the clearing organization or clearing member provides for the liquidation and settlement of the net termination amount among all counterparties to the open derivative contracts.

The following tables present the fair value and related number of derivative contracts at November 30, 2014 and November 30, 2013 categorized by type of derivative contract and the platform on which these derivatives are transacted. The fair value of assets/liabilities represents our receivable/payable for derivative financial instruments, gross of counterparty netting and cash collateral received and pledged. (See Note 8, Collateralized Transactions, for information related to offsetting of certain secured financing transactions.) The following tables also provide information regarding 1) the extent to which, under enforceable master netting arrangements, such balances are presented net in the Consolidated Statements of Financial Condition as appropriate under GAAP and 2) the extent to which other rights of setoff associated with these arrangements exist and could have an effect on our financial position (in thousands, except contract amounts).

	November 30, 2014 (1)			
	Assets		Liabilities	
	Fair Value	Number of Contracts	Fair Value	Number of Contracts
Interest rate contracts				
Exchange-traded	$ 2,450	67,437	$ 1,400	87,008
Cleared OTC	1,425,375	2,160	1,481,329	2,124
Bilateral OTC	871,982	1,908	809,962	729
Foreign exchange contracts				
Exchange-traded	—	1,562	—	1,821
Bilateral OTC	1,514,881	11,299	1,519,349	10,931
Equity contracts				
Exchange-traded	1,011,101	2,269,044	987,531	2,049,513
Bilateral OTC	39,889	2,463	70,484	1,956
Commodity contracts				
Exchange-traded	62,091	1,027,542	51,145	1,015,894
Bilateral OTC	214,635	4,026	252,061	4,524
Credit contracts				
Cleared OTC	17,831	27	23,264	22
Bilateral OTC	5,378	18	23,608	27
Total gross derivative assets/ liabilities:				
Exchange-traded	1,075,642		1,040,076	
Cleared OTC	1,443,206		1,504,593	
Bilateral OTC	2,646,765		2,675,464	
Amounts offset in the Consolidated Statements of Financial Condition (2):				
Exchange-traded	(1,038,992)		(1,038,992)	
Cleared OTC	(1,416,613)		(1,416,613)	
Bilateral OTC	(2,303,740)		(2,401,013)	
Net amounts per Consolidated Statements of Financial Condition (3)	$ 406,268		$ 363,515	

(1) Exchange traded derivatives include derivatives executed on an organized exchange. Cleared OTC derivatives include derivatives executed bilaterally and subsequently novated to and cleared through central clearing counterparties. Bilateral OTC derivatives include derivatives executed and settled bilaterally without the use of an organized exchange or central clearing counterparty.

(2) Amounts netted include both netting by counterparty and for cash collateral paid or received.

(3) We have not received or pledged additional collateral under master netting agreements and/or other credit support agreements that is eligible to be offset beyond what has been offset in the Consolidated Statements of Financial Condition.

	November 30, 2013 (1)			
	Assets		Liabilities	
	Fair Value	Number of Contracts	Fair Value	Number of Contracts
Interest rate contracts				
Exchange-traded	$ 8,696	57,344	$ 3,846	68,268
Cleared OTC	432,667	5,402	396,422	7,730
Bilateral OTC	724,613	1,221	730,897	1,340
Foreign exchange contracts				
Exchange-traded	33	111,229	40	104,205
Bilateral OTC	653,739	7,478	693,618	8,212
Equity contracts				
Exchange-traded	495,069	1,742,195	465,110	1,800,467
Bilateral OTC	6,715	148	9,875	136
Commodity contracts				
Exchange-traded	27,185	785,718	33,661	780,358
Bilateral OTC	114,095	11,811	139,458	8,359
Credit contracts				
Cleared OTC	49,531	49	51,632	46
Bilateral OTC	2,339	16	8,131	19
Total gross derivative assets/ liabilities:				
Exchange-traded	530,983		502,657	
Cleared OTC	482,198		448,054	
Bilateral OTC	1,501,501		1,581,979	
Amounts offset in the Consolidated Statements of Financial Condition (2):				
Exchange-traded	(489,375)		(489,375)	
Cleared OTC	(446,520)		(445,106)	
Bilateral OTC	(1,317,694)		(1,418,130)	
Net amounts per Consolidated Statements of Financial Condition (3)	$ 261,093		$ 180,079	

(1) Exchange traded derivatives include derivatives executed on an organized exchange. Cleared OTC derivatives include derivatives executed bilaterally and subsequently novated to and cleared through central clearing counterparties. Bilateral OTC derivatives include derivatives executed and settled bilaterally without the use of an organized exchange or central clearing counterparty.

(2) Amounts netted include both netting by counterparty and for cash collateral paid or received.

(3) We have not received or pledged additional collateral under master netting agreements and/or other credit support agreements that is eligible to be offset beyond what has been offset in the Consolidated Statements of Financial Condition.

The following table presents unrealized and realized gains (losses) on derivative contracts for year ended November 30, 2014, the nine months ended November 30, 2013, the three months ended February 28, 2013 and the year ended November 30, 2012 (in thousands):

	Successor		Predecessor	
Gains (Losses)	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Interest rate contracts	$ (149,587)	$ 132,397	$ 45,875	$ (146,439)
Foreign exchange contracts	39,872	5,514	12,228	9,076
Equity contracts	(327,978)	(21,216)	(20,938)	(138,622)
Commodity contracts	58,746	45,546	19,585	77,285
Credit contracts	(23,934)	(18,098)	(3,886)	(25,086)
Total	$ (402,881)	$ 144,143	$ 52,864	$ (223,786)

OTC Derivatives. The following tables set forth by remaining contract maturity the fair value of OTC derivative assets and liabilities at November 30, 2014 (in thousands):

	OTC Derivative Assets (1) (2) (3)				
	0 – 12 Months	1 – 5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	Total
Commodity swaps, options and forwards	$ 62,275	$ 6,604	$ 23,387	$ (6,249)	$ 86,017
Equity swaps and options	2,291	—	20,128	—	22,419
Credit default swaps	—	2,936	—	—	2,936
Total return swaps	12,668	1	—	(44)	12,625
Foreign currency forwards, swaps and options	277,134	34,344	81	(28,294)	283,265
Interest rate swaps, options and forwards	74,804	111,810	158,530	(61,665)	283,479
Total	$ 429,172	$155,695	$ 202,126	$ (96,252)	690,741
Cross product counterparty netting					(19,237)
Total OTC derivative assets included in Financial instruments owned					$671,504

(1) At November 30, 2014, we held exchange traded derivative assets and other credit agreements with a fair value of $44.5 million, which are not included in this table.
(2) OTC derivative assets in the table above are gross of collateral received. OTC derivative assets are recorded net of collateral received on the Consolidated Statements of Financial Condition. At November 30, 2014, cash collateral received was $309.7 million.
(3) Derivative fair values include counterparty netting within product category.
(4) Amounts represent the netting of receivable balances with payable balances for the same counterparty within product category across maturity categories.

	OTC Derivative Liabilities (1) (2) (3)				
	0 – 12 Months	1 – 5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	Total
Commodity swaps, options and forwards	$ 120,863	$ 3,105	$ 5,722	$ (6,249)	$123,441
Credit default swaps	—	1,220	6,709	—	7,929
Equity swaps and options	5,438	38,076	10,414	—	53,928
Total return swaps	10,179	277	—	(44)	10,412
Foreign currency forwards, swaps and options	275,902	40,126	—	(28,294)	287,734
Interest rate swaps, options and forwards	58,328	77,487	210,161	(61,665)	284,311
Total	$ 470,710	$160,291	$ 233,006	$ (96,252)	767,755
Cross product counterparty netting					(19,237)
Total OTC derivative liabilities included in Financial instruments sold, not yet purchased					$748,518

(1) At November 30, 2014, we held exchange traded derivative liabilities and other credit agreements with a fair value of $21.9 million, which are not included in this table.
(2) OTC derivative liabilities in the table above are gross of collateral pledged. OTC derivative liabilities are recorded net of collateral pledged on the Consolidated Statements of Financial Condition. At November 30, 2014, cash collateral pledged was $406.9 million.
(3) Derivative fair values include counterparty netting within product category.
(4) Amounts represent the netting of receivable balances with payable balances for the same counterparty within product category across maturity categories.

At November 30, 2014, the counterparty credit quality with respect to the fair value of our OTC derivatives assets was as follows (in thousands):

Counterparty credit quality (1):	
A- or higher	$397,655
BBB- to BBB+	59,010
BB+ or lower	127,332
Unrated	87,507
Total	$671,504

(1) We utilize internal credit ratings determined by our Risk Management. Credit ratings determined by Risk Management use methodologies that produce ratings generally consistent with those produced by external rating agencies.

Contingent Features

Certain of our derivative instruments contain provisions that require our debt to maintain an investment grade credit rating from each of the major credit rating agencies. If our debt were to fall below investment grade, it would be in violation of these provisions and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on our derivative instruments in liability positions. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a liability position at November 30, 2014 and November 30, 2013 is $269.0 million and $170.2 million, respectively, for which we have posted collateral of $234.6 million and $127.7 million, respectively, in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on November 30, 2014 and November 30, 2013, we would have been required to post an additional $55.1 million and $49.4 million, respectively, of collateral to our counterparties.

Note 8. Collateralized Transactions

We enter into secured borrowing and lending arrangements to obtain collateral necessary to effect settlement, finance inventory positions, meet customer needs or re-lend as part of our dealer operations. We monitor the fair value of the securities loaned and borrowed on a daily basis as compared with the related payable or receivable, and request additional collateral or return excess collateral, as appropriate. We pledge financial instruments as collateral under repurchase agreements, securities lending agreements and other secured arrangements, including clearing arrangements. Our agreements with counterparties generally contain contractual provisions allowing the counterparty the right to sell or repledge the collateral. Pledged securities owned that can be sold or repledged by the counterparty are included within Financial instruments owned and noted parenthetically as Securities pledged on our Consolidated Statements of Financial Condition.

We receive securities as collateral under resale agreements, securities borrowing transactions and customer margin loans. We also receive securities as collateral in connection with securities-for-securities transactions in which we are the lender of securities. In many instances, we are permitted by contract or custom to rehypothecate the securities received as collateral. These securities may be used to secure repurchase agreements, enter into securities lending transactions, satisfy margin requirements on derivative transactions or cover short positions. At November 30, 2014 and November 30, 2013, the approximate fair value of securities received as collateral by us that may be sold or repledged was $25.8 billion and $21.9 billion, respectively. At November 30, 2014 and November 30, 2013, a substantial portion of the securities received by us had been sold or repledged.

In instances where we receive securities as collateral in connection with securities-for-securities transactions in which we are the lender of securities and are permitted to sell or repledge the securities received as collateral, we report the fair value of the collateral received and the related obligation to return the collateral in the Consolidated Statements of Financial Condition. At November 30, 2014 and November 30, 2013, $5.4 million and $11.1 million, respectively, were reported as Securities received as collateral and as Obligation to return securities received as collateral.

Offsetting of Securities Financing Agreements

To manage our exposure to credit risk associated with securities financing transactions, we may enter into master netting agreements and collateral arrangements with counterparties. Generally, transactions are executed under standard industry agreements, including, but not limited to, master securities lending agreements (securities lending transactions) and master repurchase agreements (repurchase transactions). A master agreement creates a single contract under which all transactions between two counterparties are executed allowing for trade aggregation and a single net payment obligation. Master agreements provide protection in bankruptcy in certain circumstances and, where legally enforceable, enable receivables and payables with the same counterparty to be settled or otherwise eliminated by applying amounts due against all or a portion of an amount due from the counterparty or a third party. In addition, we enter into customized bilateral trading agreements and other customer agreements that provide for the netting of receivables and payables with a given counterparty as a single net obligation.

In the event of the counterparty's default, provisions of the master agreement permit acceleration and termination of all outstanding transactions covered by the agreement such that a single amount is owed by, or to, the non-defaulting party. In addition, any collateral posted can be applied to the net obligations, with any excess returned; and the collateralized party has a right to liquidate the collateral. Any residual claim after netting is treated along with other unsecured claims in bankruptcy court.

The conditions supporting the legal right of offset may vary from one legal jurisdiction to another and the enforceability of master netting agreements and bankruptcy laws in certain countries or in certain industries is not free from doubt. The right of offset is dependent both on contract law under the governing arrangement and consistency with the bankruptcy laws of the jurisdiction where the counterparty is located. Industry legal opinions with respect to the enforceability of certain standard provisions in respective jurisdictions are relied upon as a part of managing credit risk. Master netting agreements are a critical component of our risk management processes as part of reducing counterparty credit risk and managing liquidity risk.

We are also a party to clearing agreements with various central clearing parties. Under these arrangements, the central clearing counterparty facilitates settlement between counterparties based on the net payable owed or receivable due and, with respect to daily settlement, cash is generally only required to be deposited to the extent of the net amount. In the event of default, a net termination amount is determined based on the market values of all outstanding positions and the clearing organization or clearing member provides for the liquidation and settlement of the net termination amount among all counterparties to the open repurchase and/or securities lending transactions.

The following tables provide information regarding repurchase agreements and securities borrowing and lending arrangements that are recognized in the Consolidated Statements of Financial Condition and 1) the extent to which, under enforceable master netting arrangements, such balances are presented net in the Consolidated Statements of Financial Condition as appropriate under GAAP and 2) the extent to which other rights of setoff associated with these arrangements exist and could have an effect on our financial position (in thousands). (See Note 7, Derivative Financial Instruments, for information related to offsetting of derivatives.)

	November 30, 2014					
	Gross Amounts	Netting in Consolidated Statement of Financial Condition	Net Amounts in Consolidated Statement of Financial Condition	Additional Amounts Available for Setoff (1)	Available Collateral (2)	Net Amount (3)
Assets						
Securities borrowing arrangements	$ 6,853,103	$ —	$ 6,853,103	$ (680,222)	$(1,274,196)	$ 4,898,685
Reverse repurchase agreements	14,059,133	(10,132,275)	3,926,858	(634,568)	(3,248,817)	43,473
Liabilities						
Securities lending arrangements	$ 2,598,487	$ —	$ 2,598,487	$ (680,222)	$(1,883,140)	$ 35,125
Repurchase agreements	20,804,432	(10,132,275)	10,672,157	(634,568)	(8,810,770)	1,226,819

	November 30, 2013					
	Gross Amounts	Netting in Consolidated Statement of Financial Condition	Net Amounts in Consolidated Statement of Financial Condition	Additional Amounts Available for Setoff (1)	Available Collateral (2)	Net Amount (4)
Assets						
Securities borrowing arrangements	$ 5,359,846	$ —	$ 5,359,846	$ (530,293)	$ (957,140)	$ 3,872,413
Reverse repurchase agreements	12,715,449	(8,968,529)	3,746,920	(590,754)	(3,074,540)	81,626
Liabilities						
Securities lending arrangements	$ 2,506,122	$ —	$ 2,506,122	$ (530,293)	$(1,942,271)	$ 33,558
Repurchase agreements	19,748,374	(8,968,529)	10,779,845	(590,754)	(8,748,641)	1,440,450

(1) Under master netting agreements with our counterparties, we have the legal right of offset with a counterparty, which incorporates all of the counterparty's outstanding rights and obligations under the arrangement. These balances reflect additional credit risk mitigation that is available by counterparty in the event of a counterparty's default, but which are not netted in the balance sheet because other netting provisions of U.S. GAAP are not met.

(2) Includes securities received or paid under collateral arrangements with counterparties that could be liquidated in the event of a counterparty default and thus offset against a counterparty's rights and obligations under the respective repurchase agreements or securities borrowing or lending arrangements.

(3) Amounts include $4,847.4 million of securities borrowing arrangements, for which we have received securities collateral of $4,694.0 million, and $1,201.9 million of repurchase agreements, for which we have pledged securities collateral of $1,238.4 million, which are subject to master netting agreements but we have not yet determined the agreements to be legally enforceable.

(4) Amounts include $3,818.4 million of securities borrowing arrangements, for which we have received securities collateral of $3,721.8 million, and $1,410.0 million of repurchase agreements, for which we have pledged securities collateral of $1,438.9 million, which are subject to master netting agreements but we have not yet determined the agreements to be legally enforceable.

Cash and Securities Segregated and on Deposit for Regulatory Purposes or Deposited with Clearing and Depository Organizations

Cash and securities deposited with clearing and depository organizations and segregated in accordance with regulatory regulations totaled $3,444.7 million and $3,616.6 million at November 30, 2014 and November 30, 2013, respectively. Segregated cash and securities consist of deposits in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, which subjects Jefferies as a broker-dealer carrying customer accounts to requirements related to maintaining cash or qualified securities in segregated special reserve bank accounts for the exclusive benefit of its customers, and with the Commodity Exchange Act, which subjects Jefferies as an FCM to segregation requirements.

Note 9. Securitization Activities

We engage in securitization activities related to corporate loans, commercial mortgage loans and mortgage-backed and other asset-backed securities. In our securitization transactions, we transfer these assets to special purpose entities ("SPEs") and act as the placement or structuring agent for the beneficial interests sold to investors by the SPE. A significant portion of our securitization transactions are securitization of assets issued or guaranteed by U.S. government agencies. These SPEs generally meet the criteria of variable interest entities; however we generally do not consolidate the SPEs as we are not considered the primary beneficiary for these SPEs. (See Note 10, Variable Interest Entities for further discussion on variable interest entities and our determination of the primary beneficiary.)

We account for our securitization transactions as sales provided we have relinquished control over the transferred assets. Transferred assets are carried at fair value with unrealized gains and losses reflected in Principal transactions revenues in the Consolidated Statement of Earnings prior to the identification and isolation for securitization. Subsequently, revenues recognized upon securitization are reflected as net underwriting revenues. We generally receive cash proceeds in connection with the transfer of assets to an SPE. We may, however, have continuing involvement with the transferred assets, which is limited to retaining one or more tranches of the securitization (primarily senior and subordinated debt securities in the form of mortgage- and other-asset backed securities or collateralized loan obligations), which are included within Financial instruments owned and are generally initially categorized as Level 2 within the fair value hierarchy. We apply fair value accounting to the securities.

The following table presents activity related to our securitizations that were accounted for as sales in which we had continuing involvement (in millions):

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Transferred assets	$ 6,112.6	$ 4,592.5	$ 2,735.2	$ 10,869.8
Proceeds on new securitizations	6,221.1	4,609.0	2,751.3	10,910.8
Cash flows received on retained interests	46.3	35.6	32.3	64.3

We have no explicit or implicit arrangements to provide additional financial support to these SPEs, have no liabilities related to these SPEs and do not have any outstanding derivative contracts executed in connection with these securitization activities at November 30, 2014 and November 30, 2013.

The following tables summarize our retained interests in SPEs where we transferred assets and have continuing involvement and received sale accounting treatment (in millions):

	November 30, 2014	
Securitization Type	Total Assets	Retained Interests
U.S. government agency residential mortgage-backed securities	$19,196.9	$ 226.9
U.S. government agency commercial mortgage-backed securities	5,848.5	204.7
Collateralized loan obligations	4,511.8	108.4

	November 30, 2013	
Securitization Type	Total Assets	Retained Interests
U.S. government agency residential mortgage-backed securities	$11,518.4	$ 281.3
U.S. government agency commercial mortgage-backed securities	5,385.6	96.8
Collateralized loan obligations	728.5	9.0

Total assets represent the unpaid principal amount of assets in the SPEs in which we have continuing involvement and are presented solely to provide information regarding the size of the transaction and the size of the underlying assets supporting our retained interests, and are not considered representative of the risk of potential loss. Assets retained in connection with a securitization transaction represent the fair value of the securities of one or more tranches issued by an SPE, including senior and subordinated tranches. Our risk of loss is limited to this fair value amount which is included within total Financial instruments owned on our Consolidated Statements of Financial Condition.

Although not obligated, in connection with secondary market-making activities we may make a market in the securities issued by these SPEs. In these market-making transactions, we buy these securities from and sell these securities to investors. Securities purchased through these market-making activities are not considered to be continuing involvement in these SPEs, although the securities are included in Financial instruments owned. To the extent we purchased securities through these market-marking activities and we are not deemed to be the primary beneficiary of the variable interest entity, these securities are included in agency and non-agency mortgage- and asset-backed securitizations in the nonconsolidated variable interest entities section presented in Note 10, Variable Interest Entities.

If we have not relinquished control over the transferred assets, the assets continue to be recognized in Financial instruments owned and a corresponding liability is recognized in Other secured financings. The carrying value of assets and liabilities resulting from transfers of financial assets treated as secured financings was $7.8 million and $7.8 million, respectively, at November 30, 2014 and $8.7 million and $8.7 million, respectively, at November 30, 2013. The related liabilities do not have recourse to our general credit.

Note 10. Variable Interest Entities

Variable interest entities (“VIEs”) are entities in which equity investors lack the characteristics of a controlling financial interest. VIEs are consolidated by the primary beneficiary. The primary beneficiary is the party who has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity’s economic performance and (2) an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity.

Our variable interests in VIEs include debt and equity interests, commitments, guarantees and certain fees. Our involvement with VIEs arises primarily from:

- Purchases of securities in connection with our trading and secondary market making activities,
- Retained interests held as a result of securitization activities, including the resecuritization of mortgage- and other asset-backed securities and the securitization of commercial mortgage and corporate loans,

- Acting as placement agent and/or underwriter in connection with client-sponsored securitizations,
- Financing of agency and non-agency mortgage- and other asset-backed securities,
- Warehousing funding arrangements for client-sponsored consumer loan vehicles and collateralized loan obligations ("CLOs") through participation certificates and revolving loan commitments, and
- Loans to, investments in and fees from various investment fund vehicles.

We determine whether we are the primary beneficiary of a VIE upon our initial involvement with the VIE and we reassess whether we are the primary beneficiary of a VIE on an ongoing basis. Our determination of whether we are the primary beneficiary of a VIE is based upon the facts and circumstances for each VIE and requires significant judgment. Our considerations in determining the VIE's most significant activities and whether we have power to direct those activities include, but are not limited to, the VIE's purpose and design and the risks passed through to investors, the voting interests of the VIE, management, service and/or other agreements of the VIE, involvement in the VIE's initial design and the existence of explicit or implicit financial guarantees. In situations where we have determined that the power over the VIE's most significant activities is shared, we assess whether we are the party with the power over the majority of the significant activities. If we are the party with the power over the majority of the significant activities, we meet the "power" criteria of the primary beneficiary. If we do not have the power over a majority of the significant activities or we determine that decisions require consent of each sharing party, we do not meet the "power" criteria of the primary beneficiary.

We assess our variable interests in a VIE both individually and in aggregate to determine whether we have an obligation to absorb losses of or a right to receive benefits from the VIE that could potentially be significant to the VIE. The determination of whether our variable interest is significant to the VIE requires significant judgment. In determining the significance of our variable interest, we consider the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, our involvement in the VIE and our market-making activities related to the variable interests.

Consolidated VIEs

The following table presents information about our consolidated VIEs at November 30, 2014 and November 30, 2013 (in millions). The assets and liabilities in the tables below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation.

	November 30, 2014		November 30, 2013	
	Securitization Vehicles	Other	Securitization Vehicles	Other
Cash	$ —	$ 0.2	$ —	$ 0.2
Financial instruments owned	62.7	0.3	97.5	0.4
Securities purchased under agreement to resell (1)	575.2	—	195.1	—
Fees, interest and other receivables	0.4	—	—	—
Other assets	—	—	2.3	—
	$ 638.3	$ 0.5	$ 294.9	$ 0.6
Other secured financings (2)	$ 637.7	$—	$ 292.5	$—
Other liabilities	0.6	0.2	2.1	0.2
	$ 638.3	$ 0.2	$ 294.6	$ 0.2

(1) Securities purchased under agreement to resell represent an amount due under a collateralized transaction on a related consolidated entity, which is eliminated in consolidation.
(2) Approximately $39.7 million and $66.5 million of the secured financing represents an amount held by us in inventory and is eliminated in consolidation at November 30, 2014 and November 30, 2013, respectively.

Securitization Vehicles. We are the primary beneficiary of a securitization vehicle to which we transferred term loans backed by consumer installment receivables and retained a portion of the securities issued by the securitization vehicle. In the creation of the securitization vehicle, we were involved in the decisions made during the establishment and design of the entity and hold variable interests consisting of the securities retained that could potentially be significant. The assets of the VIE consist of the term loans backed by consumer installment receivables, which are available for the benefit of the vehicle's beneficial interest holders. The creditors of the VIE do not have recourse to our general credit and the assets of the VIE are not available to satisfy any other debt.

We are also the primary beneficiary of mortgage-backed financing vehicles to which we sell agency and non-agency residential and commercial mortgage-backed securities pursuant to the terms of a master repurchase agreement. We manage the assets within these vehicles. Our variable interests in these vehicles consist of our collateral margin maintenance obligations under the master repurchase agreement. The assets of these VIEs consist of reverse repurchase agreements, which are available for the benefit of the vehicle's debt holders. The creditors of these VIEs do not have recourse to our general credit and each such VIE's assets are not available to satisfy any other debt.

At November 30, 2013, we were the primary beneficiary of a securitization vehicle to which we transferred a corporate loan and retained a portion of the securities issued by the securitization vehicle. During the second quarter of 2014, the loan was repaid, the securities issued by the securitization vehicle were redeemed and the securitization vehicle was terminated. As a result, the securitization vehicle is no longer consolidated by us at November 30, 2014 and no gain or loss was recognized upon deconsolidation.

Other. We are the primary beneficiary of certain investment vehicles set up for the benefit of our employees. We manage and invest alongside our employees in these vehicles. The assets of these VIEs consist of private equity securities, and are available for the benefit of the entities' equity holders. Our variable interests in these vehicles consist of equity securities. The creditors of these VIEs do not have recourse to our general credit and each such VIE's assets are not available to satisfy any other debt.

Nonconsolidated VIEs

The following tables present information about our variable interests in nonconsolidated VIEs (in millions).

	November 30, 2014			
	Carrying Amount		Maximum	
	Assets	Liabilities	Exposure to loss	VIE Assets
Collateralized loan obligations	$134.0	$ —	$ 926.9	$7,737.1
Consumer loan financing vehicles	170.6	—	797.8	485.2
Asset management vehicles (1)	11.3	—	11.3	432.3
Private equity vehicles (2)	44.3	—	59.2	92.8
Total	$360.2	$ —	$ 1,795.2	$8,747.4

	November 30, 2013			
	Carrying Amount		Maximum	
	Assets	Liabilities	Exposure to loss	VIE Assets
Collateralized loan obligations	$11.9	$ 0.2	$ 88.8	$1,122.3
Asset management vehicle (1)	5.1	—	5.1	454.2
Private equity vehicles (2)	40.8	—	68.8	89.4
Total	$57.8	$ 0.2	$ 162.7	$1,665.9

(1) Assets consist of equity interests, which are included within Investments in managed funds, and accrued management and performance fees, which are included within Receivables: Fees, interest and other.
(2) Assets consist of equity interests, which are included within Investments in managed funds.

Our maximum exposure to loss often differs from the carrying value of the variable interests. The maximum exposure to loss is dependent on the nature of our variable interests in the VIEs and is limited to the notional amounts of certain loan commitments and guarantees. Our maximum exposure to loss does not include the offsetting benefit of any financial instruments that may be utilized to hedge the risks associated with our variable interests and is not reduced by the amount of collateral held as part of a transaction with a VIE.

Collateralized Loan Obligations. Assets collateralizing the CLOs include bank loans, participation interests and sub-investment grade and senior secured U.S. loans. We underwrite securities issued in CLO transactions on behalf of unaffiliated sponsors and provide advisory services to the unaffiliated sponsors. We may also sell corporate loans to the CLOs. Our variable interests in connection with collateralized loan obligations where we have been involved in providing underwriting and/or advisory services consist of the following:

- Forward sale agreements whereby we commit to sell, at a fixed price, corporate loans and ownership interests in an entity holding such corporate loans to CLOs,
- Warehouse funding arrangements in the form of participation interests in corporate loans held by CLOs and commitments to fund such participation interests,
- Trading positions in securities issued in a CLO transaction,
- Investments in variable funding notes issued by CLOs,
- A guarantee to a CLO managed by Jefferies Finance, whereby we guarantee certain of the obligations of Jefferies Finance to the CLO.

In addition, we own variable interests in CLOs previously managed by us. Our variable interests consist of debt securities and a right to a portion of the CLOs' management and incentive fees. Our exposure to loss from these CLOs is limited to our investments in the debt securities held. Management and incentives fees are accrued as the amounts become realizable. These CLOs represent interests in assets consisting primarily of senior secured loans, unsecured loans and high yield bonds.

Consumer Loan Financing Vehicles. The underlying assets, which are collateralizing the vehicles, are primarily comprised of unsecured consumer installment loans. We provide financing and lending related services to certain client-sponsored VIEs in the form of revolving funding note agreements, revolving credit facilities and forward purchase agreements. In addition, we may provide structuring and advisory services and act as an underwriter or placement agent for securities issued by the vehicles. We do not control the activities of these entities.

Asset Management Vehicles. We manage asset management vehicles that provide investors with exposure to investment strategies consistent with the investment objectives of each vehicle. The vehicles consist of an "umbrella structure" company that invests primarily in convertible bonds and a fund that invests in absolute return strategies. Accounting changes to consolidation standards under generally accepted accounting principles have been deferred for entities that are considered to be investment companies; accordingly, consolidation continues to be determined under a risk and reward model. These asset management vehicles are subject to the deferral guidance and we are not the primary beneficiary at November 30, 2014 and November 30, 2013 under the risk and reward model. Our variable interests in these asset management vehicles consist of equity interests, management fees and performance fees.

Private Equity Vehicles. On July 26, 2010, we committed to invest equity of up to $75.0 million in Jefferies SBI USA Fund L.P. (the "SBI USA Fund"). At November 30, 2014 and November 30, 2013, we funded approximately $60.1 million and $47.0 million, respectively, of our commitment. The carrying amount of our equity investment was $43.1 million and $39.2 million at November 30, 2014 and November 30, 2013, respectively. Our exposure to loss is limited to our equity commitment. The SBI USA Fund has assets consisting primarily of private equity and equity related investments.

We have a variable interest in Jefferies Employees Partners IV, LLC ("JEP IV") consisting of an equity investment. The carrying amount of our equity investment was $1.2 million and $1.6 million at November 30, 2014 and November 30, 2013, respectively. Our exposure to loss is limited to our equity investment. JEP IV has assets consisting primarily of private equity and equity related investments.

Mortgage- and Other Asset-Backed Securitization Vehicles. In connection with our secondary trading and market making activities, we buy and sell agency and nonagency mortgage-backed securities and other asset-backed securities, which are issued by third party securitization SPEs and are generally considered variable interests in VIEs. Securities issued by securitization SPEs are backed by residential mortgage loans, U.S. agency collateralized mortgage obligations, commercial mortgage loans, collateralized debt obligations and CLOs and other consumer loans, such as installment receivables, auto loans and student loans. These securities are accounted for at fair value and included in Financial instruments owned on our Consolidated Statements of Financial Condition. We have no other involvement with the related SPEs and therefore do not consolidate these entities.

We also engage in underwriting, placement and structuring activities for third-party-sponsored securitization trusts generally through agency (Fannie Mae, Freddie Mac and Ginnie Mae) or nonagency sponsored SPEs and may purchase loans or mortgage-backed securities from third parties that are subsequently transferred into the securitization trusts. The securitizations are backed by residential and commercial mortgage, home equity and auto loans. We do not consolidate agency sponsored securitizations as we do not have the power to direct the activities of the SPEs that most significantly impact their economic performance. Further, we are not the servicer of nonagency-sponsored securitizations and therefore do not have power to direct the most significant activities of the SPEs and accordingly, do not consolidate these entities. We may retain unsold senior and/or subordinated interests at the time of securitization in the form of securities issued by the SPEs.

We transfer existing securities, typically mortgage-backed securities, into resecuritization vehicles. These transactions in which debt securities are transferred to a VIE in exchange for new beneficial interests occur in connection with both agency and nonagency sponsored VIEs. Our consolidation analysis is largely dependent on our role and interest in the resecuritization trusts. Most resecuritizations in which we are involved are in connection with investors seeking securities with specific risk and return characteristics. As such, we have concluded that the decision-making power is shared between us and the investor(s), considering the joint efforts involved in structuring the trust and selecting the underlying assets as well as the level of security interests the investor(s) hold in the SPE; therefore, we do not consolidate the resecuritization VIEs.

At November 30, 2014 and November 30, 2013, we held $3,186.9 million and $3,476.2 million of agency mortgage-backed securities, respectively, and $1,120.0 million and $985.0 million of nonagency mortgage- and other asset-backed securities, respectively, as a result of our secondary trading and market making activities, underwriting, placement and structuring activities and resecuritization activities. Our maximum exposure to loss on these securities is limited to the carrying value of our investments in these securities. Mortgage- and other asset-backed securitization vehicles discussed within this section are not included in the above table containing information about our variable interests in nonconsolidated VIEs.

Note 11. Investments

We have investments in Jefferies Finance, LLC (“Jefferies Finance”), Jefferies LoanCore LLC (“Jefferies LoanCore”) and KCG Holdings, Inc. (“Knight”). Our investment in Knight is accounted for at fair value by electing the fair value option available under U.S. GAAP and is included in Financial instruments owned, at fair value – Corporate equity securities on the Consolidated Statements of Financial Condition with changes in fair value recognized in Principal transaction revenues on the Consolidated Statements of Earnings. Our investments in Jefferies Finance and Jefferies LoanCore are accounted for under the equity method and are included in Loans to and investments in related parties on the Consolidated Statements of Financial Condition with our share of the investees’ earnings recognized in Other revenues in the Consolidated Statements of Earnings.

Jefferies Finance

On October 7, 2004, we entered into an agreement with Babson Capital Management LLC (“Babson Capital”) and Massachusetts Mutual Life Insurance Company (“MassMutual”) to form Jefferies Finance, a joint venture entity. Jefferies Finance is a commercial finance company whose primary focus is the origination and syndication of senior secured debt to middle market and growth companies in the form of term and revolving loans. Loans are originated primarily through the investment banking efforts of Jefferies, with Babson Capital providing primary credit analytics and portfolio management services. Jefferies Finance can also originate other debt products such as second lien term, bridge and mezzanine loans, as well as related equity co-investments. Jefferies Finance also purchases syndicated loans in the secondary market, including loans that are performing, stressed and distressed loan obligations.

At November 30, 2014, we and MassMutual each have equity commitments to Jefferies Finance of $600.0 million for a combined total commitment of $1.2 billion. At November 30, 2014, we have funded $496.0 million of our $600.0 million commitment, leaving $104.0 million unfunded. The investment commitment is scheduled to expire on March 1, 2016 with automatic one year extensions absent a 60 day termination notice by either party.

Jefferies Finance has executed a Secured Revolving Credit Facility with us and MassMutual, to be funded equally, to support loan underwritings by Jefferies Finance. The Secured Revolving Credit Facility bears interest based on the interest rates of the related Jefferies Finance underwritten loans and is secured by the underlying loans funded by the proceeds of the facility. The total committed Secured Revolving Credit Facility is $1.0 billion, comprised of committed and discretionary advances totaling $700.0 million and $300.0 million, respectively, at November 30, 2014. Committed advances are shared equally between us and MassMutual but discretionary advances may be funded in unequal amounts if agreed between MassMutual and us. The facility is scheduled to mature on March 1, 2016 with automatic one year extensions absent a 60 day termination notice by either party. At November 30, 2014 and November 30, 2013, we have funded $-0- and $123.8 million, respectively, of our $350.0 million commitment. During the year ended November 30, 2014, $2.0 million of interest income and $1.9 million of unfunded commitment fees are included in the Consolidated Statement of Earnings related to the Secured Revolving Credit Facility. During the nine months ended November 30, 2013, the three months ended February 28, 2013, and the year ended November 30, 2012 we earned interest income of $1.5 million, $4.1 million, and $8.4 million, respectively and unfunded commitment fees of $1.2 million, $0.3 million, and $1.8 million, respectively.

The following is a summary of selected financial information for Jefferies Finance (in millions):

	November 30, 2014	November 30, 2013
Total assets	$ 5,954.0	$ 3,271.9
Total liabilities	4,961.7	2,597.0
Total equity	992.3	674.9
Our total equity balance	496.0	337.3

Separate financial statements for Jefferies Finance is included in this Annual Report on Form 10-K. The net earnings of Jefferies Finance were $138.6 million, $132.7 million and $128.6 million for the years ended November 30, 2014 and November 30, 2013 and November 30, 2012, respectively.

We engage in debt capital markets transactions with Jefferies Finance related to the originations of loans by Jefferies Finance. In connection with such transactions, we earned net underwriting fees of $199.5 million for the year ended November 30, 2014, and $125.8 million, $39.9 million and $123.1 million during the nine months ended November 30, 2013, the three months ended February 28, 2013, and the year ended November 30, 2012, respectively, which are recognized in Investment banking revenues on the Consolidated Statements of Earnings. In addition, we paid fees to Jefferies Finance regarding certain loans originated by Jefferies Finance of $10.6 million during the year ended November 30, 2014, and $12.0 million, $0.8 million and $8.7 million during the nine months ended November 30, 2013, the three months ended February 28, 2013, and the year ended November 30, 2012, respectively, which are recognized as Business development expenses on the Consolidated Statements of Earnings.

During the years ended November 30, 2014 and November 30, 2013, we acted as placement agent in connection with CLOs managed by Jefferies Finance, for which we recognized fees of $4.6 million and $1.9 million, respectively, which are included in Investment banking revenues on the Consolidated Statements of Earnings. As part of the transactions, we purchased securities issued by the CLOs, which are included within Financial instruments owned and provided a guarantee, whereby we are required to make certain payments to a CLO in the event that Jefferies Finance is unable to meet its obligations to the CLO. Additionally, we have entered into a derivative contract with Jefferies Finance whose underlying is based on certain securities issued by the CLO for which we have recognized revenue of $0.7 million during the year ended November 30, 2014.

During the years ended November 30, 2014 and November 30, 2013, we acted as underwriter in connection with senior notes issued by Jefferies Finance, for which we recognized net underwriting fees of $7.7 million and $6.0 million, respectively, which are included in Investment banking revenues on the Consolidated Statements of Earnings.

Under a service agreement, we charged Jefferies Finance $41.6 million for services provided during the year ended November 30, 2014, and $14.2 million, $15.7 million and $26.8 million for the nine months ended November 30, 2013, the three months ended February 28, 2013 and the year ended November 30, 2012, respectively. Receivables from Jefferies Finance, included within Other assets on the Consolidated Statements of Financial Condition, were $41.5 million and $31.1 million at November 30, 2014 and November 30, 2013, respectively.

Jefferies LoanCore

On February 23, 2011, we entered into a joint venture agreement with the Government of Singapore Investment Corporation and LoanCore, LLC and formed Jefferies LoanCore, a commercial real estate finance company. Jefferies LoanCore originates and purchases commercial real estate loans throughout the U.S. with the support of the investment banking and securitization capabilities of Jefferies and the real estate and mortgage investment expertise of the Government of Singapore Investment Corporation and LoanCore, LLC. Jefferies LoanCore has aggregate equity commitments of $600.0 million. At November 30, 2014 and November 30, 2013, we have funded $200.9 million and $175.5 million, respectively, of our $291.0 million equity commitment and have a 48.5% voting interest in Jefferies LoanCore.

The following is a summary of selected financial information for Jefferies LoanCore (in millions):

	November 30, 2014	November 30, 2013
Total assets	$ 1,500.9	$ 975.1
Total liabilities	962.7	508.2
Total equity	538.2	466.9
Our total equity balance	261.0	226.5

The net earnings of Jefferies LoanCore were $38.1 million, $85.1 million and $84.2 million for the years ended November 30, 2014, November 30, 2013 and November 30, 2012, respectively.

Under a service agreement, we charged Jefferies LoanCore $0.1 million for year ended November 30, 2014, $0.5 million for the nine months ended November 30, 2013, $0.6 million for the three months ended February 28, 2013, and $0.5 million for the year ended November 30, 2012, respectively, for administrative services. Receivables from Jefferies LoanCore, included within Other assets on the Consolidated Statements of Financial Condition, were $8,900 and $230,000 at November 30, 2014 and November 30, 2013, respectively.

In connection with the securitization of commercial real estate loans originated by Jefferies LoanCore, we earned placement fees $1.6 million during the year ended November 30, 2014.

On derivative transactions with Jefferies LoanCore, we recognized $-0- during the year ended November 30, 2014, a net gain of $3.6 million for the nine months ended November 30, 2013, a net gain of $0.2 million during the three months ended February 28, 2013 and a net gain of $25.6 million during the year ended November 30, 2012, which are included in Principal transactions revenue on the Consolidated Statements of Earnings.

Knight Capital

On August 6, 2012, we entered into a Securities Purchase Agreement with Knight Capital Group, Inc., a publicly-traded global financial services firm, (the “Agreement”). Under the Agreement, we purchased preferred stock, which contained certain conversion options, in exchange for cash consideration of $125.0 million. On August 29, 2012, we exercised our conversion options and converted our holding of Series A Securities to common stock. On July 1, 2013, Knight Capital Group, Inc. merged with GETCO Holding Company, LLC (the merged company referred to as “KCG Holdings, Inc.”). In connection with the consummation of the merger, we received cash consideration of $3.75 per share, or approximately $192.0 million, with respect to approximately 63% of our holdings in Knight Capital Group, Inc. and stock consideration of one third of a share of KCG Holdings, Inc. common stock for each share of Knight Capital Group Inc. common stock for the remainder of our holdings. At November 30, 2014, we owned approximately 19% of the outstanding common stock of Knight.

We elected to record our investment in Knight at fair value under the fair value option as the investment was acquired as part of our capital markets activities. The valuation of our investment at November 30, 2014 is based on the closing exchange price of Knight’s common stock and included within Level 1 of the fair value hierarchy. Changes in the fair value of our investment of $(14.7) million for the year ended November 30, 2014, and $19.5 million, $26.5 million and $151.9 million, for the nine months ended November 30, 2013, the three months ended February 28, 2013 and for the year ended November 30, 2012, respectively, are recognized in Principal transactions revenues on the Consolidated Statement of Earnings.

The following is a summary of selected financial information for Knight at September 30, 2014, the most recently available public financial information for the company, and at December 31, 2013 (in millions):

	September 30, 2014	December 31, 2013
Total assets	$ 7,515.2	$ 6,997.0
Total liabilities	6,029.4	5,487.5
Total equity	1,485.8	1,509.5

For the nine months ended September 30, 2014 and for the year ended December 31, 2013, Knight reported net income of $35.0 million and $141.7 million, respectively.

We have separately entered into securities lending transactions with Knight in the normal course of our capital markets activities. The balances of securities borrowed and securities loaned were $4.8 million and $9.5 million, respectively, at November 30, 2014 and $11.0 million and $22.7 million, respectively, at November 30, 2013.

Note 12. Goodwill and Other Intangible Assets

In connection with the Leucadia Transaction, goodwill of $1.7 billion was recorded on March 1, 2013. In addition, at March 1, 2013, certain existing intangible assets and new intangible assets were identified and recorded at their fair values. (See Note 4, Leucadia and Related Transactions for further information.)

Goodwill

Goodwill resulting from the Leucadia Transaction attributed to our reportable segments is as follows (in thousands):

	November 30, 2014	November 30, 2013
Capital Markets	$ 1,659,636	$ 1,717,246
Asset Management	3,000	5,100
Total goodwill	$ 1,662,636	$ 1,722,346

The following table is a summary of the changes to goodwill for the year ended November 30, 2014, the nine months ended November 30, 2013 and the three months ended February 28, 2013 (in thousands):

	Successor		Predecessor
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Balance, at beginning of period	$ 1,722,346	$ 1,720,380	$ 365,670
Less: Impairment loss	(54,000) (1)	—	—
Less: Disposal	—	(5,700) (2)	—
Add: Contingent consideration	—	—	2,394 (3)
Add: Translation adjustments	(5,710)	7,666	(1,287)
Balance, at end of period	$ 1,662,636	$ 1,722,346	$ 366,777 (4)

(1) Activity represents impairment losses of $51.9 million related to the Futures reporting unit and $2.1 million related to our International Asset Management business.

(2) As a result of a restructuring of our ownership interest in the commodities asset management business, we no longer hold a controlling interest and accordingly do not consolidate this business. In addition, we sold Jefferies International Management Limited to Leucadia. Goodwill associated with these entities was included in the net assets disposed of in the transactions.

(3) Contingent consideration recorded during the three months ended February 28, 2013 relates to the lapse of certain conditions as specified in the purchase agreements associated with an acquisition in 2007.
(4) Predecessor Company goodwill at February 28, 2013 was reduced to $-0- at March 1, 2013, as a result of purchase accounting adjustments.

Goodwill Impairment Testing

Goodwill is allocated to related reporting units, which are determined based on financial information provided to management in connection with its management of the businesses and represent an operating segment or one level below an operating segment. The results of our annual goodwill impairment testing at August 1 did not indicate any impairment in any of our reporting units.

Allocated equity plus allocated goodwill and allocated intangible assets are used as a proxy for the carrying amount of each reporting unit. The amount of equity allocated to a reporting unit is based on our cash capital model deployed in managing our businesses, which seeks to approximate the capital a business would require if it were operating independently. Intangible assets are allocated to a reporting unit based on either specifically identifying a particular intangible asset as pertaining to a reporting unit or, if shared among reporting units, based on an assessment of the reporting unit's benefit from the intangible asset in order to generate results.

Estimating the fair value of a reporting unit requires management judgment. Estimated fair values for our reporting units were determined using a market valuation method that incorporate price-to-earnings and price-to-book multiples of comparable public companies, as well as discounted cash flow valuation methodologies. In addition, as the fair values determined under the market approach represent a noncontrolling interest, we applied a control premium to arrive at the estimated fair value of each reporting unit on a controlling basis. We engaged an independent valuation specialist to assist us in our valuation process at August 1, 2014.

During the fourth quarter of 2014, management decided to pursue alternative strategies for our Futures business (which constitutes a reporting unit), including possible divesture, given the recent operating performance and margin challenges of the business. In employing a discounted cash flow methodology to estimate the fair value of the reporting unit, a discount rate reflective of the uncertainty associated with achieving future performance targets was incorporated. Further, a fair value using a market valuation approach was also estimated and a multiple was calibrated from guideline companies, which is reflective of the business' now expected return on tangible equity. A goodwill impairment loss of $51.9 million was recognized in the Futures reporting unit at November 30, 2014 and the remaining goodwill allocated to the reporting unit is $-0-. In addition, during the fourth quarter of 2014, management decided to liquidate our International Asset Management business, which constitutes a reporting unit. Considering management's plans to liquidate this business within the next 12 months, future cash flows are not expected to be generated that will support its carrying value. A goodwill impairment loss of $2.1 million was recognized in the International Asset Management reporting unit at November 30, 2014 and the remaining goodwill allocated to the reporting unit is $-0-.

Substantially all of our remaining goodwill is allocated to our Investment Banking, Equities and Fixed Income reporting units for which the results of our assessment at August 1, 2014 indicated that these reporting units had a fair value substantially in excess of their carrying amounts based on current projections. Goodwill allocated to these reporting units is $1,659.6 million of total goodwill of $1,662.6 million at November 30, 2014.

Intangible Assets

The following tables present the gross carrying amount, impairment losses, accumulated amortization, net carrying amount and weighted average amortization period of identifiable intangible assets at November 30, 2014 and November 30, 2013 (in thousands):

	November 30, 2014				
	Gross cost	Impairment losses	Accumulated amortization	Net carrying amount	Weighted average remaining lives (years)
Customer relationships	$135,926	$ (7,603) (1)	$ (26,402)	$ 101,921	13.7
Trade name	132,009	—	(6,677)	125,332	33.3
Exchange and clearing organization membership interests and registrations	14,706	(178)	—	14,528	N/A
	$282,641	$ (7,781)	$ (33,079)	$ 241,781	

(1) Activity primarily represents impairment losses related to the Futures reporting unit. The impairment charge is included within Other expenses in the Consolidated Statements of Earnings.

	November 30, 2013				
	Gross cost	Impairment losses	Accumulated amortization	Net carrying amount	Weighted average remaining lives (years)
Customer relationships	$136,740	$ —	$ (17,567)	$ 119,173	14.8
Trade name	132,967	—	(2,966)	130,001	34.3
Exchange and clearing organization membership interests and registrations	15,294	(378)	—	14,916	N/A
	$285,001	$ (378)	$ (20,533)	$ 264,090	

Impairment Testing

We performed our annual impairment testing of indefinite-life intangible assets, which consists of exchange and clearing organization membership interests and registrations, at August 1, 2014. We elected to perform a quantitative assessment of membership interests and registrations that have available quoted sales prices, and a qualitative assessment of the remainder of our intangible assets. In applying our quantitative assessment, we recognized an impairment loss of $178,000 on certain exchange memberships based on a decline in fair value at August 1, 2014 as observed based on quoted sales prices. With regard to our qualitative assessment of the remaining indefinite-life intangible assets, based on our assessment of market conditions, the utilization of the assets and the replacement costs associated with the assets, we have concluded that it was not more likely than not that the intangible assets were impaired. In applying our quantitative assessment at August 1, 2013 we recognized an impairment loss of $378,000 on certain exchange memberships based on a decline in fair value as observed based on quoted sales prices.

As a result of management’s decisions during the fourth quarter of 2014 to pursue strategic alternatives for our Futures business and to liquidate our International Asset Management business, we performed additional impairment testing of indefinite- and finite-life intangible assets that are associated with those reporting units. Estimating the fair value of customer relationship intangible assets using a discounted cash flow methodology, we recognized impairment losses at November 30, 2014 of $7.5 million and $0.1 million in the Futures business and the International Asset Management business, respectively, which are recognized in Other expenses on the Consolidated Statement of Earnings.

Amortization Expense

For finite-life intangible assets, aggregate amortization expense amounted to $12.8 million for the year ended November 30, 2014, $20.5 million, $0.4 million and $2.3 million for the nine months ended November 30, 2013, the three months ended February 28, 2013 and for the year ended November 30, 2012, respectively. These expenses are included in Other expenses on the Consolidated Statements of Earnings.

The estimated future amortization expenses for the five succeeding fiscal years are as follows (in thousands):

Year ended November 30, 2015	12,198
Year ended November 30, 2016	12,198
Year ended November 30, 2017	12,198
Year ended November 30, 2018	12,198
Year ended November 30, 2019	12,198

Note 13. Short-Term Borrowings

Short-term borrowings include bank loans that are payable on demand, as well as borrowings under revolving credit facilities which must be repaid within one year or less. Bank loans are typically overnight loans used to finance financial instruments owned or clearing related balances, but are not part of our systemic funding model and generally bear interest at a spread over the federal funds rate. Short-term borrowings at November 30, 2014 and November 30, 2013 were $12.0 million and $12.0 million, respectively. At November 30, 2014, the interest rate on short-term borrowings outstanding is 0.63% per annum. Average daily short-term borrowings outstanding for the year ended November 30, 2014, the nine months ended November 30, 2013 and the three months ended February 28, 2013 were $81.7 million, $43.3 million and $110.0 million, respectively.

Note 14. Long-Term Debt

As a result of the Leucadia Transaction, we recorded our long-term debt at its fair value of $6.1 billion on the acquisition date, which included $536.5 million of excess of the fair value over the total principal amount of our debt at March 1, 2013, in aggregate. The premium is being amortized to interest expense using the effective yield method over the remaining lives of the underlying debt obligations. (See Note 4, Leucadia and Related Transactions for further information.)

The following summarizes our long-term debt carrying values (including unamortized discounts and premiums and valuation adjustment, where applicable) at November 30, 2014 and November 30, 2013 (in thousands):

	November 30, 2014	November 30, 2013
Unsecured Long-Term Debt		
5.875% Senior Notes, due June 8, 2014 (effective interest rate of 1.51%)	$ —	$ 255,676
3.875% Senior Notes, due November 9, 2015 (effective interest rate of 2.17%)	507,944	516,204
5.5% Senior Notes, due March 15, 2016 (effective interest rate of 2.52%)	363,229	373,178
5.125% Senior Notes, due April 13, 2018 (effective interest rate of 3.46%)	842,359	854,011
8.5% Senior Notes, due July 15, 2019 (effective interest rate of 4.00%)	832,797	858,425
2.375% Euro Medium Term Notes, due May 20, 2020 (effective rate of 2.42%)	620,725	—
6.875% Senior Notes, due April 15, 2021 (effective interest rate of 4.40%)	853,091	866,801
2.25% Euro Medium Term Notes, due July 13, 2022 (effective rate of 4.08%)	4,379	4,792
5.125% Senior Notes, due January 20, 2023 (effective interest rate of 4.55%)	623,311	625,626
6.45% Senior Debentures, due June 8, 2027 (effective interest rate of 5.46%)	381,515	383,224
3.875% Convertible Senior Debentures, due November 1, 2029 (effective interest rate of 3.50%) (1)	349,261	359,281
6.25% Senior Debentures, due January 15, 2036 (effective interest rate of 6.03%)	513,046	513,343
6.50% Senior Notes, due January 20, 2043 (effective interest rate of 6.09%)	421,960	422,245
	$ 6,313,617	$ 6,032,806
Secured Long-Term Debt		
Credit facility	170,000	200,000
	$ 6,483,617	$ 6,232,806

(1) As a result of the Leucadia Transaction on March 1, 2013, the value of the 3.875% Convertible Senior debentures at November 30, 2014 and November 30, 2013, includes the fair value of the conversion feature of $0.7 million and $9.6 million, respectively. The change in fair value of the conversion feature is included within Principal transactions revenues in the Consolidated Statements of Earnings and amounted to a gain of $8.9 million and a gain of $6.9 million for the year ended November 30, 2014 and the nine months ended November 30, 2013, respectively.

On May 20, 2014, under our $2.0 billion Euro Medium Term Note Program we issued senior unsecured notes with a principal amount of €500.0 million, due 2020, which bear interest at 2.375% per annum. Proceeds amounted to €498.7 million. On January 15, 2013, we issued $1.0 billion in senior unsecured long-term debt, comprising 5.125% Senior Notes, due 2023 and 6.5% Senior Notes, due 2043. The 5.125% Senior Notes were issued with a principal amount of $600.0 million and we received proceeds of $595.6 million. The 6.5% Senior Notes were issued with a principal amount of $400.0 million and we received proceeds of $391.7 million.

Our U.S. broker-dealer, from time to time, makes a market in our long-term debt securities (*i.e*., purchases and sells our long-term debt securities). During November and December 2011, there was extreme volatility in the price of our debt and a significant amount of secondary trading volume through our market-making desk. Given the volume of activity and significant price volatility, purchases and sales of our Senior Notes due 2018 and Convertible Senior Debentures due 2029 were treated as debt extinguishments and reissuances of debt, respectively. We recognized a gain of $9.9 million on debt extinguishment, which is reported in Other revenues for the year ended November 30, 2012.

Upon completion of the Leucadia Transaction on March 1, 2013, our 3.875% convertible debentures due 2029 (principal amount of $345.0 million) (the “debentures”) remain issued and outstanding but are now convertible into common shares of Leucadia. Other than the conversion into Leucadia common shares, the terms of the debenture remain the same. At December 11, 2014, each $1,000 debenture is currently convertible into 22.1925 shares of Leucadia’s common stock (equivalent to a conversion price of approximately $45.06 per share of Leucadia’s common stock). The debentures are convertible at the holders’ option any time beginning on August 1, 2029 and convertible at any time if: 1) Leucadia’s common stock price is greater than or equal to 130% of the conversion price for at least 20 trading days in a period of 30 consecutive trading days; 2) if the trading price per debenture is less than 95% of the price of the common stock times the conversion ratio for any 10 consecutive trading days; 3) if the debentures are called for redemption; or 4) upon the occurrence of specific corporate actions. The debentures may be redeemed for par, plus accrued interest, on or after November 1, 2012 if the price of Leucadia’s common stock is greater than 130% of the conversion price for at least 20 days in a period of 30 consecutive trading days and we may redeem the debentures for par, plus accrued interest, at our election any time on or after November 1, 2017. Holders may require us to repurchase the debentures for par, plus accrued interest, on November 1, 2017, 2019 and 2024. In addition to ordinary interest, commencing November 1, 2017, contingent interest will accrue at 0.375% if the average trading price of a debenture for 5 trading days ending on and including the third trading day immediately preceding a six-month interest period equals or exceed $1,200 per $1,000 debenture. At March 1, 2013, the conversion option to Leucadia common shares embedded within the debentures meets the definition of a derivative contract, does not qualify to be accounted for within member’s equity and is not clearly and closely related to the economic interest rate or credit risk characteristics of our debt. Accordingly, the conversion option is accounted for on a standalone basis at fair value with changes in fair value recognized in Principal transactions revenues in the Consolidated Statements of Earnings and is presented within Long-term debt on the Consolidated Statement of Financial Condition.

Secured Long-Term Debt—On August 26, 2011, we entered into a committed senior secured revolving credit facility (“Credit Facility”) with a group of commercial banks in U.S. dollars, Euros and Sterling, for an aggregate committed amount of $950.0 million with availability subject to one or more borrowing bases and of which $250.0 million can be borrowed by Jefferies Bache Limited without a borrowing base requirement. On June 26, 2014, we amended and restated the Credit Facility for three years and reduced the committed amount to $750.0 million. The borrowers under the Credit Facility are Jefferies Bache Financial Services, Inc., Jefferies Bache, LLC and Jefferies Bache Limited, with a guarantee from Jefferies Group LLC. On September 1, 2014, Jefferies Bache, LLC merged with and into Jefferies (a U.S. broker-dealer). Jefferies is the surviving entity, and therefore, a borrower under the Credit Facility. The Credit Facility contains certain financial covenants, including, but not limited to, restrictions on future indebtedness of our subsidiaries, minimum tangible net worth and liquidity requirements and minimum capital requirements. Interest is based on, in the case of U.S. dollar borrowings, the Federal funds rate or the London Interbank Offered Rate or, in the case of Euro and Sterling borrowings, the Euro Interbank Offered Rate and the London Interbank Offered Rate, respectively. The obligations of each borrower under the Credit Facility are secured by substantially all the assets of such borrower, but none of the borrowers is responsible for any obligations of any other borrower. At November 30, 2014 and November 30, 2013, borrowings under the Credit Facility were denominated in U.S. dollars and we were in compliance with debt covenants under the Credit Facility.

Note 15. Mandatorily Redeemable Convertible Preferred Stock

As of February 28, 2013 and November 30, 2012, we had issued and outstanding 125,000 shares of 3.25% Series A Convertible Cumulative Preferred Stock, all of which were held by controlled affiliates of MassMutual. The preferred stock was callable beginning in 2016 at a price of $1,000 per share plus accrued interest and matured in 2036. Dividends paid on the Series A Convertible Cumulative Preferred Stock were recorded as a component of Interest expense as the preferred stock is treated as debt for accounting purposes. For tax purposes, the dividend is not tax-deductible because the Series A Convertible Cumulative Preferred Stock are considered “equity”.

On March 1, 2013, pursuant to the Leucadia Transaction, the Series A Convertible Cumulative Preferred Stock was exchanged for a comparable series of convertible preferred shares of Leucadia. The assumption by Leucadia of our convertible cumulative preferred stock is considered part of the purchase price and resulted in an increase in member’s equity. (See Note 4. Leucadia and Related Transactions for further details.)

Note 16. Noncontrolling Interests and Mandatorily Redeemable Preferred Interests of Consolidated Subsidiaries

Noncontrolling Interests

Noncontrolling interests represent equity interests in consolidated subsidiaries, comprised primarily of asset management entities and investment vehicles set up for the benefit of our employees, that are not attributable, either directly or indirectly, to us (*i.e.*, minority interests). The following table presents noncontrolling interests at November 30, 2014 and November 30, 2013 (in thousands):

	November 30, 2014	November 30, 2013
Jefferies Structured Alpha Fund B, LLC (1)	$ —	$ 115,958
Global Equity Event Opportunity Fund, LLC (2)	33,303	—
Other	5,545	1,196
Noncontrolling interests	$ 38,848	$ 117,154

(1) During the first quarter of 2014, the Jefferies Structured Alpha Fund B, LLC was deconsolidated due to substantive investments in the entity by third parties. No gain or loss was recognized upon deconsolidation. At November 30, 2013, noncontrolling interests included $80.4 million attributed to Leucadia.

(2) At November 30, 2014, $25.4 million of the total noncontrolling interests of $33.3 million are attributed to Leucadia.

Noncontrolling ownership interests in consolidated subsidiaries are presented in the accompanying Consolidated Statements of Financial Condition within Equity as a component separate from Member’s equity. Net Earnings in the accompanying Consolidated Statements of Earnings includes earnings attributable to both our equity investor and the noncontrolling interests.

Mandatorily Redeemable Preferred Interests of Consolidated Subsidiaries

Interests in consolidated subsidiaries that meet the definition of mandatorily redeemable financial instruments require liability classification and remeasurement at the estimated amount of cash that would be due and payable to settle such interests under the applicable entity’s organization agreement. Changes to mandatorily redeemable financial instruments are reflected as Interest on mandatorily redeemable preferred interests of consolidated subsidiaries within Net revenues in our Consolidated Statements of Earnings.

On April 1, 2013, mandatorily redeemable financial instruments, representing Leucadia’s member’s equity interests in Jefferies High Yield Holdings, LLC (“JHYH”), were redeemed and subsequently contributed back to us by Leucadia as additional equity in Jefferies Group LLC. Prior to redemption, the mandatorily redeemable financial instruments represented interests held in JHYH.

Table of Contents

Note 17. Benefit Plans

U.S. Pension Plan

We maintain a defined benefit pension plan, Jefferies Group LLC Employees' Pension Plan (the "U.S. Pension Plan"), which is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, and covers certain of our employees. Under the U.S. Pension Plan, benefits to participants are based on years of service and the employee's career average pay. Effective December 31, 2005, benefits under the U.S. Pension Plan were frozen with no further benefit accruing to participants for future service after December 31, 2005.

Employer Contributions – Our funding policy is to contribute to the U.S. Pension Plan at least the minimum amount required for funding purposes under applicable employee benefit and tax laws. We did not make any contributions to the U.S. Pension Plan during the year ended November 30, 2014. We do not expect to make any contributions in the year ended November 30, 2015.

The following tables summarize the changes in the projected benefit obligation, the fair value of the assets and the funded status of the plan (in thousands):

	Year Ended November 30,	
	2014	2013
Change in projected benefit obligation:		
Projected benefit obligation, beginning of period.	$ 48,255	$ 53,433
Service cost	250	225
Interest cost	2,429	2,201
Actuarial losses (gains)	5,834	(5,046)
Administrative expenses paid	(196)	(296)
Benefits paid	(1,310)	(2,262)
Projected benefit obligation, end of period	$ 55,262	$ 48,255
Change in plan assets:		
Fair value of assets, beginning of period	$ 47,416	$ 39,902
Employer contributions	—	3,000
Benefit payments made	(1,310)	(2,262)
Administrative expenses paid	(196)	(296)
Actual return on plan assets	5,175	7,072
Fair value of assets, end of period	$ 51,085	$ 47,416
Funded status at end of period	$ (4,177)	$ (839)

The amounts recognized in our Consolidated Statements of Financial Condition are as follows (in thousands):

	November 30,	
	2014	2013
Consolidated statements of financial condition:		
Liabilities	$(4,177)	$ (839)
Accumulated other comprehensive income (loss), before taxes:		
Net gain (loss)	$ 2,390	$6,268

The following tables summarize the components of net periodic pension cost and other amounts recognized in other comprehensive income excluding taxes (in thousands):

	Year Ended November 30, 2014	2013	2012
Components of net periodic pension cost:			
Service cost	$ 250	$ 225	$ 175
Interest cost on projected benefit obligation	2,429	2,201	2,342
Expected return on plan assets	(3,125)	(2,698)	(2,513)
Net amortization	(94)	326	1,334
Settlement losses (1)	—	—	1,051
Net periodic pension cost	$ (540)	$ 54	$ 2,389

(1) Of the $2.4 million in net periodic pension cost for the year ended November 30, 2012, $1.1 million is due to previously unrecognized losses associated with the projected pension obligation as the cost of all settlements in fiscal 2012 for terminated employees exceeded current year interest and service costs.

	2014	2013	2012
Amounts recognized in other comprehensive income:			
Net (gain) loss arising during the period	$3,784	$(9,419)	$ 1,498
Amortization of net loss	94	(326)	(1,334)
Settlements during the period	—	—	(1,051)
Total recognized in Other comprehensive income	$3,878	$(9,745)	$ (887)
Net amount recognized in net periodic benefit cost and Other comprehensive income	$3,338	$(9,691)	$ 1,502

On a weighted average basis, the following are assumptions used to determine the actuarial present value of the projected benefit obligation and net periodic pension benefit cost:

	2014	2013	2012
Discount rate	4.30%	5.10%	4.00%
Expected long-term rate of return on plan assets	6.75%	6.75%	6.75%

Expected Benefit Payments - Expected benefit payments for each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows (in thousands):

2015	$ 1,671
2016	2,849
2017	2,216
2018	2,126
2019	2,947
2020 through 2024	18,147

Plan Assets - The following table presents the fair value of plan assets at November 30, 2014 and November 30, 2013 by level within the fair value hierarchy (in thousands):

	At November 30, 2014		
	Level 1	Level 2	Total
Plan assets (1):			
Cash and cash equivalents	$ 373	$ —	$ 373
Listed equity securities (2)	31,327	—	31,327
Fixed income securities:			
Corporate debt securities	—	6,482	6,482
Foreign corporate debt securities	—	1,321	1,321
U.S. government securities	5,929	—	5,929
Agency mortgage-backed securities	—	3,883	3,883
Commercial mortgage-backed securities.	—	1,080	1,080
Asset-backed securities	—	690	690
	$37,629	$13,456	$51,085

(1) There are no plan assets classified within Level 3 of the fair value hierarchy.
(2) Listed equity securities are diversified across a spectrum of primarily U.S. large-cap companies.

	At November 30, 2013		
	Level 1	Level 2	Total
Plan assets (1):			
Cash and cash equivalents	$ 931	$ —	$ 931
Listed equity securities (2)	27,663	—	27,663
Fixed income securities:			
Corporate debt securities	—	7,743	7,743
Foreign corporate debt securities	—	1,140	1,140
U.S. government securities	4,055	—	4,055
Agency mortgage-backed securities	—	3,949	3,949
Commercial mortgage-backed securities.	—	1,280	1,280
Asset-backed securities	—	461	461
Other	—	194	194
	$32,649	$14,767	$47,416

(1) There are no plan assets classified within Level 3 of the fair value hierarchy.
(2) Listed equity securities are diversified across a spectrum of primarily U.S. large-cap companies.

Valuation technique and inputs - The following is a description of the valuation techniques and inputs used in measuring plan assets accounted for at fair value on a recurring basis:

- Cash equivalents are valued at cost, which approximates fair value and are categorized in Level 1 of the fair value hierarchy;
- Listed equity securities are valued using the quoted prices in active markets for identical assets;
- Fixed income securities:
  - Corporate debt, mortgage- and asset-backed securities and other securities valuations use data readily available to all market participants and use inputs available for substantially the full term of the security. Valuation inputs include benchmark yields, reported trades, broker dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers, reference data, and industry and economic events;
  - U.S. government and agency securities valuations generally include quoted bid prices in active markets for identical or similar assets.

Investment Policies and Strategies - Assets in the plan are invested under guidelines adopted by the Administrative Committee of the Plan. Because the Plan exists to provide a vehicle for funding future benefit obligations, the investment objectives of the portfolio take into account the nature and timing of future plan liabilities. The policy recognizes that the portfolio's long-term investment performance and its ability to meet the plan's overall objectives are dependent on the strategic asset allocation which includes adequate diversification among assets classes.

The target allocation of plan assets for 2015 is approximately 50% equities and 50% fixed income securities. The target asset allocation was determined based on the risk tolerance characteristics of the plan and, at times, may be adjusted to achieve the plan's investment objective and to minimize any concentration of investment risk. The Administrative Committee evaluates the asset allocation strategy and adjusts the allocation if warranted based upon market conditions and the impact of the investment strategy on future contribution requirements. The expected long-term rate of return assumption is based on an analysis of historical experience of the portfolio and the summation of prospective returns for each asset class in proportion to the fund's current asset allocation.

The equity portfolio may invest up to 5% of the market value of the portfolio in any one company and may invest up to 10% of the market value of the portfolio in any one sector or up to two times the percentage weighting of any one sector as defined by the S&P 500 or the Russell 1000 Value indices, whichever is higher. Permissible investments specified under the equity portfolio of the plan include equity securities of U.S. and non-U.S. incorporated entities and private placement securities issued pursuant to Rule 144A. At least 75% of the market value of the fixed income portfolio must be invested in investment grade securities rated BBB-/Baa3, including cash and cash equivalents. Permissible investments specified under the fixed income portfolio of the plan include: public or private debt obligations issued or guaranteed by U.S. or foreign issuers; preferred, hybrid, mortgage or asset-backed securities; senior loans; and derivatives and foreign currency exchange contracts.

German Pension Plan

In connection with the acquisition of Jefferies Bache from Prudential on July 1, 2011, we acquired a defined benefits pension plan located in Germany (the "German Pension Plan") for the benefit of eligible employees of Jefferies Bache in that territory. The German Pension Plan has no plan assets and is therefore unfunded. We have purchased insurance contracts from multi-national insurers held in the name of Jefferies Bache Limited to provide for the plan's future obligations. The investments in these insurance contracts are included in Financial Instruments owned – Investments at fair value in the Consolidated Statements of Financial Condition and have a fair value of $18.1 million and $19.7 million at November 30, 2014 and November 30, 2013, respectively. We expect to pay our pension obligations from the cash flows available to us under the insurance contracts. All costs relating to the plan (including insurance premiums and other costs as computed by the insurers) are paid by us. In connection with the acquisition, it was agreed with Prudential that any insurance premiums and funding obligations related to pre-acquisition date service will be reimbursed to us by Prudential.

The provisions and assumptions used in the German Pension Plan are based on local conditions in Germany. We did not contribute to the plan during the years ended November 30, 2014 and November 30, 2013.

The following tables summarize the changes in the projected benefit obligation and the components of net periodic pension cost (in thousands):

	Year Ended November 30, 2014	Year Ended November 30, 2013
Change in projected benefit obligation:		
Projected benefit obligation, beginning of period	$ 26,368	$ 24,509
Service cost	40	67
Interest cost	801	902
Actuarial losses	4,630	1,033
Benefits paid	(1,193)	(1,245)
Currency adjustment	(2,212)	1,102
Projected benefit obligation, end of period	$ 28,434	$ 26,368
Funded status at end of period (1)	$ (28,434)	$ (26,368)

The amounts recognized in our Consolidated Statements of Financial Condition are as follows (in thousands):

	November 30, 2014	November 30, 2013
Consolidated statements of financial condition:		
Liabilities	$28,434	$26,368
Accumulated other comprehensive income (loss), before taxes:		
Net gain (loss)	$ (5,281)	$ (894)

The following tables summarize the components of net periodic pension cost and other amounts recognized in other comprehensive income excluding taxes (in thousands):

	Year Ended November 30, 2014	2013	2012
Components of net periodic pension cost:			
Service cost	$ 40	$ 67	$ 36
Interest cost on projected benefit obligation	801	902	1,027
Net amortization	244	179	—
Net periodic pension cost	$1,085	$1,148	$1,063

	2014	2013	2012
Amounts recognized in other comprehensive income:			
Net (gain) loss arising during the period	4,630	$ —	$ —
Amortization of net loss	(243)	—	—
Total recognized in Other comprehensive income	4,387	$ —	$ —
Net amount recognized in net periodic benefit cost and Other comprehensive income	5,472	$ —	$ —

The following are assumptions used to determine the actuarial present value of the projected benefit obligation and net periodic pension benefit cost for the years ended November 30, 2014 and November 30, 2013:

	Year Ended November 30, 2014	2013
Projected benefit obligation		
Discount rate	2.10%	3.40%
Rate of compensation increase	3.00%	3.00%
Net periodic pension benefit cost		
Discount rate	3.40%	3.60%
Rate of compensation increase	3.00%	3.00%

Expected Benefit Payments - Expected benefit payments for each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows (in thousands):

2015	$1,308
2016	1,324
2017	1,304
2018	1,300
2019	1,275
2020 through 2024	6,776

Note 18. Compensation Plans

Prior to the Leucadia Transaction, we sponsored the following share-based compensation plans: incentive compensation plan, employee stock purchase plan and the deferred compensation plan. Subsequently, sponsorship of share-based compensation plans was transferred to Leucadia, with outstanding share-based awards relating to Leucadia common shares and future awards to relate to Leucadia common shares. The fair value of share-based awards is estimated on the date of grant based on the market price of the underlying common stock less the impact of selling restrictions subsequent to vesting, if any, and is amortized as compensation expense over the related requisite service periods. We are allocated costs associated with awards granted to our employees under such plans.

In addition, we sponsor non-share-based compensation plans. Non-share-based compensation plans sponsored by us include a profit sharing plan and other forms of restricted cash awards.

The components of total compensation cost associated with certain of our compensation plans are as follows (in millions):

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Components of compensation cost:				
Restricted cash awards	$ 193.7	$ 164.4	$ 48.2	$ 194.4
Restricted stock and RSUs (1)	84.5	64.4	22.3	83.8
Profit sharing plan	6.1	3.2	2.6	5.7
Total compensation cost	$ 284.3	$ 232.0	$ 73.1	$ 283.9

(1) Total compensation cost associated with restricted stock and RSUs includes the amortization of sign-on, retention and senior executive awards, less forfeitures and clawbacks. Additionally, we recognize compensation cost related to the discount provided to employees in electing to defer compensation in DCP shares. This compensation cost was approximately $268,000 for the year ended November 30, 2014, $111,000 and $72,000 for the nine months ended November 30, 2013 and three months ended February 28, 2013, respectively, and $197,000 for the year ended November 30, 2012.

Remaining unamortized amounts related to certain compensation plans at November 30, 2014 is as follows:

	Remaining Unamortized Amounts	Weighted Average Vesting Period (in years)
Non-vested share-based awards	$ 95.4	1.9
Restricted cash awards	223.7	3
Total	$ 319.1	

The following are descriptions of the compensation plans.

Incentive Compensation Plan. The Incentive Compensation Plan (“Incentive Plan”) allows for awards in the form of incentive stock options (within the meaning of Section 422 of the Internal Revenue Code), nonqualified stock options, stock appreciation rights, restricted stock, unrestricted stock, performance awards, restricted stock units, dividend equivalents or other share-based awards. RSUs give a participant the right to receive fully vested common shares at the end of a specified deferral period, allowing a participant to hold an interest tied to common stock on a tax deferred basis. Prior to settlement, RSUs carry no voting or dividend rights associated with the stock ownership, but dividend equivalents are accrued to the extent there are dividends declared on the underlying common shares as cash amounts or as deemed reinvestments in additional RSUs. In connection with the Leucadia Transaction, the Incentive Plan was amended to provide for awards to be issued relating to shares of Leucadia, our parent company at March 1, 2013. Share-based awards outstanding at March 1, 2013 were converted into awards for shares of Leucadia at the Exchange Ratio, with all such awards subject to the same terms and conditions that previously existed (except for the elimination of fractional shares).

Restricted stock and RSUs may be granted to new employees as "sign-on" awards, to existing employees as "retention" awards and to certain executive officers as awards for multiple years. Sign-on and retention awards are generally subject to annual ratable vesting over a four-year service period and are amortized as compensation expense on a straight line basis over the related four years. Restricted stock and RSUs are granted to certain senior executives with both performance and service conditions. These awards granted to senior executives are amortized over the service period as we have determined that it is probable that the performance condition will be achieved.

The fair values of outstanding restricted stock and RSUs with future service requirements were remeasured as part of acquisition accounting for the Leucadia transaction, resulting in an increase of approximately $45.1 million to the unrecognized compensation cost allocated to us at March 1, 2013.

Employee Stock Purchase Plan. There is also an Employee Stock Purchase Plan ("ESPP") which we consider noncompensatory effective January 1, 2007. The ESPP permits all regular full-time employees and employees who work part time over 20 hours per week to purchase, at a discount, Leucadia common shares (since the Leucadia Transaction) and permitted purchase of Jefferies Group, Inc. common stock (prior to the Leucadia Transaction). Annual employee contributions are limited to $21,250, are voluntary and made through payroll deduction. The stock purchase price is equal to 95% of the closing price of common stock on the last day of the applicable session (monthly).

Deferred Compensation Plan. There is also a Deferred Compensation Plan, which was established in 2001. Eligible employees are able to defer compensation on a pre-tax basis, with deferred amounts deemed invested at a discount in Leucadia common shares and, prior to the Leucadia Transaction, in Jefferies Group, Inc. common stock ("DCP shares"), or by allocating among any combination of other investment funds available under the Deferred Compensation Plan. In connection with the transaction with Leucadia on March 1, 2013, the Deferred Compensation Plan was amended and deferrals denominated as DCP shares became settleable by delivery of Leucadia common shares. We often invest directly, as a principal, in investments corresponding to the other investment funds, relating to our obligations to perform under the Deferred Compensation Plan. The compensation deferred by our employees is expensed in the period earned. The change in fair value of our investments in assets corresponding to the specified other investment funds are recognized in Principal transaction revenues and changes in the corresponding deferral compensation liability are reflected as Compensation and benefits expense in our Consolidated Statements of Earnings.

Profit Sharing Plan. We have a profit sharing plan, covering substantially all employees, which includes a salary reduction feature designed to qualify under Section 401(k) of the Internal Revenue Code.

Restricted Cash Awards. We provide compensation to new and existing employees in the form of loans and/or other cash awards which are subject to ratable vesting terms with service requirements. We amortize these awards to compensation expense over the relevant service period.

Note 19. Non-interest Expenses

The following table presents the components of noninterest expense (in thousands).

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Non-interest expenses:				
Compensation and benefits	$ 1,698,530	$ 1,213,908	$ 474,217	$ 1,770,798
Non-compensation expenses:				
Floor brokerage and clearning fees	215,329	150,774	46,155	183,013
Technology and communications	268,212	193,683	59,878	244,511
Occupancy and equipment rental	107,767	86,701	24,309	97,397
Business development	106,984	63,115	24,927	95,330
Professional services	109,601	72,802	24,135	73,427
Bad debt provision (1)	55,355	179	1,945	1,152
Goodwill impairment (2)	54,000	—	—	—
Intangible assets amortization and impairment (3)	20,569	20,784	384	5,134
Other	50,770	71,072	12,146	56,212
Total non-compensation expenses	988,587	659,110	193,879	756,176
Total non-interest expenses	$ 2,687,117	$ 1,873,018	$ 668,096	$ 2,526,974

(1) During the fourth quarter of 2014, we recognized a bad debt provision, which primarily relates to a receivable of $52.3 million from a client to which we provided futures clearing and execution services, which declared bankruptcy.

(2) A goodwill impairment loss of $51.9 million and $2.1 million was recognized in the Futures and International Asset Management reporting units at November 30, 2014, respectively. (See Note 12, Goodwill and Other Intangible Assets for further information.)

(3) The amount for the year ended November 30, 2014 includes impairment losses at November 30, 2014 of $7.5 million and $0.1 million in the Futures business and the International Asset Management business, respectively. (See Note 12, Goodwill and Other Intangible Assets for further information.)

Note 20. Earnings per Share

Earnings per share data is not provided for periods subsequent to March 1, 2013, the date we became a limited liability company and wholly-owned subsidiary of Leucadia. The following is a reconciliation of the numerators and denominators of the Basic and Diluted earnings per common share computations for the three months ended February 28, 2013 and the year ended November 30, 2012 (in thousands, except per share amounts):

Table of Contents

	Predecessor	
	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Earnings for basic earnings per common share:		
Net earnings	$ 90,842	$ 323,149
Net earnings to noncontrolling interests	10,704	40,740
Net earnings to common shareholders	80,138	282,409
Less: Allocation of earnings to participating securities (1)	5,890	17,392
Net earnings available to common shareholders	$ 74,248	$ 265,017
Earnings for diluted earnings per common share:		
Net earnings	$ 90,842	$ 323,149
Net earnings to noncontrolling interests	10,704	40,740
Net earnings to common shareholders	80,138	282,409
Add: Mandatorily redeemable convertible preferred stock dividends	1,016	4,063
Less: Allocation of earnings to participating securities (1)	5,882	17,407
Net earnings available to common shareholders	$ 75,272	$ 269,065
Shares:		
Average common shares used in basic computation	213,732	215,989
Stock options	2	2
Mandatorily redeemable convertible preferred stock	4,110	4,110
Convertible debt	—	—
Average common shares used in diluted computation	217,844	220,101
Earnings per common share:		
Basic	$ 0.35	$ 1.23
Diluted	$ 0.35	$ 1.22

(1) Represents dividends declared during the period on participating securities plus an allocation of undistributed earnings to participating securities. Net losses are not allocated to participating securities. Participating securities represent restricted stock and restricted stock units for which requisite service has not yet been rendered and amounted to weighted average shares of 16,756,000 and 14,123,000 for the three months ended February 28, 2013 and the year ended November 30, 2012, respectively. Dividends declared on participating securities during the three months ended February 28, 2013 and the year ended November 30, 2012 amounted to approximately $1.3 million and $4.3 million, respectively. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

Our ability to pay distributions to Leucadia is subject to the restrictions set forth in certain financial covenants associated with the Credit Facility as described in Note 14, Long-Term Debt and the governing provisions of the Delaware Limited Liability Company Act.

Dividends per share of common stock declared during the quarter are reflected below:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2013	$ 0.075	N/a	N/a	N/a
2012	$ 0.075	$ 0.075	$ 0.075	$ 0.075

Note 21. Income Taxes

Total income taxes for the year ended November 30, 2014, the nine months ended November 30, 2013, the three months ended February 28, 2013, and the year ended November 30, 2012 were allocated as follows (in thousands):

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Income tax expense	$ 142,061	$ 94,686	$ 48,645	$ 168,646
Stockholders' equity, for compensation expense for tax purposes (in excess of)/less than amounts recognized for financial reporting purposes	$ (1,276)	$ (2,873)	$ 17,965	$ (19,789)

The provision for income tax expense consists of the following components (in thousands):

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Current:				
U.S. Federal	$ 4,335	$ 50,089	$ 22,936	$ 62,710
U.S. state and local	4,056	6,263	(3,176)	18,520
Foreign	11,475	7,050	(1,950)	2,773
	19,866	63,402	17,810	84,003
Deferred:				
U.S. Federal	87,293	25,262	17,392	79,224
U.S. state and local	27,181	8,868	9,761	13,006
Foreign	7,721	(2,846)	3,682	(7,587)
	122,195	31,284	30,835	84,643
	$ 142,061	$ 94,686	$ 48,645	$ 168,646

Income tax expense differed from the amounts computed by applying the U.S. Federal statutory income tax rate of 35% to earnings before income taxes as a result of the following (in thousands):

	Successor				Predecessor			
	Year Ended November 30, 2014		Nine Months Ended November 30, 2013		Three Months Ended February 28, 2013		Year Ended November 30, 2012	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Computed expected income taxes	$106,058	35.0%	$ 92,504	35.0%	$ 48,820	35.0%	$172,128	35.0%
Increase (decrease) in income taxes resulting from:								
State and city income taxes, net of Federal income tax benefit	20,304	6.7	9,835	3.7	4,280	3.1	20,492	4.2
Income alloacted to Noncontrolling interest, not subject to tax	(1,190)	(0.4)	(2,946)	(1.1)	(3,553)	(2.5)	(14,161)	(2.9)
Foreign rate differential	(9,024)	(2.9)	(4,750)	(1.8)	(2,993)	(2.2)	(7,528)	(1.5)
Tax exempt income	(6,746)	(2.2)	(3,742)	(1.4)	(1,003)	(0.7)	(3,979)	(0.8)
Non deductible settlements	3,850	1.3	4,900	1.9	—	—	—	—
Valuation allowance related to Futures business	4,655	1.5	—	—	—	—	—	—
Goodwill impairment	13,619	4.5	—	—	—	—	—	—
Other, net	10,535	3.4	(1,115)	(0.5)	3,094	2.2	1,694	0.3
Total income taxes	$142,061	46.9%	$ 94,686	35.8%	$ 48,645	34.9%	$168,646	34.3%

The following table presents a reconciliation of gross unrecognized tax benefits (in thousands):

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Balance at beginning of period	$ 126,844	$ 129,010	$ 110,539	$ 79,779
Increases based on tax positions related to the current period	4,831	8,748	7,185	30,671
Increases based on tax positions related to prior periods	1,624	7,383	15,356	7,549
Decreases based on tax positions related to prior periods	(1,709)	(18,297)	(4,070)	(5,893)
Decreases related to settlements with taxing authorities	(4,928)	—	—	(487)
Decreases related to a lapse of applicable statutes of limitation	—	—	—	(1,080)
Balance at end of period	$ 126,662	$ 126,844	$ 129,010	$ 110,539

The total amount of unrecognized benefit that, if recognized, would favorably affect the effective tax rate was $84.5 million and $85.5 million (net of federal benefits of taxes) at November 30, 2014 and November 30, 2013, respectively.

We recognize interest accrued related to unrecognized tax benefits in Interest expense. Penalties, if any, are recognized in Other expenses in the Consolidated Statements of Earnings. Net interest expense related to unrecognized tax benefits was $7.7 million and $5.8 million for year ended November 30, 2014 and the nine months ended November 30, 2013, respectively. For the three months ended February 28, 2013 and the year ended November 30, 2012, interest expense was $1.8 million and $4.5 million, respectively. At November 30, 2014 and November 30, 2013, we had interest accrued of approximately $30.6 million and $22.9 million, respectively, included in Accrued expenses and other liabilities in the Consolidated Statements of Financial Condition. No material penalties were accrued for the periods ended November 30, 2014 and November 30, 2013.

The cumulative tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at November 30, 2014 and November 30, 2013 are presented below (in thousands):

	November 30, 2014	November 30, 2013
Deferred tax assets:		
Compensation and benefits	$ 302,072	$ 373,964
Net operating loss	17,830	24,147
Long-term debt	140,685	191,274
Accrued expenses & other	89,273	86,336
Sub-total	549,860	675,721
Valuation allowance	(13,069)	(11,140)
Total deferred tax assets	536,791	664,581
Deferred tax liabilities:		
Amortization of intangibles	97,268	98,798
Other	26,454	30,842
Total deferred tax liabilities	123,722	129,640
Net deferred tax asset, included in Other assets	$ 413,069	$ 534,941

The valuation allowance represents the portion of our deferred tax assets for which it is more likely than not that the benefit of such items will not be realized. We believe that the realization of the net deferred tax asset of $413.1 million is more likely than not based on expectations of future taxable income in the jurisdictions in which we operate.

At November 30, 2014, we had gross net operating loss carryforwards in Asia, primarily Japan, and in Europe, primarily the United Kingdom (“U.K.”), of approximately $85.9 million, in aggregate. The Japanese losses begin to expire in the year 2018 while the U.K. losses have an unlimited carryforward period. A deferred tax asset of $2.4 million related to net operating losses in Asia has been fully offset by a valuation allowance while a $5.8 million deferred tax asset related to net operating losses in Europe has been fully offset by a valuation allowance. The remaining valuation allowance is attributable to deferred tax assets related to compensation and benefits, capital losses, and tax credits in the U.K.

Pursuant to a tax sharing agreement entered into between us and Leucadia, payments are made between us and Leucadia to settle current tax assets and liabilities. At November 30, 2014, there is a net current tax receivable of $77.0 million, which includes a gross receivable from Leucadia of $58.6 million. The remaining balance reflects receivables, net of payables, from various taxing authorities.

At November 30, 2014 and November 30, 2013, we had approximately $171.0 million and $134.0 million, respectively, of earnings attributable to foreign subsidiaries for which no U.S. Federal income tax provision has been recorded. Except to the extent such earnings can be repatriated tax efficiently, they are permanently invested abroad. Accordingly, a deferred tax liability of approximately $46.0 million and $35.0 million has not been recorded with respect to these earnings at November 30, 2014 and November 30, 2013, respectively.

We are currently under examination by the Internal Revenue Service and other major tax jurisdictions. We do not expect that resolution of these examinations will have a material effect on our consolidated financial position, but could have a material impact on the consolidated results of operations for the period in which resolution occurs. It is reasonably possible that, within the next twelve months, statutes of limitation will expire which would have the effect of reducing the balance of unrecognized tax benefits by $5.5 million.

The table below summarizes the earliest tax years that remain subject to examination in the major tax jurisdictions in which we operate:

Jurisdiction	Tax Year
United States	2006
United Kingdom	2013
California	2006
Connecticut	2006
New Jersey	2007
New York State	2001
New York City	2003

Note 22. Commitments, Contingencies and Guarantees

Commitments

The following table summarizes our commitments associated with our capital market and asset management business activities at November 30, 2014 (in millions):

	Expected Maturity Date					
	2015	2016	2017 and 2018	2019 and 2020	2021 and Later	Maximum Payout
Equity commitments (1)	$ —	$ 9.3	$ 0.8	$ —	$216.3	$ 226.4
Loan commitments (1)	50.7	440.2	283.1	20.7	0.2	794.9
Mortgage-related and other purchase commitments	1,058.5	1,165.8	117.6	—	—	2,341.9
Forward starting reverse repos and repos	5,127.2	—	—	—	—	5,127.2
Other unfunded commitments (1)	6.3	—	—	—	23.0	29.3
	$6,242.7	$1,615.3	$401.5	$20.7	$239.5	$8,519.7

(1) Equity, loan commitments and other unfunded commitments are presented by contractual maturity date. The amounts are however available on demand.

The table below presents our credit exposure from our loan commitments, including funded amounts, summarized by period of expiration at November 30, 2014. Credit exposure is based on the external credit ratings of the underlyings or referenced assets of our loan commitments. Since commitments associated with these business activities may expire unused, they do not necessarily reflect the actual future cash funding requirements (in millions):

Credit Ratings	2015	2016-2020	2021 and Later	Total Corporate Lending Exposure (1)	Corporate Lending Exposure at Fair Value (2)	Corporate Lending Commitments (3)
Investment grade	$ —	$ 55.1	$ —	$ 55.1	$ —	$ 55.1
Non-investment grade	—	191.3	—	191.3	18.9	172.4
Unrated	129.3	620.9	2.2	752.4	185.0	567.4
Total	$129.3	$ 867.3	$ 2.2	$ 998.8	$ 203.9	$ 794.9

(1) Total corporate lending exposure represents the potential loss assuming the fair value of funded loans and lending commitments were zero.
(2) The corporate lending exposure at fair value includes $222.6 million of funded loans included in Financial instruments owned—Loans and Loans to and investments in related parties, and a $18.7 million net liability related to lending commitments recorded in Financial instruments sold, not yet purchased—Derivatives and Financial instruments owned—Derivatives in the Consolidated Statement of Financial Condition at November 30, 2014.
(3) Represents the notional amount of unfunded lending commitments.

Equity Commitments. Includes commitments to invest in our joint ventures, Jefferies Finance and Jefferies LoanCore, and commitments to invest in private equity funds and in Jefferies Capital Partners, LLC, the manager of the private equity funds, which consists of a team led by Brian P. Friedman, one of our directors and Chairman of the Executive Committee. At November 30, 2014, our outstanding commitments relating to Jefferies Capital Partners, LLC and its private equity funds was $30.5 million. (See Note 11, Investments for additional information regarding our investments in Jefferies Finance and Jefferies LoanCore.)

Additionally, At November 30, 2014, we had other outstanding equity commitments to invest up to $1.8 million in various other investments.

Loan Commitments. From time to time we make commitments to extend credit to investment banking and other clients in loan syndication, acquisition finance and securities transactions and to SPE sponsors in connection with the funding of CLO and other asset-backed transactions. These commitments and any related drawdowns of these facilities typically have fixed maturity dates and are contingent on certain representations, warranties and contractual conditions applicable to the borrower. At November 30, 2014, we had $444.9 million of outstanding loan commitments to clients.

Loan commitments outstanding at November 30, 2014, also include our portion of the outstanding secured revolving credit facility provided to Jefferies Finance, to support loan underwritings by Jefferies Finance.

Mortgage-Related and Other Purchase Commitments. We enter into forward contracts to purchase mortgage participation certificates, mortgage-backed securities and consumer loans. The mortgage participation certificates evidence interests in mortgage loans insured by the Federal Housing Administration and the mortgage-backed securities are insured or guaranteed by the FNMA (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) or the GNMA (Ginnie Mae). We frequently securitize the mortgage participation certificates and mortgage-backed securities. The fair value of mortgage-related and other purchase commitments recorded in the Consolidated Statements of Financial Condition was $99.6 million at November 30, 2014.

Forward Starting Reverse Repos and Repos. We enter into commitments to take possession of securities with agreements to resell on a forward starting basis and to sell securities with agreements to repurchase on a forward starting basis that are primarily secured by U.S. government and agency securities.

Other Unfunded Commitments. Other unfunded commitments include obligations in the form of revolving notes to provide financing to asset-backed and CLO vehicles. Upon advancing funds, drawn amounts are collateralized by the assets of an entity.

Leases. As lessee, we lease certain premises and equipment under noncancelable agreements expiring at various dates through 2029 which are operating leases. At November 30, 2014, future minimum aggregate annual lease payments under such leases (net of subleases) for fiscal years ended November 30, 2015 through 2019 and the aggregate amount thereafter, are as follows (in thousands):

Fiscal Year	Operating Leases
2015	$ 42,697
2016	53,056
2017	56,089
2018	56,038
2019	54,785
Thereafter	443,361
Total	$ 706,026

The total minimum rentals to be received in the future under non-cancelable subleases at November 30, 2014 was $5.7 million.

Rental expense, net of subleases, amounted to $57.4 million, $43.2 million, $12.1 million, and $48.4 million for the year ended November 30, 2014, the nine months ended November 30, 2013, the three months ended February 28, 2013, and the year ended November 30, 2012, respectively.

During 2012, we entered into a master sale and leaseback agreement under which we sold and have leased back existing and additional new equipment supplied by the lessor. The transaction resulted in a gain of $2.0 million, which is being amortized into earnings in proportion to and is reflected net against the leased equipment. The lease may be terminated on September 30, 2017 for a termination cost of the present value of the remaining lease payments plus a residual value. If not terminated early, the lease term is approximately five years from the start of the supply of new and additional equipment, which commenced on various dates in 2013 and continues into 2014. At November 30, 2014, minimum future lease payments are as follows (in thousands):

Fiscal Year	
2015	$ 3,887
2016	3,887
2017	3,887
2018	1,583
2019	167
Net minimum lease payments	13,411
Less amount representing interest	927
Present value of net minimum lease payments	$12,484

Contingencies

Seven class-action lawsuits had been filed in New York and Delaware on behalf of a class consisting of Jefferies Group's stockholders concerning the transaction through which Jefferies Group LLC became a wholly owned subsidiary of Leucadia National Corporation. The class actions named as defendants Leucadia, Jefferies Group, certain members of our board of directors, certain members of Leucadia's board of directors and, in certain of the actions, certain transaction-related subsidiaries. On October 31, 2014, the remaining defendants in the Delaware litigation entered into a settlement agreement with the plaintiffs in the Delaware litigation. The terms of that agreement, which are subject to court approval, provide for an aggregate payment of $70.0 million by Leucadia, who will bear the costs of the settlement, to certain former equity holders of Jefferies Group, other than the defendants and certain of their affiliates, along with attorneys' fees to be determined and approved by the court. The agreement further provides that the settlement will be paid, at Leucadia's option, in either cash or Leucadia common shares. If approved by the court, the settlement will resolve all of the class-action claims in Delaware, and release the claims brought in New York.

During the first quarter of 2014, we reached a non-prosecution agreement with the United States Attorney for the District of Connecticut and a settlement agreement with the SEC relating to an investigation of purchases and sales of mortgage-backed securities. That investigation arose from a matter that came to light in late 2011, at which time we terminated a mortgage-backed-securities trader who was then indicted by the United States Attorney for the District of Connecticut in January 2013 and separately charged in a civil complaint by the SEC. Those agreements include an aggregate $25.0 million in payments, of which approximately $11.0 million are payments to trading counterparties impacted by those activities, approximately $10.0 million of which is a fine payable to the U.S. Attorney's Office, and approximately $4.0 million of which is a fine payable to the SEC. All such amounts were recognized in our year-end 2013 financial statements. At November 30, 2014, the outstanding reserve with respect to remaining payments to be made under the agreements is approximately $1.9 million. Additionally, pursuant to an undertaking required by the SEC settlement, Jefferies has retained an Independent Compliance Consultant.

Guarantees

Derivative Contracts. As a dealer, we make markets and trade in a variety of derivative instruments. Certain derivative contracts that we have entered into meet the accounting definition of a guarantee under U.S. GAAP, including credit default swaps, written foreign currency options and written equity put options. On certain of these contracts, such as written interest rate caps and foreign currency options, the maximum payout cannot be quantified since the increase in interest or foreign exchange rates are not contractually limited by the terms of the contract. As such, we have disclosed notional values as a measure of our maximum potential payout under these contracts.

The following table summarizes the notional amounts associated with our derivative contracts meeting the definition of a guarantee under U.S. GAAP at November 30, 2014 (in millions):

	Expected Maturity Date					
Guarantee Type:	2015	2016	2017 and 2018	2019 and 2020	2021 and Later	Notional/ Maximum Payout
Derivative contracts—non-credit related	$59,875.6	$229.6	$252.1	$ 721.8	$487.7	$61,566.8
Written derivative contracts—credit related	—	—	—	485.0	—	485.0
Total derivative contracts	$59,875.6	$229.6	$252.1	$1,206.8	$487.7	$62,051.8

At November 30, 2014 the external credit ratings of the underlyings or referenced assets for our credit related derivatives contracts (in millions):

	External Credit Rating						
	AAA/ Aaa	AA/ Aa	A	BBB/ Baa	Below Investment Grade	Unrated	Notional/ Maximum Payout
Credit related derivative contracts:							
Index credit default swaps	$480.0	$—	$—	$—	$ —	$ —	$ 480.0
Single name credit default swaps	$ —	$—	$—	$ 5.0	$ —	$ —	$ 5.0

The derivative contracts deemed to meet the definition of a guarantee under U.S. GAAP are before consideration of hedging transactions and only reflect a partial or "one-sided" component of any risk exposure. Written equity options and written credit default swaps are often executed in a strategy that is in tandem with long cash instruments (*e.g.*, equity and debt securities). We substantially mitigate our exposure to market risk on these contracts through hedges, such as other derivative contracts and/or cash instruments, and we manage the risk associated with these contracts in the context of our overall risk management framework. We believe notional amounts overstate our expected payout and that fair value of these contracts is a more relevant measure of our obligations. At November 30, 2014, the fair value of derivative contracts meeting the definition of a guarantee is approximately $851.7 million.

Loan Guarantees. We have provided a guarantee to Jefferies Finance that matures in January 2021, whereby we are required to make certain payments to a SPE sponsored by Jefferies Finance in the event that Jefferies Finance is unable to meet its obligations to the SPE and a guarantee of a credit agreement with an indefinite term for a fund owned by employees. At November 30, 2014, the maximum amount payable under these guarantees is $31.0 million.

Stand by Letters of Credit. At November 30, 2014, we provided guarantees to certain counterparties in the form of standby letters of credit in the amount of $47.8 million, which expire within one year. Stand by letters of credit commit us to make payment to the beneficiary if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary. Since commitments associated with these collateral instruments may expire unused, the amount shown does not necessarily reflect the actual future cash funding requirement.

Other Guarantees. We are members of various exchanges and clearing houses. In the normal course of business we provide guarantees to securities clearinghouses and exchanges. These guarantees generally are required under the standard membership agreements, such that members are required to guarantee the performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet these shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. Our obligations under such guarantees could exceed the collateral amounts posted. Our maximum potential liability under these arrangements cannot be quantified; however, the potential for us to be required to make payments under such guarantees is deemed remote. Accordingly no liability has been recognized for these arrangements.

Note 23. Net Capital Requirements

As broker-dealers registered with the SEC and member firms of the Financial Industry Regulatory Authority ("FINRA"), Jefferies and Jefferies Execution are subject to the SEC Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital, and have elected to calculate minimum capital requirements under the alternative method permitted by Rule 15c3-1 in calculating net capital. On September 1, 2014, Jefferies Bache, LLC (an FCM) merged with and into Jefferies. Jefferies, as the surviving entity, registered as an FCM and is subject to Rule 1.17 of the CFTC, which sets forth minimum financial requirements. The minimum net capital requirement in determining excess net capital for a dually-registered U.S. broker-dealer and FCM is equal to the greater of the requirement under Rule 15c3-1 or CFTC Rule 1.17.

At November 30, 2014, Jefferies and Jefferies Execution's net capital and excess net capital were as follows (in thousands):

	Net Capital	Excess Net Capital
Jefferies	$1,025,113	$ 913,465
Jefferies Execution	6,150	5,900

FINRA is the designated self-regulatory organization ("DSRO") for our U.S. broker-dealers and the Chicago Mercantile Exchange is the DSRO for Jefferies as an FCM.

Certain other U.S. and non-U.S. subsidiaries are subject to capital adequacy requirements as prescribed by the regulatory authorities in their respective jurisdictions, including Jefferies International Limited and Jefferies Bache Limited, which are authorized and regulated by the Financial Conduct Authority in the U.K.

The regulatory capital requirements referred to above may restrict our ability to withdraw capital from our regulated subsidiaries.

Note 24. Segment Reporting

We operate in two principal segments – Capital Markets and Asset Management. The Capital Markets segment includes our securities, commodities, futures and foreign exchange brokerage trading activities and investment banking, which is comprised of underwriting and financial advisory activities. The Capital Markets reportable segment provides the sales, trading, origination and advisory effort for various fixed income, equity and advisory products and services. The Asset Management segment provides investment management services to investors in the U.S. and overseas.

Our reportable business segment information is prepared using the following methodologies:

- Net revenues and expenses directly associated with each reportable business segment are included in determining earnings before taxes.
- Net revenues and expenses not directly associated with specific reportable business segments are allocated based on the most relevant measures applicable, including each reportable business segment's net revenues, headcount and other factors.
- Reportable business segment assets include an allocation of indirect corporate assets that have been fully allocated to our reportable business segments, generally based on each reportable business segment's capital utilization.

Our net revenues and expenses by segment are summarized below (in millions):

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Capital Markets:				
Net revenues	$ 2,949.0	$ 2,074.1	$ 807.6	$ 3,034.7
Expenses	$ 2,652.0	$ 1,840.4	$ 660.6	$ 2,496.4
Asset Management:				
Net revenues	$ 41.1	$ 66.6	$ 10.9	$ 27.0
Expenses	$ 35.1	$ 32.6	$ 7.5	$ 30.6
Total:				
Net revenues	$ 2,990.1	$ 2,140.7	$ 818.5	$ 3,061.7
Expenses	$ 2,687.1	$ 1,873.0	$ 668.1	$ 2,527.0

The following table summarizes our total assets by segment at November 30, 2014 and November 30, 2013 (in millions):

	November 30, 2014	November 30, 2013
Segment assets:		
Capital Markets	$ 44,002.6	$ 39,276.8
Asset Management	515.0	900.2
Total assets	$ 44,517.6	$ 40,177.0

Net Revenues by Geographic Region

Net revenues for the Capital Market segment are recorded in the geographic region in which the position was risk-managed or, in the case of investment banking, in which the senior coverage banker is located. For Asset Management, net revenues are allocated according to the location of the investment advisor. Net revenues by geographic region were as follows (in thousands):

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Americas (1)	$ 2,261,683	$ 1,651,789	$ 663,588	$ 2,507,839
Europe (2)	634,358	441,795	133,104	450,823
Asia	94,097	47,097	21,852	102,990
Net revenues	$ 2,990,138	$ 2,140,681	$ 818,544	$ 3,061,652

(1) Substantially all relates to U.S. results.
(2) Substantially all relates to U.K. results.

Table of Contents

Note 25. Related Party Transactions

Jefferies Capital Partners and JEP IV Related Funds. We have loans to and/or equity investments in private equity funds and in Jefferies Capital Partners, LLC, the manager of the Jefferies Capital Partners funds, which are managed by a team led by Brian P. Friedman, one of our directors and our Chairman of the Executive Committee ("Private Equity Related Funds"). At November 30, 2014 and November 30, 2013, loans to and/or equity investments in Private Equity Related Funds were in aggregate $60.7 million and $61.7 million, respectively. The following table presents interest income earned on loans to Private Equity Related Funds and other revenues and investment income (loss) related to net gains and losses on our investment in Private Equity Related Funds (in thousands):

	Successor		Predecessor	
	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Year Ended November 30, 2012
Interest income	$ —	$ 852	$ 516	$ 3,100
Other revenues and investment income (loss)	(14,868)	9,294	947	(8,500)

For further information regarding our commitments and funded amounts to Private Equity Related Funds, see Note 22, Commitments, Contingencies and Guarantees.

Berkadia Commercial Mortgage, LLC. At November 30, 2014 and November 30, 2013, we have commitments to purchase $344.8 million and $300.0 million, respectively, in agency commercial mortgage-backed securities from Berkadia Commercial Mortgage, LLC, which is partially owned by Leucadia.

Harbinger Group Inc. As part of our loan secondary trading activities we have unsettled purchases and sales of loans pertaining to portfolio companies within funds managed by Harbinger of $232.0 million.

National Beef Packaging Company, LLC ("National Beef"). We act as an FCM for National Beef, which is partially owned by Leucadia. At November 30, 2014, we had a customer payable to National Beef of $4.1 million and recognized commissions of $0.2 million during the year ended November 30, 2014.

Officers, Directors and Employees. At November 30, 2014 and November 30, 2013, we had $20.1 million and $13.9 million, respectively, of loans outstanding to certain of our employees (none of whom are executive officers or directors) that are included in Other assets on the Consolidated Statements of Financial Condition. Receivables from and payables to customers includes balances arising from officers, directors and employees individual security transactions. These transactions are subject to the same regulations as all customer transactions and are provided on substantially the same terms. During 2014, we sold private equity interests with a fair value of $4.0 million at their then fair value to a private equity fund owned by our employees and have also provided a guarantee of the fund's credit agreement.

The following is a description of related party transactions with Leucadia:

- Under a service agreement, we charge Leucadia for certain services which, for the year ended November 30, 2014 and nine months ended November 30, 2013 amounted to $22.3 million and $16.7 million, respectively. At November 30, 2014 and November 30, 2013, we had a receivable from Leucadia of $10.9 million and $2.3 million, respectively, which is included within Other assets on the Consolidated Statements of Financial Condition. At November 30, 2014 and November 30, 2013, we had a payable to Leucadia of $41.5 million and $6.7 million respectively, related to stock compensation arrangements and senior executive benefits provided by Leucadia, which is included within Other liabilities on the Consolidated Statements of Financial Condition.

- We have a tax sharing agreement with Leucadia, for which any amounts outstanding are included in Other assets in the Consolidated Statements of Financial Condition. (See Note 21, Income Taxes)
- During 2013, we sold 100% of our interests in Jefferies Management Limited ("JIML"), our special situations asset management business, to Leucadia for consideration of $2.3 million in the form of an intercompany loan receivable from Leucadia. The net assets of JIML that were transferred were $2.3 million, including goodwill of $400,000. No gain or loss was recognized on the sale.
- At November 30, 2014 and November 30, 2013, $25.4 million and $80.5 million, respectively, of the total noncontrolling interests in asset management entities that are consolidated by us are attributed to Leucadia.
- During the year ended November 30, 2014, we received investment banking revenues for providing advisory and debt capital market services to Leucadia and its' subsidiaries of $3.1 million, which is recorded in Investment banking revenues on the Consolidated Statement of Earnings.
- On March 18, 2014, we sold our investment in Harbinger Group Inc., consisting of approximately 18.6 million shares, to Leucadia at the closing price on that date. In addition, on February 28, 2014, we sold our ownership interest in CoreCommodity Capital, LLC (formerly CoreCommodity Management, LLC, our commodity asset management business) to Leucadia at a fair value.

For information regarding the transaction on March 1, 2013, see Note 4, Leucadia and Related Transactions and for information regarding other investments by Leucadia, see Note 16, Noncontrolling Interests and Mandatorily Redeemable Preferred Interests of Consolidated Subsidiaries.

For information on transactions with our equity method investees, see Note 11, Investments.

Note 26. Selected Quarterly Financial Data (Unaudited)

The following is a summary of unaudited quarterly statements of earnings for the year ended November 30, 2014, the nine months ended November 30, 2013 and the three months ended February 28, 2013 (in thousands, except per share amounts):

	Successor			
	Three Months Ended			
	November 30, 2014	August 31, 2014	May 31, 2014	February 28, 2014
Total revenues	$ 723,004	$ 1,055,435	$ 970,786	$ 1,097,040
Net revenues	524,809	843,309	722,992	899,028
Earnings (loss) before income taxes	(114,020)	135,635	99,137	182,269
Earnings (loss) attributable to Jefferies Group LLC	(99,759)	83,561	61,326	112,432
Earnings per common share:				
Basic	N/a	N/a	N/a	N/a
Diluted	N/a	N/a	N/a	N/a

	Successor			Predecessor
	Three Months Ended			
	November 30, 2013	August 31, 2013	May 31, 2013	February 28, 2013
Total revenues	$ 1,139,157	$ 710,682	$ 869,901	$ 1,021,960
Net revenues	950,548	531,695	658,438	818,544
Earnings before income taxes	175,660	23,382	65,253	139,487
Earnings attributable to Jefferies Group LLC/common stockholders	109,943	11,740	39,508	80,138
Earnings per common share:				
Basic	N/a	N/a	N/a	$ 0.35
Diluted	N/a	N/a	N/a	$ 0.35

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our management, under the direction of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of November 30, 2014. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of November 30, 2014 are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Internal Control over Financial Reporting

Management’s annual report on internal control over financial reporting is contained in Part II, Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended November 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None

JEFFERIES GROUP LLC AND SUBSIDIARIES

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Omitted pursuant to General Instruction I(2)(c) to Form 10-K.

Item 11. Executive Compensation.

Omitted pursuant to General Instruction I(2)(c) to Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Omitted pursuant to General Instruction I(2)(c) to Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Omitted pursuant to General Instruction I(2)(c) to Form 10-K.

Item 14. Principal Accountant Fees and Services.

For the fiscal years ended November 30, 2014 and November 30, 2013, the fees for services provided by PricewaterhouseCoopers LLP were as follows:

	2014	2013
Audit Fees	$ 6,236,500	$ 5,800,000
Audit-Related Fees	$ 125,000	$ 0
Tax Fees	$ 179,950	$ 549,860
All Other Fees	$ 50,000	$ 0
Total All Fees	$ 6,591,450	$ 6,349,860

Audit Fees — The Audit Fees reported above reflect fees for services provided during fiscal 2014 and 2013. These amounts include fees for professional services rendered as our principal accountant for the audit of our consolidated financial statements included in this Annual Report on Form 10-K, the audits of various affiliates and investment funds managed by Jefferies or its affiliates, the audit of internal controls over financial reporting required by Section 404 of Sarbanes-Oxley, reviews of the interim consolidated financial statements included in our quarterly reports on Form 10-Q, the issuance of comfort letters, consents and other services related to SEC and other regulatory filings, audit fees related to other services that are normally provided in connection with statutory and regulatory filings or engagements. The Audit Committee preapproves all auditing services and permitted non-audit services to be performed for us by our independent registered public accounting firm, which are approved by the Audit Committee prior to the completion of the audit. In 2014, the Audit Committee preapproved all auditing services performed for us by the independent registered public accounting firm.

Audit-Related Fees — The Audit-Related Fees reported above reflect fees for services provided during fiscal 2014. These amounts include fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit Fees” above. Specifically, the Audit-Related services included the audit of our pension plan, preparation of our SAS 70 and/or SSAE-16 report, performing agreed upon procedures related to specific matters at our request, the audits of our employee benefit plans, accounting consultations, and other services that are normally provided in connection with statutory and regulatory filings or engagements.

Tax Fees — Tax Fees includes fees for services provided during fiscal 2014 and 2013 related to tax compliance, tax advice and tax planning.

All Other Fees — Includes fees during fiscal 2014 for performing agreed upon procedures relating to structuring and placing certain funds. There were no fees in this category for fiscal 2013.

JEFFERIES GROUP LLC AND SUBSIDIARIES

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)1. **Financial Statements**

Included in Part II of this report:

	Pages
Management's Report on Internal Control over Financial Reporting	59
Report of Independent Registered Public Accounting Firm	60
Report of Independent Registered Public Accounting Firm	61
Report of Independent Registered Public Accounting Firm	62
Consolidated Statements of Financial Condition	63
Consolidated Statements of Earnings	64
Consolidated Statements of Comprehensive Income	65
Consolidated Statements of Changes in Equity	66
Consolidated Statements of Cash Flows	67
Notes to Consolidated Financial Statements	69

(a)2**. Financial Statement Schedules**

All Schedules are omitted because they are not applicable or because the required information is shown in the Consolidated Financial Statements or notes thereto.

(a)3. **Exhibits**

3.1	Certificate of Formation of Jefferies Group LLC, effective as of March 1, 2013 is incorporated by reference to Exhibit 3.2 of Registrant's Form 8-K filed on March 1, 2013.
3.2	Certificate of Conversion of Jefferies Group LLC, effective as of March 1, 2013 is incorporated by reference to Exhibit 3.1 of Registrant's Form 8-K filed on March 1, 2013.
3.3	Limited Liability Company Agreement of Jefferies Group LLC, dated as of March 1, 2013 is incorporated by reference to Exhibit 3.3 of Registrant's Form 8-K filed on March 1, 2013.
4	Instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Registrant hereby agrees to furnish copies of these instruments to the Commission upon request.
12*	Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.
23.1*	Consent of PricewaterhouseCoopers LLP.
23.2*	Consent of Deloitte & Touche LLP.
23.3*	Consent of Deloitte & Touche LLP.
31.1*	Rule 13a-14(a)/15d-14(a) Certification by Chief Financial Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification by Chief Executive Officer.
32*	Rule 13a-14(b)/15d-14(b) and Section 1350 of Title 18 U.S.C. Certification by the Chief Executive Officer and Chief Financial Officer.
101*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Financial Condition as of November 30, 2014 and November 30, 2013; (ii) the Consolidated Statements of Earnings for the year ended November 30, 2014, the nine months ended November 30, 2013, the three months ended February 28, 2013, and for the year ended November 30, 2012 ; (iii) the Consolidated Statements of Comprehensive Income for the year ended November 30, 2014, the nine months ended November 30, 2013, the three months ended February 28, 2013, and for the year ended November 30, 2012; (iv) the Consolidated Statements of Changes in Equity for the year ended November 30, 2014, the nine months ended November 30, 2013, the three months ended February 28, 2013, and for the year ended November 30, 2012; (v) the Consolidated Statements of Cash Flows for the year ended November 30, 2014, the nine months ended November 30, 2013, the three months ended February 28, 2013, and for the year ended November 30, 2012; and (vi) the Notes to Consolidated Financial Statements.

* Filed herewith.

JEFFERIES GROUP LLC AND SUBSIDIARIES

Exhibits 10.1 through 10.2 are management contracts or compensatory plans or arrangements.

(c) **Financial Statement Schedules**
Jefferies Finance LLC financial statements as of November 30, 2014 and 2013, and for the years ended November 30, 2014, 2013 and 2012

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JEFFERIES GROUP LLC

/s/ RICHARD B. HANDLER
Richard B. Handler
Chairman of the Board of Directors,
Chief Executive Officer

Dated: January 28, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ [redacted] Richard B. Handler	Chairman of the Board of Directors, Chief Executive Officer	January 28, 2015
/s/ [redacted] Peregrine C. Broadbent	Executive Vice President and Chief Financial Officer (Principal Accounting Officer)	January 28, 2015
/s/ [redacted] Brian P. Friedman	Director and Chairman, Executive Committee	January 28, 2015
/s/ [redacted] W. Patrick Campbell	Director	January 28, 2015
/s/ [redacted] Barry J. Alperin	Director	January 28, 2015
/s/ [redacted] Richard G. Dooley	Director	January 28, 2015
/s/ [redacted] MaryAnne Gilmartin	Director	January 28, 2015
/s/ [redacted] Joseph S. Steinberg	Director	January 28, 2015

Jefferies Finance LLC and Subsidiaries

Consolidated Balance Sheets as of November 30, 2014 and 2013 and
Related Statements of Earnings, Changes in Members’ Equity and Cash Flows for
the Years Ended November 30, 2014, 2013 and 2012 and Independent Auditor’s Report

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Table of contents

	PAGE
Independent Auditors' Report	1
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Balance Sheets	2
Consolidated Statements of Earnings	4
Consolidated Statements of Changes in Members' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

Independent Auditors' Report

To the Board of Directors of
Jefferies Finance LLC and Subsidiaries
New York, NY

We have audited the accompanying consolidated financial statements of Jefferies Finance LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of November 30, 2014 and 2013, and the related consolidated statements of earnings, changes in members' equity, and cash flows for the years ended November 30, 2014, 2013 and 2012, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jefferies Finance LLC and Subsidiaries as of November 30, 2014 and 2013, and the results of their operations and their cash flows for the years ended November 30, 2014, 2013 and 2012 in accordance with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

New York, NY
January 28, 2015

CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Balance Sheets
As of November 30, 2014 and 2013
(Dollars in thousands)

	NOVEMBER 30, 2014	NOVEMBER 30, 2013
ASSETS		
Cash	$ 576,222	$ 162,046
Restricted cash	670,015	77,954
Loans receivable, net of deferred loan fees	3,280,933	2,018,999
Less allowance for loan losses	(27,970)	(21,628)
Loans receivable, net	3,252,963	1,997,371
Loans held for sale, net	1,038,307	948,684
Accrued interest receivable	28,554	22,548
Investments (includes restricted investments of $214,971 at November 30, 2014)	235,106	5,225
Other assets	152,896	58,049
TOTAL ASSETS	$ 5,954,063	$ 3,271,877
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Credit facilities	$ 493,225	$ 796,554
Secured notes payable, net	2,826,517	986,224
Interest payable	27,519	10,140
Other liabilities	117,901	170,991
Due to affiliates	46,566	33,072
Long-term debt	1,450,000	600,000
Total liabilities	4,961,728	2,596,981
MEMBERS' EQUITY	992,335	674,896
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 5,954,063	$ 3,271,877

See notes to consolidated financial statements.

(Continued)

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)
As of November 30, 2014 and 2013
(Dollars in thousands)

The table below presents the carrying amount and classification of assets of consolidated variable interest entities ("VIEs") that can be used only to settle obligations of the consolidated VIEs and the liabilities of consolidated VIEs for which creditors (or beneficial interest holders) do not have recourse to our general credit. The assets and liabilities of these consolidated VIEs are included in the Consolidated Balance Sheets and are presented net of intercompany eliminations.

	NOVEMBER 30, 2014	NOVEMBER 30, 2013
ASSETS		
Restricted cash	$ 633,778	$ 48,006
Loans receivable, net of deferred loan fees	2,429,487	1,083,443
Less allowance for loan losses	(20,400)	(12,751)
Loans receivable, net	2,409,087	1,070,692
Loans held for sale, net	3,957	6,545
Accrued interest receivable	13,761	6,607
Investments (includes restricted investments of $214,971 at November 30, 2014)	225,534	—
Other assets	78,701	25,327
TOTAL ASSETS	$ 3,364,818	$ 1,157,177
LIABILITIES		
Secured notes payable, net	$ 2,826,517	$ 986,224
Interest payable	2,156	1,971
Other liabilities	38,219	29,238
Due to affiliates	1,121	491
TOTAL LIABILITIES	$ 2,868,013	$ 1,017,924

See notes to consolidated financial statements.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Statements of Earnings
For the Years Ended November 30, 2014, 2013 and 2012
(Dollars in thousands)

	NOVEMBER 30, 2014	NOVEMBER 30, 2013	NOVEMBER 30, 2012
NET INTEREST AND FEE INCOME:			
Fee income, net	$ 172,314	$ 139,447	$ 106,473
Interest income	195,366	130,520	105,027
Total interest and fee income	367,680	269,967	211,500
Interest expense	144,928	74,003	55,232
Net interest and fee income	222,752	195,964	156,268
Provision for (recovery of) loan losses	7,979	7,346	(4,681)
Net interest and fee income after provision for (recovery of) loan losses	214,773	188,618	160,949
OTHER (LOSSES) GAINS, NET	(9,999)	(7,898)	6,777
OTHER EXPENSES:			
Compensation and benefits	33,029	25,856	19,958
General, administrative and other	27,640	17,252	14,809
Total other expenses	60,669	43,108	34,767
EARNINGS BEFORE INCOME TAX EXPENSE	144,105	137,612	132,959
INCOME TAX EXPENSE	5,542	4,912	4,333
NET EARNINGS	$ 138,563	$ 132,700	$ 128,626

See notes to consolidated financial statements.

Table of Contents

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Statements of Changes in Members' Equity
For the Years Ended November 30, 2014, 2013 and 2012
(Dollars in thousands)

	CLASS A MEMBERS	CLASS B MEMBERS	TOTAL MEMBERS' EQUITY
BALANCE—November 30, 2011	$ 392,236	$ 21,334	$ 413,570
Net earnings	109,807	18,819	128,626
BALANCE—November 30, 2012	$ 502,043	$ 40,153	$ 542,196
Net earnings	108,161	24,539	132,700
BALANCE—November 30, 2013	$ 610,204	$ 64,692	$ 674,896
Contributions	250,000	—	250,000
Distributions	(56,899)	(14,225)	(71,124)
Net earnings	110,852	27,711	138,563
BALANCE—November 30, 2014	$ 914,157	$ 78,178	$ 992,335

See notes to consolidated financial statements.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended November 30, 2014, 2013 and 2012
(Dollars in thousands)

	NOVEMBER 30, 2014	NOVEMBER 30, 2013	NOVEMBER 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 138,563	$ 132,700	$ 128,626
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Amortization of deferred loan fees and discounts	(35,618)	(27,423)	(22,307)
Amortization of deferred structuring fees	9,690	4,318	11,346
Amortization of discount on secured notes	3,763	1,616	—
Provision for (recovery of) loan losses	7,979	7,346	(4,681)
Realized (gain) loss on sale of loans held for sale	(5,429)	11,386	(734)
Change in fair value of loans held for sale	8,859	(1,579)	(1,904)
Realized loss (gain) on sales of investments	114	(1,873)	(6,115)
Unrealized loss (gain) on investments	6,455	(225)	(2,383)
Loss on loan receivables	—	189	4,359
Deferred income tax expense	1,489	1,338	1,110
(Increase) decrease in operating assets:			
Origination of loans held for sale	(13,937,341)	(8,750,447)	(7,115,312)
Proceeds from sales of loans held for sale	13,843,178	8,063,761	6,980,857
Principal collections on loans held for sale	13,610	92,785	74,236
Accrued interest receivable	(6,005)	(13,032)	(2,192)
Other assets	(15,645)	6,158	(26,266)
Increase (decrease) in operating liabilities:			
Interest payable	17,378	6,974	883
Other liabilities	11,044	11,920	79,418
Due to affiliates	13,494	(7,888)	18,097
Net cash provided by (used in) operating activities	75,578	(461,976)	117,038
CASH FLOWS FROM INVESTING ACTIVITIES:			
Origination and purchases of loans receivable	(3,658,903)	(2,144,775)	(1,520,031)
Principal collections of loans receivable	1,936,162	1,080,917	1,165,966
Proceeds from sales of loans held for sale	369,983	239,932	296,172
Net change in restricted cash	(592,060)	(40,191)	(23,577)
Purchases of investments	(589,117)	(5,000)	(54,682)
Proceeds from sales of investments	352,998	1,873	85,419
Net cash used in investing activities	(2,180,937)	(867,244)	(50,733)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Capital distributions	(71,124)	—	—
Capital contributions	250,000	—	—
Repayments of secured notes payable	(89,028)	(10,075)	—
Proceeds from sale of secured notes	12,925	21,475	—
Net proceeds from issuance of secured notes	1,885,611	385,739	237,357
Net proceeds from issuance of long-term debt	832,552	585,363	—
Proceeds from borrowings on credit facilities	7,856,957	5,013,167	7,772,791
Repayments on credit facilities	(8,158,358)	(4,679,233)	(7,988,650)
Net cash provided by financing activities	2,519,535	1,316,436	21,498
NET INCREASE (DECREASE) IN CASH	414,176	(12,784)	87,803
CASH—Beginning of the year	162,046	174,830	87,027
CASH—End of the year	$ 576,222	$ 162,046	$ 174,830
SUPPLEMENTAL INFORMATION:			
Cash paid for interest	$ 114,252	$ 64,640	$ 41,160
Cash paid for income taxes, net	$ 2,570	$ 591	$ 4,828

See notes to consolidated financial statements.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

1. ORGANIZATION AND BASIS OF PRESENTATION

Organizational Structure—Jefferies Finance LLC ("JFIN"), a limited liability company, was organized under the laws of Delaware and commenced operations on October 7, 2004. JFIN will continue in perpetuity unless sooner dissolved as provided in the Amended and Restated Limited Liability Company Agreement, dated May 31, 2011, as amended, modified and/or supplemented from time to time, among JFIN and its members: Massachusetts Mutual Life Insurance Company ("Mass Mutual"), Babson Capital Management LLC ("BCM"), and Jefferies Group LLC ("JGL" and, together with Mass Mutual and BCM, the "Members").

JFIN is a commercial finance company that structures, underwrites and syndicates primarily senior secured loans to corporate borrowers. Our operations are primarily conducted through two business lines, Underwriting & Arrangement and Portfolio & Asset Management. JFIN also purchases performing loans in the syndicated markets. JFIN may also originate second lien term loans, bridge loans, mezzanine loans as well as related equity co-investments and purchase stressed and distressed loans in the secondary markets. In addition, JFIN acts as a portfolio manager for several collateralized loan funds and is registered with the Securities and Exchange Commission as a Registered Investment Adviser ("RIA") under the Investment Advisers Act of 1940 since March 1, 2012.

The accompanying consolidated financial statements refer to JFIN and all its subsidiaries (the "Company"), which includes all entities in which the Company has a controlling interest or is the primary beneficiary, including collateralized loan obligation funds ("CLOs"). See Note 8, Variable Interest Entities, for more information on the CLOs. JFIN Fund III LLC, JFIN Capital 2014 LLC, JFIN Fund IV 2014 LLC and JFIN Business Credit Fund I LLC are wholly owned subsidiaries created for the purpose of holding loans originated and purchased by JFIN which in general are subsequently securitized into CLOs.

JFIN's capital structure consists of Class A members and Class B members, owning 80% and 20% of JFIN, respectively. Net earnings are allocated first to Class A members in the form of a preferred return based on capital balances. Any residual is shared pro rata across all classes, respective of ownership. Losses are allocated ratably in respect to Members' ownership percentages unless the loss allocation would cause a negative capital account. Once a Member's capital account is equal to zero, the loss would be allocated to Members having sufficient capital to absorb the loss. Subsequent to March 1, 2013, net earnings and losses are allocated strictly on a pro rata basis across all Members, unless a loss allocation would cause a negative capital account.

Subsequent Events—The Company has evaluated events and transactions that occurred subsequent to November 30, 2014 through January 28, 2015, the date that these financial statements were issued. We have determined that there were no events or transactions, during such period that would require recognition or disclosure in these consolidated financial statements, except for the termination of the JFIN Capital 2014 LLC Credit Facility on December 1, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates—The preparation of the consolidated financial statements is in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP").

U.S. GAAP requires management to make estimates that affect the amounts reported in the consolidated financial statements and the accompanying notes. The most significant of these estimates relate to the allowance for loan losses, fair value measurements and income taxes. All of these estimates reflect management's best judgment about current economic and market conditions and their effects based on information available as of the date of these consolidated financial statements. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Principles of Consolidation—The accompanying consolidated financial statements reflect the Company's consolidated accounts, including the subsidiaries and the related consolidated results of operations with all intercompany balances and transactions eliminated in consolidation. In addition, the Company consolidates entities which meet the definition of a variable interest entity for which we are the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

Revenue Recognition Policies

Interest and Fee Income—Interest and fee income are recorded on an accrual basis to the extent that such amounts are earned and expected to be collected. Premiums and discounts are amortized into interest income using a level yield over the contractual life of the loan.

Deferred Loan Fees, Net—Direct loan underwriting fees, net of costs, are deferred and amortized using a level yield as adjustments to the related loan's yield over the contractual life of the loan. Direct loan underwriting fees, net of costs, related to revolving credit facilities are amortized on a straight-line basis as fee income when the revolving credit facilities become available to the borrowers.

Underwriting fees are recognized on a pro-rata basis as the corresponding loan is syndicated. If the Company retains a portion of the syndicated loan, a portion of the fee is deferred to produce a yield that is not less than the average yield on the portion of the syndicated loans that is held by the other syndicate members. In the event that a loan is prepaid before the scheduled maturity, all remaining deferred loan fees are recorded to interest income.

Cash and Restricted Cash—Cash represents overnight deposits. The Company maintained its cash and restricted cash balances of $1,246.2 million and $240.0 million at November 30, 2014 and 2013, respectively, at several financial institutions.

Restricted cash represents the amount of principal and interest on deposit in the Company's credit facilities and collateralized loan obligations ("CLOs"). The credit facilities limit the use of principal cash to fund or purchase additional eligible loans or reducing the debt of the related credit facilities. Cash on deposit in the interest account of the Company's credit facilities is limited to the payment of interest, servicing fees and other expenses of the Company's credit facilities at specific times outlined in the credit agreements.

Loans Receivable, Net—Loans receivable are recorded at cost, adjusted for unamortized premiums or discounts, net of unamortized deferred underwriting fees and net of allowance for loan losses. The Company intends to hold the majority of its loans until maturity. Loans for which the Company has the intent and ability to hold for the foreseeable future or until maturity are classified as held for investment.

Allowance for Loan Losses—The allowance for loan losses is a reserve established through a charge to provision for loan losses. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses inherent in the loan portfolio. The allowance for loan losses includes reserves calculated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 310, *Receivables* and allowance allocations calculated in accordance with ASC Topic 450, *Contingencies*. Further information regarding the Company's policies and methodology used to estimate the allowance for loan losses is presented in Note 4.

Loans Held for Sale, Net—The Company's business is the structuring and underwriting of loan products with the intent to syndicate the majority of the loan to third parties. The Company will typically invest in a percentage of the originated loan based upon the management of risk with respect to the entire portfolio. When the Company's position is larger than originally intended, the excess hold is classified to Loans held for sale, net, on the Consolidated Balance Sheets. In addition, during the primary syndication process, loans that have been committed to be purchased by third parties but not yet settled are also classified as Loans held for sale, net.

Syndication activities and sales of loans held for sale are accounted for as sales based on the Company's satisfaction of the criteria for such accounting which provides that, as transferor, among other requirements, the Company has surrendered control over the loans. The sale of loan transfers from loans receivable to loans held for sale are included in proceeds from sales of loans held for sale in investing activities in the Consolidated Statements of Cash Flows.

Loans held for sale, net are carried at the lower of cost or fair value, as determined on an individual loan basis, net of unamortized deferred underwriting fees and valuation allowances. Net unrealized losses or gains, if any, are recognized in a valuation allowance through charges to earnings in Other (losses) gains, net in the Consolidated Statements of Earnings.

Unamortized premiums, discounts, origination fees and direct costs on loans held for sale are recognized as a component of the gain or loss on sale. Gains and losses on sales of loans held for sale are recognized on trade dates and are determined by the difference between the sale proceeds and the carrying value of the loans and are recorded in Other (losses) gains, net, in the Consolidated Statements of Earnings.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

Investments—Investments are recorded on a trade date basis. Investments, including financial derivative instruments are recorded on the Consolidated Balance Sheets at fair value with changes in value recorded as a component of Other (losses) gains, net, in the Consolidated Statements of Earnings.

The Company has elected to carry its investments primarily at fair value under the fair value option election in accordance with ASC 825, *Financial Instruments*. The Company's election is done on an instrument-by-instrument basis. The election is made upon the acquisition of the eligible financial asset. The fair value election may not be revoked once an election is made.

The Company presents derivatives on the Consolidated Balance Sheets as assets or liabilities, with their resulting gains or losses recognized in Other (losses) gains, net. Fair value is based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair value may require significant management judgment or estimation. Pricing information obtained from external data providers (including independent pricing services and brokers) may incorporate a range of market quotes from dealers, recent market transactions, benchmarking model derived prices to quoted market prices and trade data for comparable securities. External pricing data is subject to evaluation for reasonableness using a variety of means including comparisons of prices to those of similar product types, quality and maturities, consideration of the narrowness or wideness of the range of prices obtained, knowledge of recent market transactions and an assessment of the similarity in prices to comparable dealer offerings in a recent time period. Derivative contracts are valued using models, whose input reflect the assumption that we believe market participants would use in valuing the derivative in a current period transaction. Inputs to valuation models are appropriately calibrated to market data.

Deferred Structuring Fees—Deferred structuring fees on Credit facilities, Secured notes payable and Long-term debt are included in Other assets on the Consolidated Balance Sheets and are amortized to Interest expense in the Consolidated Statements of Earnings over the contractual term of the borrowing using a level yield.

Fair Value Hierarchy—In determining fair value, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources.

If unobservable inputs are used, the Company will use assumptions that reflect the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Company applies a hierarchy to categorize its fair value measurements broken down into three levels based on the transparency of inputs as follows:

Level 1—Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level 2—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these financial instruments include cash instruments, for which quoted prices are available but traded less frequently; derivative instruments whose fair values have been derived using a model where inputs to the model are directly observable in the market or can be derived principally from or corroborated by observable market data; and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3—Instruments that have little to no pricing observability as of the reported date. These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The valuation of financial instruments may include the use of valuation models and other techniques. Adjustments to valuations derived from valuation models may be made when, in management's judgment, the features of the financial instrument, such as its complexity or the market in which the financial instrument is traded and risk uncertainties about market conditions, require that an adjustment be made to the value derived from the models.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

The Company's fair value measurements involve third party pricing for the majority of its assets and liabilities. If third party pricing is unavailable, the Company may employ various valuation techniques and models, which involve inputs that are observable, when available. The Company's valuation policies and procedures are reviewed at least annually and are updated as necessary. Further, the Company tracks the fair values of significant assets and liabilities using a variety of methods including third party vendors, comparison to previous trades and an assessment for overall reasonableness. See Note 8 for further information on fair value measurements.

Income Taxes—Under current federal and state income tax laws and regulations, the Company is treated as a partnership for tax reporting purposes and is generally not subject to income taxes. Additionally, no provision has been made for federal, state, or local income taxes on the results of operations generated by partnership activities; as such taxes are the responsibility of its Members. However, the Company is subject to certain state and local entity level income taxes, including New York City Unincorporated Business Tax. Amounts provided for income taxes are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The realization of deferred tax assets is assessed and a valuation allowance is recorded to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized. The Company follows the provisions of accounting for uncertainty in income taxes which prescribes a recognition threshold under which it is determined whether it is more likely than not that a tax position will be sustained on the basis of the technical merits of the position. For those tax positions that meet the more-likely-than-not recognition threshold, the largest amount of the tax benefit that is more than fifty percent likely to be realized upon ultimate settlement with the tax authority is recognized.

New Accounting Developments

Disclosure Requirement—In July 2010, the FASB issued an Accounting Standards Update ("ASU") No. 2010-20, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* which requires an entity to provide enhanced and disaggregated disclosures about the credit quality of an entity's financing receivables and its allowance for credit losses. The objective of enhancing these disclosures is to improve financial statement users' understanding of both the nature of an entity's credit risk associated with its financing receivables and the entity's assessment of that risk in estimating its allowance for credit losses as well as changes in the allowance and the reason for those changes. The update is effective for the first annual period ending on or after December 15, 2011. The Company's adoption of FASB ASU 2010-20 in fiscal year 2012 did not have a material impact on the Company's consolidated financial condition, results of operations or cash flows as it is a disclosure standard.

Troubled Debt Restructurings ("TDRs")—In April 2011, the FASB issued ASU 2011-02, *Receivables (Topic 310): A Creditor's Determination of whether a Restructuring is a Troubled Debt Restructuring*, to clarify under what circumstances a creditor should classify a restructured receivable as a TDR. A receivable is a TDR if both a creditor has granted a concession to the debtor and the debtor is experiencing financial difficulties. The ASU clarifies that a creditor should consider all aspects of a restructuring when evaluating whether it has granted a concession, which include determining whether a debtor can obtain funds from another source at market rates and assessing the value of additional collateral and guarantees obtained at the time of restructuring. The ASU also provides factors a creditor should consider when determining if a debtor is experiencing financial difficulties, such as probability of payment default and bankruptcy declarations. The Company adopted this guidance starting fiscal year 2013. The adoption of this guidance did not have an impact on the Company's consolidated financial condition, results of operations or cash flows.

Fair Value Measurements and Disclosures—In May 2011, the FASB issued accounting updates to ASC 820, *Fair Value Measurements—Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which provide clarifying guidance on how to measure fair value and additional disclosure requirements. The amendments prohibit the use of blockage factors at all levels of the fair value hierarchy and provide guidance on measuring financial instruments that are managed on a net portfolio basis. Additional disclosure requirements include transfers between Levels 1 and 2; and for Level 3 fair value measurements, a description of the Company's valuation processes and additional information about unobservable inputs impacting Level 3 measurements. The Company adopted this guidance in fiscal year 2012 and has reflected the new disclosures in the consolidated financial statements. The adoption of this guidance did not have an impact on the Company's consolidated financial condition, results of operations or cash flow.

Disclosures about Offsetting Assets and Liabilities—In December 2011, and clarified in January 2013, the FASB issued ASU, No. 2011-11 and ASU, No. 2013-1 respectively which amended guidance related to disclosures about offsetting assets and liabilities. The amended guidance requires the disclosure of both gross information and net information about financial instruments, including derivatives, and transactions eligible for offset in the Consolidated Balance Sheets as well as financial instruments and transactions subject to agreements similar to a master netting arrangement. The amended guidance was required to be applied retrospectively and was effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The Company adopted this guidance starting fiscal year 2014. The adoption of this guidance did not have an impact on the Company's consolidated financial condition, results of operations or cash flows.

Revenue Recognition—In May 2014, the FASB issued ASU, No. 2014-09, *Revenue from Contracts with Customers* which defines how companies report revenues from contracts with customers, and also require enhanced disclosures. The guidance is effective beginning in the first quarter of fiscal 2018. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

3. RESTRICTED CASH

The following is a summary of restricted cash as of November 30, 2014 and 2013 (in thousands):

	2014	2013
Principal and interest collections on loans held in credit facilities and CLOs	$106,642	$76,863
Reserves held in credit facilities and CLOs to support future commitments	563,373	1,091
Total restricted cash	$670,015	$77,954

Certain CLOs holding restricted cash are within their reinvestment periods and in compliance with collateralization tests allowing the use of principal cash to purchase or fund eligible assets. The CLOs require the cash on deposit in interest accounts to be used to pay senior management fees, interest to note holders, subordinate management fees and any residual to the subordinate note holders, providing the structure is in compliance with the collateralization tests. In the event the CLOs were not in compliance with the collateralization tests, cash in the interest accounts would be used to pay senior management fees, interest to the note holders and the residual could be diverted to reduce the secured notes outstanding. See also Note 8, Variable Interest Entities for a discussion of restricted cash held by CLOs.

4. LOANS RECEIVABLE, NET

The Company's loan receivable portfolio consists primarily of senior secured loans in various industries. The portfolio is segmented into originated and secondary loans which reflect how the portfolio is managed. Originated is a designation that indicates that the Company has had a major role in underwriting the loan either as an arranger or other title. Secondary is a designation that indicates that the Company acquired the loans through primary syndications conducted by other arrangers or purchased in the open market.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

The following is a summary of outstanding loan balances as of November 30, 2014 and 2013 (in thousands):

	2014	2013
Loans receivable:		
Originated	$1,853,438	$ 839,480
Secondary	1,549,371	1,252,917
Total loans receivable	3,402,809	2,092,397
Less: original issue discount	(40,920)	(26,958)
Total loans receivable, net of original issue discount	3,361,889	2,065,439
Less: deferred loan fees	(80,956)	(46,440)
Total loans receivable, net of deferred loan fees	3,280,933	2,018,999
Less: allowance for loan losses	(27,970)	(21,628)
Total loans receivable, net	$3,252,963	$1,997,371

As of November 30, 2014 there was $29.3 million and $11.6 million of original issue discount included in originated and secondary loans, respectively. As of November 30, 2013 there was $15.5 million and $11.4 million of original issue discount included in originated and secondary loans, respectively.

As of November 30, 2014 and 2013, $3.1 billion and $1.9 billion, respectively, of loans receivable were pledged as collateral against the Company's credit facilities and secured notes issued by the CLOs. See also Note 8, Variable Interest Entities for a discussion of loans receivable owned by CLOs.

Nonaccrual Loans—If a loan is 90 days or more past due or the borrower is not able to service its debt and other obligations, the loan is placed on nonaccrual status. When a loan is placed on nonaccrual status, interest previously recognized as interest income but not yet paid is reversed and the recognition of interest income on that loan will stop until factors indicating doubtful collection no longer exist and the loan has been brought current. Exceptions to this policy will be made if the loan is well secured and in the process of collection. Payments received on nonaccrual loans are first applied to the required principal payments due. On the date the borrower pays in full all overdue amounts, the borrower's loan will emerge from nonaccrual status and all overdue interest, including those from prior years, will be recognized as interest income in the current period.

The following is an analysis of past due loans at November 30, 2014 (in thousands):

	LOANS 30-89 DAYS PAST DUE	LOANS 90 OR MORE DAYS PAST DUE	TOTAL PAST DUE LOANS	CURRENT LOANS	TOTAL LOANS
Originated	$ —	$ —	$ —	$1,824,096	$1,824,096
Secondary	—	—	—	1,537,793	1,537,793
Total	$ —	$ —	$ —	$3,361,889	$3,361,889

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

The following is an analysis of past due loans as of November 30, 2013 (in thousands):

	LOANS 30-89 DAYS PAST DUE	LOANS 90 OR MORE DAYS PAST DUE	TOTAL PAST DUE LOANS	CURRENT LOANS	TOTAL LOANS
Originated	$ —	$ —	$ —	$ 823,963	$ 823,963
Secondary	4,611	—	4,611	1,236,865	1,241,476
Total	$ 4,611	$ —	$ 4,611	$2,060,828	$2,065,439

Impaired Loans—Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated on an individual loan basis. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's effective rate or at the fair value of collateral if repayment is expected solely from the collateral.

Interest received on impaired loans are typically applied to principal outstanding unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Loans will be charged off against the allowance when full collection of the principal from the sale of collateral, if applicable, or the enforcement of guarantees is remote. The Company does not necessarily wait until the final resolution of a loan to charge off the uncollectible balance.

The following is a summary of impaired loans as of November 30, 2014 (in thousands):

	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE	RELATED ALLOWANCE	AVERAGE RECORDED INVESTMENT
With allowance recorded:				
Originated	$ 7,820	$ 7,820	$ 1,580	$ 6,324
Secondary	5,776	7,150	3,400	8,138
Total	$ 13,596	$ 14,970	$ 4,980	$ 14,462

The following is a summary of impaired loans as of November 30, 2013 (in thousands):

	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE	RELATED ALLOWANCE	AVERAGE RECORDED INVESTMENT
With allowance recorded:				
Originated	$ —	$ —	$ —	$ 1,079
Secondary	11,712	13,087	5,096	10,342
Total	$ 11,712	$ 13,087	$ 5,096	$ 11,421

The average recorded investment reflects the change in the balance of impaired loans throughout the years ended November 30, 2014 and 2013.

As of November 30, 2014 and 2013, each individual impaired loan had an allowance recorded.

Interest income was not recognized on impaired and nonaccrual loans during the years ended November 30, 2014, 2013 and 2012. If the impaired and nonaccrual loans had been performing, an additional $0.6 million, $0.5 million and $1.2 million of interest income would have been recorded for the years ended November 30, 2014, 2013 and 2012, respectively.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

Allowance for Loan Losses—The Company's allowance for loan losses reflects management's estimate of net loan losses inherent in the loan portfolio. The allowance for general loan losses is calculated as the aggregate loan loss reserve for losses inherent in the portfolio that have not yet been identified.

Reserve factors are assigned to the loans in the portfolio, which dictate the percentage of the total outstanding loan balance that is reserved. The loan portfolio information is regularly reviewed to determine whether it is necessary to revise the reserve factors.

The reserve factors used in the calculation are determined by analyzing the following elements:

- the types of loans;
- the expected loss with regard to the loan type;
- the internal credit rating assigned to the loans; and
- type of industry for a given loan.

The Company has a policy to reserve for impaired loans based on a comparison of the recorded carrying value of the loan to either the present value of the loan's expected cash flow or the estimated fair value of the underlying collateral where applicable. The Company considers market value of the loan in its determination of the loan losses for impaired loans. There is no threshold for collectively evaluating for impaired loans. Loans will be charged off against the allowance when full collection of the principal from the sale of collateral or the enforcement of guarantees is remote. The Company does not necessarily wait until the final resolution of a loan to charge off the uncollectible balance.

The Company regularly tests the allowance for loan losses for reasonableness. In determining reasonableness, trends in the elements analyzed in establishing the reserve factors described above are reviewed. In addition, the Company continues to monitor the market to corroborate the reserve levels on similar loan products. The Company also computes an allowance for unfunded lending commitments using a methodology that is similar to that used for loans. The table below summarizes the Company's reporting of its allowance for loan losses:

	CONSOLIDATED BALANCE SHEETS	CONSOLIDATED STATEMENTS OF EARNINGS
Allowance for loan losses on:		
Loans	Allowance for loan losses	Provision for loan losses
Unfunded loan commitments	Other liabilities	General, administrative and other

The following is a summary of the activity in the allowance for loan losses for the year ended November 30, 2014 (in thousands):

	ORIGINATED	SECONDARY	TOTAL
Balance, November 30, 2013	$ 3,755	$ 17,873	$ 21,628
Provision for loan losses—general	5,038	1,420	6,458
Provision for (recovery of) loan losses—specific	2,261	(740)	1,521
Transfers to loans held for sale, net	(681)	(956)	(1,637)
Balance, November 30, 2014	10,373	17,597	27,970
Balance, end of period—general	$ 8,793	$ 14,197	$ 22,990
Balance, end of period—specific	$ 1,580	$ 3,400	$ 4,980
Loans receivable:			
Loans collectively evaluated—general	$ 1,816,276	$ 1,532,017	$3,348,293
Loans individually evaluated—specific	7,820	5,776	13,596
Total	$ 1,824,096	$ 1,537,793	$3,361,889

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

The following is a summary of the activity in the allowance for loan losses for the year ended November 30, 2013 (in thousands):

	ORIGINATED	SECONDARY	TOTAL
Balance, November 30, 2012	$ 4,437	$ 11,237	$ 15,674
Provision for loan losses—general	1,155	6,760	7,915
Recovery of loan losses—specific	(1,837)	1,268	(569)
Transfers to loans held for sale, net	—	(1,099)	(1,099)
Charge-offs	—	(293)	(293)
Balance, November 30, 2013	3,755	17,873	21,628
Balance, end of period—general	$ 3,755	$ 12,777	$ 16,532
Balance, end of period—specific	$ —	$ 5,096	$ 5,096
Loans receivable:			
Loans collectively evaluated—general	$ 823,963	$ 1,229,764	$2,053,727
Loans individually evaluated—specific	—	11,712	11,712
Total	$ 823,963	$ 1,241,476	$2,065,439

The following is a summary of the activity in the allowance for loan losses for the year ended November 30, 2012 (in thousands):

	ORIGINATED	SECONDARY	TOTAL
Balance, November 30, 2011	$ 7,942	$ 13,427	$ 21,369
Provision for loan losses—general	412	678	1,090
Recovery of loan losses—specific	(3,917)	(1,854)	(5,771)
Transfers to loans held for sale, net	—	(1,014)	(1,014)
Balance, November 30, 2012	$ 4,437	$ 11,237	$ 15,674
Balance, end of year—general	$ 2,600	$ 6,016	$ 8,616
Balance, end of year—specific	$ 1,837	$ 5,221	$ 7,058
Loans receivable:			
Loans collectively evaluated—general	$ 544,317	$ 588,585	$1,132,902
Loans individually evaluated—specific	4,305	11,896	16,201
Total	$ 548,622	$ 600,481	$1,149,103

The reserve balances related to loan losses on unfunded commitments were $3.5 million and $3.1 million as of November 30, 2014 and 2013, respectively. In addition, the Company increased the reserve related to loan losses on unfunded commitments by $0.4 million. $0.7 million and $0.6 million during the years ended November 30, 2014, 2013 and 2012, respectively. The changes in reserve were recognized in General, administrative and other in the Consolidated Statements of Earnings and the reserve was included in Other liabilities on the Consolidated Balance Sheets.

Credit Quality Indicators—As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management tracks credit quality indicators. Management regularly reviews the performance of its loans receivable to evaluate the credit risk.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

The Company evaluates each loan using six weighted credit risk grade categories that have both qualitative and quantitative components that differentiate the level of risk. Credit risk categories are assigned weights based on the characteristics of issuers.

For each borrower, the Company evaluates the following credit risk categories:

- Industry segment
- Position within the industry
- Earnings / Operating Cash Flows
- Asset / Liability values
- Financial flexibility / debt capacity
- Management and controls

The Company utilizes a risk grading matrix to assign an internal credit grade ("ICG") to each of its loans. Loans are individually rated on a tiered scale of one to ten, with each rating further divided into three levels of .2, .5 and .8.

A description of the general characteristics of the ICGs is as follows:

- Grade 1—Issuers assigned this grade are characterized as substantially risk free and having an extremely strong capacity to meet all financial obligations.
- Grade 2—Issuers assigned this grade are characterized as representing minimal risk.
- Grade 3—Issuers assigned this grade are characterized as representing modest risk.
- Grade 4—Issuers assigned this grade are characterized as representing better than average risk.
- Grade 5—Issuers assigned this grade are characterized as representing average risk.
- Grade 6—Issuers assigned this grade are characterized as representing acceptable risk.
- Grade 7—Issuers assigned this grade are currently vulnerable to adverse business, financial and economic conditions and are characterized by increasing credit risk. They possess potential weakness that may, if not checked or corrected, weaken the asset or result in a likelihood of default at some future date. The increasing risk has or may result in discounted pricing levels or decreased trading liquidity.
- Grade 8—Issuers assigned this grade are characterized by inadequate repayment capacity and / or recovery of the obligor or of the collateral pledged resulting in potential loss if deficiencies are not corrected.
- Grade 9—Issuers assigned this grade are in (a) payment default at any level in its debt structure or (b) bankruptcy. In addition, asset weaknesses may make collection or liquidation in full, on the basis of existing facts, highly questionable and improbable.
- Grade 10—Issuers assigned this grade are charged-off.

The following is a summary of credit risk profile by ICG as of November 30, 2014 (in thousands):

ICG	ORIGINATED	SECONDARY	TOTAL
4.8	$ —	$ 1,990	$ 1,990
5.2	—	40,135	40,135
5.5	—	70,778	70,778
5.8	24,987	185,938	210,925
6.2	114,812	234,014	348,826
6.5	1,084,586	489,818	1,574,404
6.8	520,509	346,041	866,550
7.2	23,623	116,293	139,916
7.5	47,758	18,380	66,138
7.8	—	19,297	19,297
7.8	—	10,274	10,274
8.5	7,821	4,835	12,656
Total	$ 1,824,096	$ 1,537,793	$3,361,889

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

The following is a summary of credit risk profile by ICG as of November 30, 2013 (in thousands):

ICG	ORIGINATED	SECONDARY	TOTAL
5.2	$ —	$ 22,398	$ 22,398
5.5	—	45,695	45,695
5.8	93,725	93,177	186,902
6.2	81,719	242,938	324,657
6.5	384,472	351,796	736,268
6.8	185,329	318,409	503,738
7.2	72,772	153,136	225,908
7.5	5,946	4,856	10,802
7.8	—	3,287	3,287
8.2	—	1,173	1,173
9.8	—	4,611	4,611
Total	$ 823,963	$ 1,241,476	$2,065,439

Troubled Debt Restructurings—The Company periodically modifies the terms of a loan receivable in response to borrowers' difficulties. Modifications that include a significant financial concession(s) to the borrower that likely reflect a current view that the repayment on the original terms is unlikely are accounted for as TDRs. The Company uses a consistent methodology across all loans to determine if a modification granted to a borrower, determined to be in financial difficulty is a TDR.

The Company's policies on TDR identification include the following examples of indicators used to determine whether the borrower is in financial difficulty:

- Payment default of principal and interest
- Bankruptcy declaration
- Going concern opinion issued by accountants
- Insufficient cash flow to service debt with low likelihood of turnaround in the short term
- Securities (public) are de-listed
- Refinancing sources are unlikely
- Financial covenants breach is unlikely to be amended

If the borrower is determined to be in financial difficulty, then the Company utilizes the following criteria to determine whether a concession has been granted to the borrower:

- Modification of interest rate below market rate
- The borrower does not otherwise have access to funding for debt with similar risk characteristics in the market at the restructured rate and terms
- Capitalization of interest
- Delaying principal and/or interest for a period of year or more
- Forgiveness of the principal balance

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

Below is a summary of the Company's loans which were classified as TDR as of November 30, 2014 (in thousands):

	PRE-MODIFICATION OUTSTANDING RECORDED INVESTMENT	POST-MODIFICATION OUTSTANDING RECORDED INVESTMENT	INVESTMENT IN TDR SUBSEQUENTLY DEFAULTED
Secondary	$ 972	$ 972	$ —
Total	$ 972	$ 972	$ —

Below is a summary of the Company's loans which were classified as TDR as of November 30, 2013 (in thousands):

	PRE-MODIFICATION OUTSTANDING RECORDED INVESTMENT	POST-MODIFICATION OUTSTANDING RECORDED INVESTMENT	INVESTMENT IN TDR SUBSEQUENTLY DEFAULTED
Secondary	$ 2,245	$ 2,245	$ —
Total	$ 2,245	$ 2,245	$ —

All restructured loans that remain outstanding are on non-accrual status. Because the loans were classified on non-accrual status both before and after restructuring, the modifications did not impact the Company's determination of the allowance for loan losses. There were no payment defaults on loans restructured in troubled debt restructurings during the years ended November 30, 2014 and 2013.

Modified loans that are classified as TDRs are individually evaluated and measured for impairment. Modified loans that meet the definition of a TDR are subject to the Company's standard impaired loan policy, namely that non-accrual loans are individually reviewed for impairment.

Other Assets and Other Liabilities—Included in Other assets are amounts receivable for sales of loans pending settlement. As of November 30, 2014 and 2013, there were $63.3 million and $15.2 million, respectively, of pending sales. Additionally, included in Other liabilities are amounts payable for loans pending settlement. As of November 30, 2014 and 2013 there were $70.6 million and $134.7 million, respectively, of pending purchases.

5. LOANS HELD FOR SALE, NET

Below is a summary of Loans held for sale, net, as of November 30, 2014 and 2013 (in thousands):

	2014	2013
Loans held for sale	$1,072,900	$965,097
Less: original issue discount	(19,161)	(11,805)
Total loans held for sale, net of original issue discount	1,053,739	953,292
Less:		
Valuation allowance	(10,208)	—
Deferred loan fees, net	(5,224)	(4,608)
Loans held for sale, net	$1,038,307	$948,684

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

Included in the Loans held for sale was $861.9 million and $950.1 million of loans that funded prior to but settled after November 30, 2014 and November 30, 2013, respectively. As of November 30, 2014 and November 30, 2013 loans held for sale of $4.0 million and $307.5 million were pledged as collateral against the Company's credit facilities and secured notes issued by CLOs, respectively. See Note 8, Variable Interest Entities for more information on loans held for sale owned by CLOs.

As of November 30, 2014 and 2013, the Company had no impaired or non-accrual loans in Loans held for sale, net.

6. INVESTMENTS

As of November 30, 2014, one of the consolidated CLOs held $215.0 million of U.S. Treasury Securities which have short-term maturities and are restricted under the terms as stated in the CLO indentures. Also, under the fair value option as of November 30, 2014 and 2013, the Company held investments of $20.1 million and $5.2 million, respectively in a corporate bond, interest rate swaps and other investments which were accounted for at fair value.

DERIVATIVE FINANCIAL INSTRUMENTS

As part of certain CLOs' risk management strategy to manage the effect of fluctuations in London Interbank Offered Rate ("LIBOR") rates associated with its loan commitments, interest rate swaps were purchased with an initial notional value of $777.5 million with maturities ranging from one to seven years. On August 14, 2014, JFIN entered into a Total Return Swap ("TRS") with Jefferies Financial Products, LLC ("JFP"), a wholly owned subsidiary of JGL, with a Variable Funding Note in the amount of $23.0 million of one of the consolidated CLOs as the underlying asset. The TRS has a remaining maturity of approximately 7 years.

As of November 30, 2014, the interest rate swaps and the TRS had a fair value of $10.5 million and were included within Investments on the Consolidated Balance Sheets. The net loss on the interest rate swaps and TRS was $6.2 million for the year ended November 30, 2014, and was included in Other (losses) gains, net in the Consolidated Statements of Earnings. As of November 30, 2014, the counterparty credit quality with respect to the interest rate swaps was between A+ and BBB.

The following table sets forth the remaining contract maturities of the interest rate swaps and total return swap at their notional value as of November 30, 2014 (in thousands):

	3-5 YEARS	GREATER THAN 5 YEARS	TOTAL
Interest rate swaps	$ 709,500	$ 68,000	$777,500
Total return swap	$ —	$ 23,000	$ 23,000

7. FINANCIAL INSTRUMENTS AT FAIR VALUE

The following table presents the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of November 30, 2014 and 2013 by level within the fair value hierarchy (in thousands):

November 30, 2014	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets, nonrecurring basis:				
Loans held for sale, net of original issue discount	$ —	$1,043,531	$ —	$1,043,531
Assets, recurring basis:				
Investments				
U.S. treasury securities	$214,971	$ —	$ —	$ 214,971
Bonds	—	4,837	—	4,837
Interest rate swaps	—	10,505	—	10,505
Other investments	—	4,793	—	4,793
Total Investments	$214,971	$ 20,135	$ —	$ 235,106

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

NOVEMBER 30, 2013	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets, nonrecurring basis:				
Loans held for sale, net of original issue discount	$ —	$953,292	$ —	$953,292
Assets, recurring basis:				
Investments				
Bonds	—	5,225	—	5,225

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy for the years ended November 30, 2014 and 2013.

For loans held for sale, net of any deferred loan origination fees, the Company uses observable market data, including pricing on recent trades, third party pricing, or when appropriate, the underlying collateral. Included within loans held for sale balance are loans recorded at lower of cost or fair value, where cost approximates fair value.

For bonds, interest rate swaps and other investments, the Company uses broker quotes for non-exchange traded investments and, based upon the observability of the inputs.

U.S. Treasury Securities are measured based on quoted market prices.

Total Return Swap is measured based on the fair value of the underlying asset.

Below is a summary of financial instruments not measured at fair value on a recurring or non-recurring basis as of November 30, 2014 and 2013, but for which fair value is required to be disclosed (in thousands):

	NOVEMBER 30, 2014		NOVEMBER 30, 2013	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets:				
Cash	$ 576,222	$ 576,222	$ 162,046	$ 162,046
Restricted cash	670,015	670,015	77,954	77,954
Loans receivable, net	3,252,963	3,334,757	1,997,371	2,075,939
Total	$ 4,499,200	$ 4,567,208	$ 2,237,371	$ 2,315,939
Financial liabilities:				
Credit facilities	$ 493,225	$ 493,225	$ 796,554	$ 796,554
Secured notes payable, net	2,826,517	2,826,840	986,224	989,385
Long-term debt	1,450,000	1,390,875	600,000	610,500
Total	$ 4,769,742	$ 4,710,940	$ 2,382,778	$ 2,396,439

Cash and restricted cash—The carrying value of cash and restricted cash approximates fair value and is considered Level 1 measurement.

Loans receivable, net—A significant portion of the Company's loans receivable are measured primarily using broker quotations and using pricing service data from external providers. When pricing data is unavailable and there are no observable inputs, valuations are based on models involving projected cash flows of the issuer and market prices for comparable issuers and are considered Level 2 measurements.

Credit facilities—Due to the adjustable rate nature of the borrowings, the fair value of the credit facilities are estimated to be their carrying values and are considered Level 2 measurements. Rates currently are comparable to those offered to the Company for similar debt instruments of comparable maturities by the Company's lenders. Amounts presented in the table above are gross of deferred structuring fees as described in Note 9, Credit Facilities.

Secured notes payable, net—The Company uses broker quotes for non-exchange traded investments and are considered Level 2 measurements.

Long-term debt—Fair value of long-term debt is based on broker quotations, which are Level 2 inputs. When broker quotes are not available, values are estimated using a discounted cash flow analysis with a discount rate approximating current market rates for issuances of similar term debt.

8. VARIABLE INTEREST ENTITIES

Variable interest entities ("VIEs") are entities in which equity investors lack the characteristics of a controlling financial interest. VIEs are consolidated by the primary beneficiary. The primary beneficiary is the party who has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (2) an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity.

Variable interests in VIEs include debt and equity interests, commitments and management and performance fees. Involvement with VIEs arises primarily from involvement as a portfolio manager of collateralized loan obligations ("CLOs"). The Company also acts as sponsor and funds the underlying loans prior to the close of a CLO and owns notes issued by the CLOs.

The Company determines whether it is the primary beneficiary of a VIE upon initial involvement with the VIE and reassess whether it is the primary beneficiary of a VIE on an ongoing basis. The determination of whether the Company is the primary beneficiary of a VIE is based upon the facts and circumstances for each VIE and requires significant judgment. Considerations in determining the VIE's most significant activities and whether the Company has the power to direct those activities include, but are not limited to, the VIE's purpose and design and the risks passed through to investors, the voting interests of the VIE, management, service and/or other agreements of the VIE, involvement in the VIE's initial design and the existence of explicit or implicit financial guarantees.

Variable interests in a VIE are assessed both individually and in aggregate to determine whether the Company has an obligation to absorb losses of or a right to receive benefits from the VIE that could potentially be significant to the VIE. The determination of whether the Company's variable interest is significant to the VIE requires significant judgment. In determining the significance of our variable interest, we consider the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, our involvement in the VIE and our market-making activities related to the variable interests.

The following table presents information about the Company's consolidated VIEs at November 30, 2014 and November 30, 2013 (in thousands):

	NOVEMBER 30, 2014	NOVEMBER 30, 2013
Restricted cash	$ 633,778	$ 48,006
Loans	2,413,044	1,077,237
Investments	225,534	—
Interest receivable and other assets	92,462	31,934
	$ 3,364,818	$ 1,157,177
Secured notes payable	$ 2,826,517	$ 986,224
Other liabilities	41,496	31,700
	$ 2,868,013	$ 1,017,924

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

The Company is the primary beneficiary of CLOs to which the Company transferred bank loans, securities and participation interests in the form of senior secured loans, second lien loans, unsecured loans, senior secured bonds, senior secured floating notes, unsecured bonds and revolving credit loans backed by corporate credits and retained a portion of the notes issued by the CLO. In the creation of the CLO, the Company was involved in the decisions made during the establishment and design of the entity. The Company acts as the portfolio manager for the CLOs and holds variable interests consisting of the retained notes that could potentially be significant. The assets of the VIEs consist of the loans and bonds backed by corporate credits, which are available for the benefit of the vehicle's beneficial interest holders. The creditors of the VIEs do not have recourse to the general credit of the Company and the assets of the VIEs are not available to satisfy any other debt.

9. CREDIT FACILITIES

As of November 30, 2014 and 2013, the Company had secured credit facilities totaling $3.0 billion and $2.0 billion, respectively, which were used to fund eligible loans. The interest rates related to the credit facilities are primarily variable interest rates based on LIBOR plus a spread as stated in the respective agreements. The credit facilities are secured by the underlying loans funded with the proceeds of the respective facility.

During the years ended November 30, 2014, 2013 and 2012, the Company entered into revolving credit agreements for $1.7 billion, $0.8 billion and $0.4 million, respectively. During the years ended November 30, 2014, 2013 and 2012, $0.7 billion, $0.4 billion and $0.7 billion of outstanding commitments matured or terminated and any outstanding amounts were repaid.

Below is a summary of the Credit Facilities and Members' Fronting Line as of and for the year ended November 30, 2014 (in millions):

	JFIN CAPITAL 2014 LLC	THIRD PARTY FRONTING LINE	JFIN FUND IV 2014 LLC	JFIN FUND IV LLC	JFIN BUSINESS CREDIT FUND I LLC	JFIN CAPITAL 2013 LLC	JFIN FUND III LLC	MEMBERS' FRONTING LINE	TOTAL
Total availability under the facility	$ 400.0	$ 750.0	$ 400.0	$ —	$ 100.0	$ —	$ 300.0	$ 1,000.0	$2,950.0
Outstanding balance	—	—	279.2	—	14.1	—	199.9	—	493.2
Current availability	$ 400.0	$ 750.0	$ 120.8	$ —	$ 85.9	$ —	$ 100.1	$ 1,000.0	$2,456.8
Principal balance of loans pledged as collateral	$ —	$ —	$ 385.1	$ —	$ 21.7	$ —	$ 271.9	$ —	$ 678.7
Largest outstanding amounts during the periods	—	250.0	279.2	302.0	21.0	320.9	199.9	940.0	2,313.0
Interest expense incurred	—	0.1	1.2	1.0	0.1	4.3	3.6	4.1	14.4
Undrawn facility fees incurred	0.8	0.6	—	—	0.4	0.4	0.6	3.2	6.0
Variable interest rate based on LIBOR	—	3.25%	1.36%	1.31%	1.73%	2.40%	2.49%	5.88%	—
Maturity date	5-20-16	6-11-15[(1)]	1-7-16	Terminated	9-12-18	Terminated	2-12-19	3-1-16[(2)]	—

(1) After June 11, 2015, the Third Party Fronting Line contains annual automatic one-year extensions, which may be cancelled by the lenders upon 60 days notice of non-renewal. From November 17, 2014 to December 31, 2014, the Third Party Fronting Line was temporarily increased to $750.0 million.

(2) After March 1, 2016, the Members' Fronting Line contains annual automatic one-year extensions, absent a 60 day termination notice by either party.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

Below is a summary of the Credit Facilities and Members' Fronting Line as of and for the year ended November 30, 2013 (in millions):

	JFIN FUND IV LLC	JFIN BUSINESS CREDIT FUND I LLC	JFIN CAPITAL 2013 LLC	JFIN CAPITAL LLC	JFIN FUND III LLC	MEMBERS' FRONTING LINE	TOTAL
Total availability under the facility	$320.0	$ 100.0	$ 400.0	$ —	$ 150.0	$ 1,000.0	$1,970.0
Outstanding balance	151.0	—	228.7	—	124.3	292.5	796.5
Current availability	$169.0	$ 100.0	$ 171.3	$ —	$ 25.7	$ 707.5	$1,173.5
Principal balance of loans pledged as collateral	$202.3	$ 12.0	$ 367.5	$ —	$ 169.6	$ 292.5	$1,043.9
Largest outstanding amounts during the periods	151.0	—	228.7	209.5	124.3	786.8	1,500.3
Interest expense incurred	0.2	—	1.7	0.9	2.3	11.5	16.6
Undrawn facility fees incurred	—	0.1	1.0	0.3	0.8	2.7	4.9
Variable interest rate based on LIBOR	1.32%	1.74%	2.41%	2.54%	2.55%	8.28%	—

Below is a summary of the Credit Facilities and Members' Fronting Line as of and for the year ended November 30, 2012 (in millions):

	JFIN FUND II LLC	JFIN FUNDING LLC	JFIN CAPITAL LLC	JFIN FUND III LLC	MEMBERS' FRONTING LINE	TOTAL
Total availability under the facility	$ —	$ —	$ 400.0	$ 150.0	$ 1,000.0	$1,550.0
Outstanding balance	—	—	136.9	75.7	250.0	462.6
Current availability	$ —	$ —	$ 263.1	$ 74.3	$ 750.0	$1,087.4
Principal balance of loans pledged as collateral	$ —	$ —	$ 211.9	$ 108.3	$ 250.0	$ 570.2
Largest outstanding amounts during the periods	91.6	274.5	136.9	75.7	891.3	1,470.0
Interest expense incurred	2.3	5.2	0.9	1.5	20.1	30.0
Undrawn facility fees incurred	—	2.0	1.1	0.5	3.7	7.3
Variable interest rate based on LIBOR	2.96%	2.50%	2.46%	2.70%	8.18%	—

Natixis LC Facility—On August 17, 2011, JFIN entered into a letter of credit and reimbursement agreement with Natixis for a $50.0 million letter of credit commitment (the "LC Facility"). The LC Facility was established for the purpose of issuing letters of credit to borrowers under credit facilities originated by JFIN. On June 3, 2014, the Company extended its availability under the Facility for another year to August 2015. Interest is charged on issued letters of credit at a rate of LIBOR plus a margin of 2.5%. Interest expense for the years ended November 30, 2014, 2013 and 2012 was $1.0 million, $0.5 million and $0.5 million, respectively, and is included in Interest expense in the Consolidated Statements of Earnings.

Deferred Structuring Fees—Deferred structuring fees in aggregate were $9.3 million and $5.7 million at November 30, 2014, and November 30, 2013, respectively, and are included in Other assets on the Consolidated Balance Sheets. Interest expense for the years ended November 30, 2014, 2013 and 2012 was $3.9 million, $2.0 million and $10.9 million, respectively, and is included in Interest expense in the Consolidated Statements of Earnings.

Undrawn Facility Fees—Undrawn facility fees in aggregate were $5.9 million, $5.0 million and $5.9 million as of and for the years ended November 30, 2014, 2013 and 2012, respectively, and are included in Interest expense in the Consolidated Statements of Earnings.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

10. SECURED NOTES PAYABLE, NET

CLOs consolidated by the Company are funded by the issuance of the notes, which are included in Secured notes payable, net on the Consolidated Financial Statements. All of the CLOs assets are pledged as collateral against the secured notes issued by the respective CLO. The cash held by the CLOs is used first to pay interest due to note holders or to be reinvested in loan assets as prescribed by the indentures. JFIN is entitled to the residual interest of all CLOs after all claims to note holders have been paid. See Note 8, Variable Interest Entities for more information on secured notes payable related to consolidated CLOs.

Following are the remaining maturities of the secured notes payable, net (in thousands):

	November 30, 2014	November 30, 2013
Due in 2015	$ —	$ —
Due in 2016	—	—
Due in 2017	—	—
Due in 2018	—	—
Due in 2019	—	—
Thereafter	2,826,517	986,224
Total	$ 2,826,517	$ 986,224

Interest rates related to the secured notes are variable interest rates based on LIBOR plus a spread as stated in the respective note agreements ranging from 0.205% to 6.500%.

Deferred Structuring Fees—Deferred structuring fees in aggregate were $34.1 million and $10.1 million as of November 30, 2014 and November 30, 2013, respectively, and are included in Other assets on the Consolidated Balance Sheets. Deferred structuring fee expense was $2.7 million, $0.9 million and $0.4 million for the years ended November 30, 2014, 2013 and 2012, respectively, and is included in Interest expense in the Consolidated Statements of Earnings.

Original Issue Discount—The unamortized original issue discount of $50.7 million and $19.1 million as of November 30, 2014 and November 30, 2013, respectively, was included within Secured notes payable, net on the Consolidated Balance Sheets. The amortization of the original issue discount was $4.1 million, $1.6 million and $0.3 million for the years ended November 30, 2014, 2013 and 2012, respectively, and was included in Interest expense in the Consolidated Statements of Earnings.

11. LONG-TERM DEBT

In October 2014, the Company issued $425.0 million of senior unsecured notes (“2021 Notes”) to third party investors intended to be used for general corporate purposes. The 2021 Notes bear interest at a rate of 7.5% per year payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2015. Payment of the full principal amount of the 2021 Notes will be due upon maturity on April 15, 2021. The 2021 Notes are not guaranteed by any of the Company’s subsidiaries, however its subsidiaries may be required to guarantee the 2021 Notes in the future pursuant to certain covenants as defined in the 2021 Notes offering memorandum.

In March 2014, the Company issued $425.0 million of senior unsecured notes (“2022 Notes”) to third party investors intended to be used for general corporate purposes. The 2022 Notes bear interest at a rate of 6.875% per year payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2014. Payment of the full principal amount of the 2022 Notes will be due upon maturity on April 15, 2022. The 2022 Notes are not guaranteed by any of the Company’s subsidiaries, however its subsidiaries may be required to guarantee the 2022 Notes in the future pursuant to certain covenants as defined in the 2022 Notes offering memorandum.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

In March 2013, the Company issued $600.0 million of senior unsecured notes (“2020 Notes”) to third party investors intended to be used for general corporate purposes. The 2020 Notes bear interest at a rate of 7.375% per year payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2013. Payment of the full principal amount of the 2020 Notes will be due upon maturity on April 1, 2020. The 2020 Notes are not guaranteed by any of the Company’s subsidiaries, however its subsidiaries may be required to guarantee the 2020 Notes in the future pursuant to certain covenants as defined in the 2020 Notes offering memorandum.

Collectively, the 2020 Notes, 2021 Notes and the 2022 Notes are referred to as the “Senior Notes”.

At any time prior to April 1, 2016, October 15, 2017 and April 15, 2017, the Company may redeem the Senior Notes, respectively, in whole or in part, at their option, at a redemption price equal to 100% of the principal amount of such Senior Notes, respectively, plus the relevant applicable premium as of, and accrued and unpaid interest, if any, to but not including the applicable redemption date.

The tables below summarize the redemption price and date for the Senior Notes:

YEAR	2020 Notes	2021 Notes	2022 Notes
		PERCENTAGE	
2016	105.531%	—	—
2017	103.688%	105.625%	105.156%
2018	101.844%	103.750%	103.438%
2019	100.000%	101.875%	101.719%
2020 and thereafter	—	100.000%	100.000%

At any time and from time to time prior to April 1, 2016, April 15, 2017 and October 15, 2017, the Company may redeem the Senior Notes, respectively, with the net cash proceeds received by the Company from any equity offering at a redemption price equal to 107.375%, 106.875% and 107.500%, respectively, plus accrued but unpaid interest, if any, to but not including the applicable redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Senior Notes, respectively (including any additional notes); provided that (1) in each case the redemption takes place not later than 180 days after the consummation of the related equity offering; and (2) not less than 65% of the original aggregate principal amount of the Senior Notes, respectively (including any additional notes) issued under the indenture remains outstanding immediately after such redemption (excluding the aggregate principal amount of all Senior Notes, respectively then held by the Issuers or any of their restricted subsidiaries).

If a change of control occurs, the holders of the Senior Notes will have the right to require the Company to repurchase their Senior Notes, respectively, in whole or in part, at a purchase price of 101% of the principal amount of the Senior Notes, respectively, plus accrued and unpaid interest, if any, to the date of repurchase. If the Company sells certain assets and the net cash proceeds are not applied as permitted under the indenture governing the Senior Notes, the Company may have to use such proceeds to offer to purchase some of the Senior Notes, respectively at 100% of the principal, plus accrued and unpaid interest, if any, to the date of repurchase.

Interest expense was $67.9 million and $30.1 million for the years ended November 30, 2014 and 2013, respectively.

Deferred Structuring Fees—Deferred structuring fees in aggregate were $27.6 million and $13.2 million as of November 30, 2014 and November 30, 2013, respectively and are included in Other assets on the Consolidated Balance Sheets. Deferred structuring fee expense was $3.0 million and $1.4 million for the years ended November 30, 2014 and November 30, 2013, respectively, and was included in Interest expense in the Consolidated Statements of Earnings.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

12. FEE INCOME, NET

The Company presents fee income net of origination, syndication and deferred underwriting fees in the Consolidated Statements of Earnings. The following is a summary of the components of Fee income, net for the years ended November 30, 2014, 2013 and 2012 (in thousands):

	2014	2013	2012
Underwriting fees	$ 438,574	$ 364,203	$ 246,462
Administration fees	5,307	4,552	3,621
Other fees	31,136	19,475	18,080
	475,017	388,230	268,163
Less:			
Deferred underwriting fees	(80,822)	(58,394)	(17,617)
Fees paid to Jefferies LLC [1]	(198,349)	(162,344)	(122,843)
Fees paid to third parties	(23,532)	(28,045)	(21,230)
Fee income, net	$ 172,314	$ 139,447	$ 106,473

(1) Jefferies LLC is a wholly owned subsidiary of JGL.

13. OTHER (LOSSES) GAINS, NET

The following summarizes Other losses, net for the years ended November 30, 2014, 2013 and 2012 (in thousands):

	2014	2013	2012
Loss on loans receivable	$ —	$ (189)	$(4,359)
Realized gain (loss) on sale of loans held for sale	5,429	(11,386)	734
Unrealized (loss) gain of loans held for sale	(8,859)	1,579	1,904
Realized (loss) gain on sales of investments	(114)	1,873	6,115
Unrealized (loss) gain on investments	(6,455)	225	2,383
Other (losses) gains, net	$(9,999)	$ (7,898)	$ 6,777

14. INCOME TAXES

Income tax expense for years ended November 30, 2014, 2013 and 2012, consist of the following (in thousands):

	2014	2013	2012
Current—local	$ 7,032	$ 6,250	$3,224
Deferred—local	(1,490)	(1,338)	1,109
Total income tax expense	$ 5,542	$ 4,912	$4,333

Deferred income taxes are provided for temporary differences in reporting certain items, principally the allowance for loan losses and deferred loan fees. The Company had a net deferred tax asset of $4.9 million and $3.4 million at November 30, 2014 and 2013, respectively, included in Other assets on the Consolidated Balance Sheets. For the years ended November 30, 2014 and 2013, the Company concluded, based upon its assessment of positive and negative evidence, that it is more likely than not that the results of future operations will generate sufficient taxable income to realize its deferred tax assets. Accordingly, the Company did not record a valuation allowance at November 30, 2014 and 2013.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

The Company had a current income tax payable balance of $15.7 million and $11.2 million at November 30, 2014 and 2013, respectively, included in Other liabilities on the Consolidated Balance Sheets.

The Company's effective tax rate was 3.9%, 3.6% and 3.3% for the years ended November 30, 2014, 2013 and 2012, respectively. The Company's effective tax rate for the years ended November 30, 2014, 2013 and 2012 differed from the New York City statutory rate of 4.0%, primarily due to the exclusion of foreign income and losses not subject to tax in the United States and the apportioning of revenues for state tax purposes.

The balance of net unrecognized tax benefits as of November 30, 2014 and 2013 was approximately $18.6 million and $14.3 million, respectively. Interest related to unrecognized tax benefits is recognized in income tax expense in Consolidated Statements of Earnings. Penalties, if any, are recognized in other expenses in Consolidated Statements of Earnings. The Company has interest accrued of approximately $0.9 million and $0.3 million as of November 30, 2014 and 2013, respectively. No material penalties were accrued.

The Company is currently under examination by New York City for the years 2006 to 2009. The Company does not expect that the resolution of this examination will have a material impact on the Consolidated Financial Statements.

15. RELATED PARTY TRANSACTIONS

JGL—On March 1, 2013, the calculation of contributed capital was amended to include both contributed capital and retained earnings. During 2014, JGL contributed $125.0 million of capital to JFIN and JFIN distributed $35.6 million to JGL. The undrawn capital commitment available to JFIN from JGL at November 30, 2014 and 2013 was $103.8 million and $262.6 million, respectively.

JFIN owed JGL $0.9 million and $1.0 million as of November 30, 2014 and 2013, respectively related to interest payable on the Fronting Line, which was recorded in Due to affiliates on the Consolidated Balance Sheets.

JGL provides a guarantee to one of the consolidated CLOs, whereby Jefferies is required to make certain payments to the CLO in the event that JFIN is unable to meet its obligations. As of November 30, 2014, there was $1.2 million outstanding of the maximum amount payable under the guarantee of $21.0 million which matures in January 2021.

Mass Mutual—On March 1, 2013, the calculation of contributed capital was amended to include both contributed capital and retained earnings. During 2014, Mass Mutual contributed $125.0 million of capital to JFIN and JFIN distributed $32.0 million to Mass Mutual. The undrawn capital commitment available to JFIN from Mass Mutual at November 30, 2014 and 2013 was $103.8 million and $262.6 million, respectively.

JFIN owed Mass Mutual $0.9 million and $1.0 million as of November 30, 2014 and 2013, respectively, related to interest payable on the Fronting Line, which was recorded in Due to affiliates on the Consolidated Balance Sheets.

BCM—Under the Babson Service Agreement, JFIN is required to reimburse BCM for management fees. Management fees paid to BCM are based on a percentage of the consolidated portfolio, excluding the CLOs. BCM is the sub-advisor to the CLOs and is entitled to receive management fees underlined in the sub-advisor agreement. All management fees earned by BCM are included in General, administrative and other in the Consolidated Statements of Earnings.

Below is a summary of management fees earned by BCM for the years ended November 30, 2014, 2013 and 2012 (in thousands):

	2014	2013	2012
Babson Service Agreement management fees	$ 8,050	$4,435	$4,892
Collateral management fees	6,158	3,115	1,806
Total management fees charged by BCM	$14,208	$7,550	$6,698

JFIN owed BCM approximately $4.8 million and $1.5 million at November 30, 2014 and November 30, 2013, respectively, which are recorded in Due to affiliates on the Consolidated Balance Sheets.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements
November 30, 2014 and 2013

In March of 2014, JFIN made a distribution to BCM in the amount of $3.6 million.

Jefferies LLC—Under the Jefferies Service Agreement, Jefferies LLC ("Jefferies"), a wholly owned subsidiary of JGL, is required to provide specifically identified staff for the benefit of the Company. Also, under the agreement, JFIN is required to reimburse Jefferies for administration, rent, taxes and origination fees as well as any other services performed in the support of loan origination activities.

Below is a summary of expenses paid by Jefferies on behalf of JFIN for the years ended November 30, 2014, 2013 and 2012 (in thousands):

	2014	2013	2012
Compensation and benefits	$32,165	$23,212	$17,386
Administration expenses	4,440	3,091	2,071
Occupancy expenses	2,160	1,338	1,383
New York City Unincorporated Business Tax	2,637	2,231	5,860
Expenses charged by Jefco	$41,402	$29,872	$26,700

The Company's operating costs are paid by Jefferies and are included in Compensation and benefits and General, administrative and other in the Consolidated Statements of Earnings. Compensation and benefit costs include salaries, bonuses, retirement and medical insurance plan costs, of which certain amounts are deferred as direct loan origination costs.

All benefit plans that the employees participate in are provided by Jefferies. Therefore benefit plan expenses are determined based upon participation and are reflected through an allocation from Jefferies to the Company. Administration and occupancy expenses are included in General, administrative and other. The Company reimburses Jefferies for all compensation, administration, occupancy and other amounts paid by Jefferies on behalf of the Company on a monthly basis.

Under the Jefferies Service Agreement, JFIN is required to pay Jefferies fees on certain transactions originated by Jefferies. Origination fees charged by Jefferies were $198.3 million, $162.3 million and $122.8 million for the years ended November 30, 2014, 2013 and 2012, respectively, and are recorded in Fee income, net, in the Consolidated Statements of Earnings.

In the regular course of business, JFIN enters into agreements, related to specific transactions, with Jefferies and/or JGL to provide certain operational support, subsidies for loans, reimbursement of expenses, or to mitigate potential losses on transactions.

JFIN owed Jefferies $39.9 million and $29.7 million at November 30, 2014 and November 30, 2013, respectively, which were recorded in Due to affiliates on the Consolidated Balance Sheets.

Additionally, we have entered into a derivative contract with JFP whose underwriting is based on variable funding note. Refer to Note 6, Investments, and Note 7, Financial Instruments at Fair Value.

In connection with the issuance of the Senior Notes, Jefferies acted as underwriter. Jefferies also acted as a placement agent for certain CLOs.

The accompanying consolidated financial statements have been prepared from separate records maintained by the Company, which may not necessarily be indicative of the financial condition or the results of operations that would have existed if the Company had been operated as an unaffiliated company.

Table of Contents

16. LOAN COMMITMENTS

From time to time, the Company makes commitments to extend revolving lines of credit and delayed draw term loans to borrowers. These commitments are not recorded on the Consolidated Balance Sheets. Once drawn, these commitments can be pledged as collateral under the Company's credit facilities and funded. As of November 30, 2014 and November 30, 2013, the Company had undrawn commitments of $1,463.5 million and $807.0 million, respectively, in both the loans receivable and loans held for sale portfolios. Of the $807.0 million, there were approximately $95.0 million of commitments in loans held for sale awaiting syndication as of November 30, 2013. As of November 30, 2014, the Company through the consolidated CLOs had the capacity to fund $840.0 million of revolving commitments. In addition, the Company had $216.0 million of eligible revolving commitments outstanding, subject to one of the credit facility's equity requirements. As of November 30, 2014 and November 30, 2013, these commitments had maturity dates through October 2020 and August 2019, respectively. For the years ended November 30, 2014, 2013 and 2012, the Company earned accrued unfunded fees of $9.2 million, $5.1 million and $5.3 million, respectively. These amounts are included in Fee income in the Consolidated Statements of Earnings.

In addition, during the normal course of business, the Company extends commitments to underwrite credit facilities. As of November 30, 2014 and November 30, 2013, the Company had $4.2 billion and $2.1 billion, respectively of commitments to lend to such underwritings. As of November 30, 2014, JFIN had syndicated $1.5 billion of the $4.2 billion of underwriting commitments to third parties with the balance of the commitments scheduled to de-risk in subsequent periods. There can be no assurance as to the amount, timing, or if such commitments will be funded.

17. CONCENTRATIONS OF CREDIT RISK

In the normal course of business, the Company engages in commercial lending activities with borrowers primarily throughout the United States. As of November 30, 2014, there were four borrowers whose individual outstanding loan balances represented 11%, 4%, 3%, and 3% of all loan balances. As of November 30, 2013, there were four borrowers whose individual outstanding loan balances represented 8%, 7%, 7% and 6% of all loan balances. As of November 30, 2014, healthcare, finance and retail stores were the largest industry concentrations, which made up approximately 23%, 10% and 8%, respectively, of all loan balances. As of November 30, 2013, technology, industrials and healthcare were the largest industry concentrations, which made up approximately 18%, 14% and 13%, respectively, of all loan balances. Loans balances include both Loans receivable and Loans held for sale.

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(Back To Top)

Section 2: EX-12 (EX-12)

Exhibit 12

JEFFERIES GROUP LLC
Ratio of Earnings to Fixed Changes and
Ratio of Earnings to Combined Fixed Charges and Preferred Dividends
(Dollar amounts in thousands)

	Successor		Predecessor			
	Twelve Months Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013	Twelve Months Ended November 30, 2012	Twelve Months Ended November 30, 2011	Eleven Months Ended November 30, 2010
Fixed charges:						
Interest expense on long-term indebtedness	$ 250,424	$ 184,954	$ 79,918	$292,987	$280,046	$ 194,851
Interest portion of rent expense	19,130	14,400	4,024	16,137	14,774	12,061
Total Fixed charges	$ 269,554	$ 199,354	$ 83,942	$309,124	$294,820	$ 206,912
Convertible Preferred Stock Dividends	$ —	$ —	$ 1,016	$ 4,063	$ 4,063	$ 3,724
Earnings:						
Earnings before income taxes	$ 303,021	$ 264,295	$ 139,487 (3)	$491,795	$419,334	$ 396,671
Total fixed charges	269,554	199,354	83,942	309,124	294,820	206,912
Total earnings before income taxes and fixed charges	$ 572,575	$ 463,649	$ 223,429	$800,919	$714,154	$ 603,583
Ratio of Earnings to Fixed Charges (1)	2.1 x	2.3 x	2.7 x	2.6 x	2.4 x	2.9 x
Ratio of Earnings to Combined Fixed Charges and Convertible Preferred Stock Dividends (2)	2.1 x	2.3 x	2.6 x	2.6 x	2.4 x	2.9 x

(1) 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).

(2) The ratio of earnings to combined fixed charges and preferred dividends is computed by dividing (a) income from continuing operations before income taxes plus fixed charges by the sum of (b) fixed charges and (c) convertible preferred stock dividends. 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.)

(3) Our net earnings before income taxes for the three months ended February 28, 2013 reflects an adjustment to what was reported in our previously issued Form 10-Q for the three months ended February 28, 2013 of $8.5 million to correct for the effect of an overstatement of professional service fees of $8.5 million relating to the Leucadia Transaction. Professional service fees related to the Leucadia Transaction were incorrectly accrued in the quarter ended February 28, 2013, and not on March 1, 2013 when the transaction was completed. This had the effect of understating net earnings before income taxes by approximately $8.5 million for the three month period ended February 28, 2013 and, accordingly, we have increased first quarter net earnings before income taxes to $139.5 million as presented in this table. We do not believe these adjustments are material to our financial statements for any previously reported period.

(Back To Top)

Section 3: EX-23.1 (EX-23.1)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3ASR (Nos. 333-187653, 333-181596, 333-160214, and 333-130325) and Form S-3 (No. 333-107032) of our reports dated January 28, 2015 relating to the financial statements and the effectiveness of internal control over financial reporting of Jefferies Group LLC, and the financial statements of Jefferies Group, Inc., which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
New York, New York
January 28, 2015

(Back To Top)

Section 4: EX-23.2 (EX-23.2)

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements on Form S-8 (Nos. 333-169377, 333-51494, and 333-143770), Form S-3 (No. 333-169379) and Form S-4 (No. 333-

185318) of our report dated January 28, 2013 (January 28, 2014 as to the effects discussed in Note 1–Immaterial Prior Year Adjustments included in the Annual Report on Form 10-K of Jefferies Group LLC and its subsidiaries for the year ended November 30, 2013) relating to the consolidated financial statements of Jefferies Group LLC (formerly Jefferies Group, Inc.) appearing in the Annual Report on Form 10-K of Jefferies Group LLC and its subsidiaries for the year ended November 30, 2014.

/s/ DELOITTE & TOUCHE LLP

New York, New York
January 28, 2015
(Back To Top)

Section 5: EX-23.3 (EX-23.3)

Exhibit 23.3

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statements on Form S-8 (Nos. 333-169377, 333-51494, and 333-143770), Form S-3 (No. 333-169379) and Form S-4 (No. 333-185318) of our report dated January 28, 2015 relating to the consolidated financial statements of Jefferies Finance LLC and Subsidiaries appearing in the Annual Report on Form 10-K of Jefferies Group LLC and its subsidiaries for the year ended November 30, 2014.

/s/ DELOITTE & TOUCHE LLP

New York, New York
January 28, 2015
(Back To Top)

Section 6: EX-31.1 (EX-31.1)

Exhibit 31.1

RULE 13a-14(a)/15d-14(a)
CERTIFICATION BY CHIEF FINANCIAL OFFICER

I, Peregrine C. Broadbent, certify that:

1. I have reviewed this annual report on Form 10-K of Jefferies Group LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 28, 2015

By: /s/ Peregrine C. Broadbent
Peregrine C. Broadbent
Chief Financial Officer

(Back To Top)

Section 7: EX-31.2 (EX-31.2)

Exhibit 31.2

RULE 13a-14(a)/15d-14(a)
CERTIFICATION BY CHIEF EXECUTIVE OFFICER

I, Richard B. Handler, certify that:

1. I have reviewed this annual report on Form 10-K of Jefferies Group LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 28, 2015

By: /s/ Richard B. Handler
Richard B. Handler
Chief Executive Officer

(Back To Top)

Section 8: EX-32 (EX-32)

Exhibit 32

Rule 13a-14(b)/15d-14(b) and Section 1350 of Title 18 U.S.C.
CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

I, Richard B. Handler, Chief Executive Officer, and I, Peregrine C. Broadbent, Chief Financial Officer, of Jefferies Group LLC, a Delaware limited liability company (the "Company"), each hereby certifies, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Company's periodic report on Form 10-K for the year ended November 30, 2014 (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

CHIEF EXECUTIVE OFFICER

/s/ Richard B. Handler
Richard B. Handler

Date: January 28, 2015

CHIEF FINANCIAL OFFICER

/s/ Peregrine C. Broadbent
Peregrine C. Broadbent

Date: January 28, 2015

A signed original of this written statement has been provided to Jefferies Group LLC and will be retained by Jefferies Group LLC and furnished to the Securities and Exchange Commission or its staff upon request.

(Back To Top)

Toggle SGML Header (+)

Section 1: 10-K (10-K)

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended November 30, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________

Commission file number 1-14947

JEFFERIES GROUP LLC

(Exact name of registrant as specified in its charter)

Delaware	**95-4719745**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
520 Madison Avenue, New York, New York	**10022**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (212) 284-2550

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	**Name of each exchange on which registered:**
5.125% Senior Notes Due 2023	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: Limited Liability Company Interests

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $0 as of May 31, 2015.

The Registrant is a wholly-owned subsidiary of Leucadia National Corporation and meets the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with a reduced disclosure format as permitted by Instruction I(2).

JEFFERIES GROUP LLC
INDEX TO QUARTERLY REPORT ON FORM 10-K
November 30, 2015

PART I.

Item 1. Business	3
Item 1A. Risk Factors	7
Item 1B. Unresolved Staff Comments	11
Item 2. Properties	11
Item 3. Legal Proceedings	12
Item 4. Mine Safety Disclosures	12

PART II. FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases Equity Securities	13
Item 6. Selected Financial Data	13
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	13
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	49
Item 8. Financial Statements and Supplementary Data	
Index to Consolidated Financial Statements	50
Management's Report on Internal Control Over Financial Reporting	51
Report of Independent Registered Public Accounting Firm	52
Consolidated Statements of Financial Condition	54
Consolidated Statements of Earnings	55
Consolidated Statements of Comprehensive Income	56
Consolidated Statements of Changes in Equity	57
Consolidated Statements of Cash Flows	58
Notes to Consolidated Financial Statements	60
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	134
Item 9A. Controls and Procedures	134
Item 9B. Other Information	134

PART III. OTHER INFORMATION

Item 10. Directors, Executive Officers and Corporate Governance	135
Item 11. Executive Compensation	135
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	135
Item 13. Certain Relationships and Related Transactions, and Director Independence	135
Item 14. Principal Accountant Fees and Services	135

PART IV. EXHIBTS AND SIGNATURES

Item 15. Exhibits and Financial Statement Schedules	**136**
Signatures	**138**

PART I

Item 1. Business.

Introduction

Jefferies Group LLC and its subsidiaries operate as a global full service, integrated securities and investment banking firm. Our largest operating subsidiary, Jefferies LLC ("Jefferies"), was founded in the U.S. in 1962 and our first international operating subsidiary, Jefferies International Limited ("Jefferies Europe"), was established in the U.K. in 1986. On March 1, 2013, we converted into a limited liability company (renamed Jefferies Group LLC) and became an indirect wholly owned subsidiary of Leucadia National Corporation ("Leucadia") (referred to herein as the "Leucadia Transaction"). Richard Handler, our Chief Executive Officer and Chairman, is Leucadia's Chief Executive Officer and Brian P. Friedman, our Chairman of the Executive Committee, is Leucadia's President. Messrs. Handler and Friedman are also Leucadia Directors. We are an SEC reporting company and retain a credit rating separate from Leucadia.

At November 30, 2015, we had approximately 3,550 employees in the Americas, Europe, Asia and the Middle East. Our global headquarters and executive offices are located at 520 Madison Avenue, New York, New York 10022. We also have regional headquarters in London and Hong Kong. Our primary telephone number is (212) 284-2550 and our Internet address is jefferies.com.

The following documents and reports are available on our public website:

- Earnings Releases and Other Public Announcements
- Annual and interim reports on Form 10-K;
- Quarterly reports on Form 10-Q;
- Current reports on Form 8-K;
- Code of Ethics;
- Reportable waivers, if any, from our Code of Ethics by our executive officers;
- Board of Directors Corporate Governance Guidelines;
- Charter of the Corporate Governance and Nominating Committee of the Board of Directors;
- Charter of the Compensation Committee of the Board of Directors;
- Charter of the Audit Committee of the Board of Directors; and
- Any amendments to the above-mentioned documents and reports.

We expect to use our website as our main form of communication of significant news. We encourage you to visit our website for additional information. In addition, you may also obtain a printed copy of any of the above documents or reports by sending a request to Investor Relations, Jefferies Group LLC, 520 Madison Avenue, New York, NY 10022, by calling 203-708-5975 or by sending an email to info@jefferies.com.

Business Segments

We currently operate in two business segments, Capital Markets and Asset Management. Our Capital Markets reportable segment, which principally represents our entire business, consists of our securities trading and investment banking activities. The Capital Markets reportable segment provides the sales, trading and/or origination and execution effort for various equity, fixed income, futures, foreign exchange and advisory products and services. The Asset Management segment includes asset management activities and related services.

Financial information regarding our reportable business segments at November 30, 2015, November 30, 2014 and November 30, 2013 is set forth in Note 22, Segment Reporting, in this Annual Report on Form 10-K.

Our Businesses

Capital Markets

Our Capital Markets segment focuses on Equities, Fixed Income and Investment Banking. We primarily serve institutional investors, corporations and government entities.

Equities

Equities Research, Sales and Trading

We provide our clients full-service equities research, sales and trading capabilities across global securities markets. We earn commissions or spread revenue by executing, settling and clearing transactions for clients across these markets in equity and equity-related products, including common stock, American depository receipts, global depository receipts, exchange traded funds, exchange-traded and over-the-counter ("OTC") equity derivatives, convertible and other equity-linked products and closed-end funds. Our equity research, sales and trading efforts are organized across three geographical regions: the Americas; Europe, the Middle East and Africa ("EMEA"); and Asia Pacific. Our main product lines within the regions are cash equities, electronic trading, derivatives and convertibles. Our clients are primarily institutional market participants such as mutual funds, hedge funds, investment advisors, pension and profit sharing plans and insurance companies. Through our global research team and sales force, we maintain relationships with our clients, distribute investment research and strategy, trading ideas, market information and analyses across a range of industries and receive and execute client orders. Our equity research covers over 2,000 companies around the world and a further nearly 700 companies are covered by eight leading local firms in Asia Pacific with whom we maintain alliances.

Equity Finance

Our Equity Finance business provides financing, securities lending and other prime brokerage services. We offer prime brokerage services in the U.S. that provide hedge funds, money managers and registered investment advisors with execution, financing, clearing, reporting and administrative services. We finance our clients' securities positions through margin loans that are collateralized by securities, cash or other acceptable liquid collateral. We earn an interest spread equal to the difference between the amount we pay for funds and the amount we receive from our clients. We also operate a matched book in equity and corporate bond securities, whereby we borrow and lend securities versus cash or liquid collateral and earn a net interest spread. We offer selected prime brokerage clients with the option of custodying their assets at an unaffiliated U.S. broker-dealer that is a subsidiary of a bank holding company. Under this arrangement, we provide our clients directly with all customary prime brokerage services.

Wealth Management

We provide tailored wealth management services designed to meet the needs of high net worth individuals, their families and their businesses, private equity and venture funds and small institutions. Our advisors provide access to all of our institutional execution capabilities and deliver other financial services. Our open architecture platform affords clients access to products and services from both our firm and from a variety of other major financial services institutions.

Fixed Income

Fixed Income Sales and Trading

We provide our clients with sales and trading of investment grade corporate bonds, U.S. and European government and agency securities, municipal bonds, mortgage- and asset-backed securities, leveraged loans, high yield and distressed securities, emerging markets debt and derivative products. Jefferies is designated as a Primary Dealer by the Federal Reserve Bank of New York and Jefferies International Limited is designated in similar capacities for several countries in Europe and trades a broad spectrum of other European government bonds. Additionally, through the use of repurchase agreements, we act as an intermediary between borrowers and lenders of short-term funds and obtain funding for various of our inventory positions. We trade and make markets globally in cleared and uncleared swaps and forwards referencing, among other things, interest rates, investment grade and non-investment grade corporate credits, credit indexes and asset-backed security indexes.

Our strategists and economists provide ongoing commentary and analysis of the global fixed income markets. In addition, our fixed income desk analysts provide ideas and analysis across a variety of fixed income products.

Futures and Foreign Exchange

In April 2015 we entered into a definitive agreement to transfer most of our futures activities to Société Générale S.A. That transaction closed in the second quarter of 2015. As of the end of 2015, our futures business consists solely of executing certain customer and proprietary futures orders.

We also offer trade execution in foreign exchange spot, forward, swap and option contracts across major currencies.

Investment Banking

We provide our clients around the world with a full range of equity capital markets, debt capital markets and financial advisory services. Our services are enhanced by our industry sector expertise, our global distribution capabilities and our senior level commitment to our clients.

Approximately 750 investment banking professionals operate in the Americas, Europe and Asia, and are organized into industry, product and geographic coverage groups. Our sector coverage groups include Consumer & Retailing; Financial Institutions; Industrials; Healthcare; Energy; Real Estate, Gaming & Lodging; Media & Telecommunications; Technology; Financial Sponsors and State & Local Governments. Our product coverage groups include equity capital markets; debt capital markets; financial advisory, which includes both mergers and acquisitions and restructuring and recapitalization and U.K. corporate broking. Our geographic coverage groups include coverage teams based in major cities in the United States, Canada, Brazil, United Kingdom, France, Germany, Sweden, India, United Arab Emirates, China and Singapore.

Equity Capital Markets

We provide a broad range of equity financing capabilities to companies and financial sponsors. These capabilities include private equity placements, initial public offerings, follow-on offerings, block trades and equity-linked convertible securities transactions.

Debt Capital Markets

We provide a wide range of debt financing capabilities for companies, financial sponsors and government entities. We focus on structuring, underwriting and distributing public and private debt, including investment grade and non-investment grade corporate debt, leveraged loans, mortgage and other asset-backed securities, and liability management solutions.

Advisory Services

We provide mergers and acquisition and restructuring and recapitalization services to companies, financial sponsors and government entities. In the mergers and acquisition area, we advise sellers and buyers on corporate sales and divestitures, acquisitions, mergers, tender offers, spinoffs, joint ventures, strategic alliances and takeover and proxy fight defense. We also provide a broad range of acquisition financing capabilities to assist our clients. In the restructuring and recapitalization area, we provide to companies, bondholders and lenders a full range of restructuring advisory capabilities as well as expertise in the structuring, valuation and placement of securities issued in recapitalizations.

Asset Management

We provide investment management services to pension funds, insurance companies and other institutional investors. Our primary asset management programs are strategic investment, special situation and global macro strategies. We partner with Leucadia’s asset management business in providing asset management services.

Our strategic investment programs are systematic, multi-strategy, multi-asset class programs with the objective of generating a steady stream of absolute returns irrespective of the direction of major market indices or phase of the economic cycle. These strategies are provided through both long-short equity private funds and separately managed accounts. Our special situation programs consist of managed account and hedge fund offerings that employ event driven strategies evaluating corporate events, including mergers and restructuring for investment opportunities.

Our global macro programs consist of managed account and hedge fund offerings and are designed to profit from deep-rooted global macroeconomic trends.

Leucadia has made investments in certain managed accounts and funds managed by these programs and, accordingly, a portion of the net results are allocated to Leucadia.

Competition

All aspects of our business are intensely competitive. We compete primarily with large global bank holding companies that engage in capital markets activities, but also with firms listed in the AMEX Securities Broker/Dealer Index, other brokers and dealers, and boutique investment banking firms. The large global bank holding companies have substantially greater capital and resources than we do. We believe that the principal factors affecting our competitive standing include the quality, experience and skills of our professionals, the depth of our relationships, the breadth of our service offerings, our ability to deliver consistently our integrated capabilities, and our tenacity and commitment to serve our clients.

Regulation

Regulation in the United States. The financial services industry in which we operate is subject to extensive regulation. In the U.S., the Securities and Exchange Commission ("SEC") is the federal agency responsible for the administration of federal securities laws, and the Commodity Futures Trading Commission ("CFTC") is the federal agency responsible for the administration of laws relating to commodity interests (including futures and swaps). In addition, self-regulatory organizations, principally Financial Industry Regulatory Authority ("FINRA") and the National Futures Association ("NFA"), are actively involved in the regulation of financial services businesses. The SEC, CFTC and self-regulatory organizations conduct periodic examinations of broker-dealers, investment advisers, futures commission merchants ("FCMs") and swap dealers. The applicable self-regulatory authority for Jefferies' activities as a broker-dealer is FINRA, and the applicable self-regulatory authority for Jefferies' FCM activities is the National Futures Association ("NFA"). Financial services businesses are also subject to regulation by state securities commissions and attorneys general in those states in which they do business.

Broker-dealers are subject to SEC and FINRA regulations that cover all aspects of the securities business, including sales and trading methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure of securities firms, anti-money laundering efforts, recordkeeping and the conduct of directors, officers and employees. Registered advisors are subject to, among other requirements, SEC regulations concerning marketing, transactions with affiliates, disclosure to clients, and recordkeeping; and advisors that are also registered as commodity trading advisors or commodity pool operators are also subject to regulation by the CFTC and the NFA. FCMs, introducing brokers and swap dealers that engage in commodities, futures or swap transactions are subject to regulation by the CFTC and the NFA. Additional legislation, changes in rules promulgated by the SEC, CFTC and self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules may directly affect the operations and profitability of broker-dealers, investment advisers, FCMs and swap dealers. The SEC, the CFTC and self-regulatory organizations, state securities commissions and state attorneys general may conduct administrative proceedings or initiate civil litigation that can result in censure, fine, suspension, expulsion of a firm, its officers or employees, or revocation of a firm's licenses.

Net Capital Requirements. U.S. registered broker-dealers are subject to the SEC's Uniform Net Capital Rule (the "Net Capital Rule"), which specifies minimum net capital requirements. Jefferies Group LLC is not a registered broker-dealer and is therefore not subject to the Net Capital Rule; however, its U.S. broker-dealer subsidiaries, Jefferies and Jefferies Execution Services, Inc. ("Jefferies Execution"), are registered broker-dealers and are subject to the Net Capital Rule. Jefferies and Jefferies Execution have elected to compute their minimum net capital requirement in accordance with the "Alternative Net Capital Requirement" as permitted by the Net Capital Rule, which provides that a broker-dealer shall not permit its net capital, as defined, to be less than the greater of 2% of its aggregate debit balances (primarily customer-related receivables) or $250,000 ($1.5 million for prime brokers). Compliance with the Net Capital Rule could limit operations of our broker-dealers, such as underwriting and trading activities, that require the use of significant amounts of capital, and may also restrict their ability to make loans, advances, dividends and other payments.

U.S. registered FCMs are subject to the CFTC's minimum financial requirements for futures commission merchants and introducing brokers. Jefferies Group LLC is not a registered FCM or a registered Introducing Broker, and is therefore not subject to the CFTC's minimum financial requirements; however, Jefferies is registered as an FCM and is therefore subject to the minimum financial requirements. Under the minimum financial requirements, an FCM must maintain adjusted net capital equal to or in excess of the greater of (A) $1,000,000 or (B) the FCM's risk-based capital requirements totaling (1) eight percent of the total risk margin requirement for positions carried by the FCM in customer accounts, plus (2) eight percent of the total risk margin requirement for positions carried by the FCM in noncustomer accounts. An FCM's ability to make capital and certain other distributions is subject to the rules and regulations of various exchanges, clearing organizations and other regulatory agencies which may have capital requirements that are greater than the CFTC's. Jefferies, as a dually registered broker-dealer and FCM, is required to maintain net capital in excess of the greater of the SEC or CFTC minimum financial requirements.

During October 2015, Jefferies ceased being a full-service FCM. As a result, Jefferies no longer carries customer or proprietary accounts or holds any customer monies or funds. While Jefferies may execute certain customer orders, it no longer clears such transactions.

Our subsidiaries that are registered swap dealers will become subject to capital requirements under the Dodd-Frank Act once they become final. For additional information see Item 1A. Risk Factors - "Recent legislation and new and pending regulation may significantly affect our business."

See Net Capital within Item 7. Management's Discussion and Analysis and Note 21, Net Capital Requirements in this Annual Report on Form 10-K for additional discussion of net capital calculations.

Regulation outside the United States. We are an active participant in the international capital markets and provide investment banking services internationally, primarily in Europe and Asia. As is true in the U.S., our subsidiaries are subject to extensive regulations promulgated and enforced by, among other regulatory bodies, the U.K. Financial Conduct Authority, the Hong Kong Securities and Futures Commission, the Japan Financial Services Agency and the Monetary Authority of Singapore. Every country in which we do business imposes upon us laws, rules and regulations similar to those in the U.S., including with respect to some form of capital adequacy rules, customer protection rules, anti-money laundering and anti-bribery rules, compliance with other applicable trading and investment banking regulations and similar regulatory reform. For additional information see Item 1A. Risk Factors - "Extensive international regulation of our business limits our activities, and, if we violate these regulations, we may be subject to significant penalties."

Item 1A. Risk Factors.

Factors Affecting 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 specific factors mentioned in this report, we may also be affected by other factors that affect businesses generally such as global or regional changes in economic or business conditions, acts of war, terrorism and natural disasters.

Recent legislation and new and pending regulation may significantly affect our business.

In recent years, there has been significant legislation and increased regulation affecting the financial services industry. These legislative and regulatory initiatives affect not only us, but also our competitors and certain of our clients. These changes could have an effect on our revenue and profitability, limit our ability to pursue certain business opportunities, impact the value of assets that we hold, require us to change certain business practices, impose additional costs on us and otherwise adversely affect our business. Accordingly, we cannot provide assurance that legislation and regulation will not eventually have an adverse effect on our business, results of operations, cash flows and financial condition.

Title VII of the Dodd-Frank Act and the rules and regulations adopted and to be adopted by the SEC and CFTC introduce a comprehensive regulatory regime for swaps and security-based swaps and parties that deal in such swaps and security-based swaps. Three of our subsidiaries as registered as swap dealers with the CFTC and are members of the NFA. We may also register one or more subsidiaries as security-based swap dealers with the SEC. The new laws and regulations subject certain swaps and security-based swaps to clearing and exchange trading requirements and subject swap dealers and security-based swap dealers to significant new burdens, including (i) capital and margin requirements, (ii) reporting, recordkeeping and internal business conduct requirements, (iii) external business conduct requirements in dealings with swap counterparties (which are particularly onerous when the counterparty is a special entity such as a federal, state, or municipal entity, an ERISA plan, a government employee benefit plan or an endowment), and (iv) large trader position reporting and certain position limit requirements. The final rules under Title VII, including those rules that have already been adopted, for both cleared and uncleared swap transactions will impose increased capital and margin requirements on our registered entities and require additional operational and compliance costs and resources that will likely affect our business.

Section 619 of the Dodd-Frank Act (Volcker Rule) limits certain proprietary trading by banking entities such as banks, bank holding companies and similar institutions. Although we are not a banking entity and are not otherwise subject to these rules, some of our clients and many of our counterparties are banks or entities affiliated with banks and are subject to these restrictions. These sections of the Dodd-Frank Act and the regulations that are adopted to implement them could negatively affect the swaps and securities markets by reducing their depth and liquidity and thereby affect pricing in these markets. Other negative effects could result from an expansive extraterritorial application of the Dodd-Frank Act in general or the Volcker Rule in particular and/or insufficient international coordination with respect to adoption of rules for derivatives and other financial reforms in other jurisdictions.

Extensive international regulation of our business limits our activities, and, if we violate these regulations, we may be subject to significant penalties.

The financial services industry is subject to extensive laws, rules and regulations in every country in which we operate. Firms that engage in securities and derivatives trading, wealth and asset management and investment banking must comply with the laws, rules and regulations imposed by national and state governments and regulatory and self-regulatory bodies with jurisdiction over such activities. Such laws, rules and regulations cover all aspects of the financial services business, including, but not limited to, sales and trading methods, trade practices, use and safekeeping of customers' funds and securities, capital structure, anti-money laundering and anti-bribery and corruption efforts, recordkeeping and the conduct of directors, officers and employees.

Each of our regulators supervises our business activities to monitor compliance with such laws, rules and regulations in the relevant jurisdiction. In addition, if there are instances in which our regulators question our compliance with laws, rules, and regulations, they may investigate the facts and circumstances to determine whether we have complied. At any moment in time, we may be subject to one or more such investigation or similar reviews. At this time, all such investigations and similar reviews are insignificant in scope and immaterial to us. However, there can be no assurance that, in the future, the operations of our businesses will not violate such laws, rules, or regulations and such investigations and similar reviews will not result in adverse regulatory requirements, regulatory enforcement actions and/or fines.

The European Market Infrastructure Regulation ("EMIR") was enacted in August 2012 and, in common with the Dodd-Frank Act in the U.S., is intended, among other things, to reduce counterparty risk by requiring standardized over-the-counter derivatives be cleared through a central counterparty and reported to registered trade repositories. EMIR is being introduced in phases in the U.K., with implementation of additional requirements expected through 2019. The EU finalized the Markets in Financial Instruments Regulation and a revision of the Market in Financial Instruments Directive, both of which are expected to become effective in January 2018. These give effect to the G-20 commitments, including new market structure-related, reporting, investor protection-related and organizational requirements, requirements on pre- and post-trade transparency, requirements to use certain venues when trading financial instruments (which includes certain derivative instruments), requirements affecting the way investment managers can obtain research, powers of regulators to impose position limits and provisions on regulatory sanctions. The European Commission's changes to the Capital Requirements Directive ("CRD") comprising CRD IV and the Capital Requirements Regulation ("CRR") became effective January 1, 2014 implementing Basel III in the UK and imposing higher requirements around capital quality and liquidity monitoring. The EU is also currently considering or executing upon significant revisions to law covering: resolution of banks, investment firms and market infrastructure; administration of financial benchmarks; credit rating activities; anti-money-laundering controls; data security and privacy; remuneration principles and proportionality; disclosures under the Basel regime aiming to increase market transparency and consistency; and corporate governance in financial firms.

Additional legislation, changes in rules, changes in the interpretation or enforcement of existing laws and rules, or the entering into businesses that subject us to new rules and regulations may directly affect our business, results of operations and financial condition. We continue to monitor the impact of new European regulation on our businesses.

Changing conditions in financial markets and the economy could result in decreased revenues, losses or other adverse consequences.

As a global securities and investment banking firm, global or regional changes in the financial markets or economic conditions could adversely affect our business in many ways, including the following:

- A market downturn could lead to a decline in the volume of transactions executed for customers and, therefore, to a decline in the revenues we receive from commissions and spreads.
- Unfavorable financial or economic conditions could reduce the number and size of transactions in which we provide underwriting, financial advisory and other services. Our investment banking revenues, in the form of financial advisory and sales and trading or placement fees, are directly related to the number and size of the transactions in which we participate and could therefore be adversely affected by unfavorable financial or economic conditions.
- Adverse changes in the market could lead to losses from principal transactions on our inventory positions.
- Adverse changes in the market could also lead to a reduction in revenues from asset management fees and investment income from managed funds and losses on our own capital invested in managed funds. Even in the absence of a market downturn, below-market investment performance by our funds and portfolio managers could reduce asset management revenues and assets under management and result in reputational damage that might make it more difficult to attract new investors.
- Limitations on the availability of credit, such as occurred during 2008, can affect our ability to borrow on a secured or unsecured basis, which may adversely affect our liquidity and results of operations. Global market and economic conditions have been particularly disrupted and volatile in the last several years and may be in the future. Our cost and availability of funding could be affected by illiquid credit markets and wider credit spreads.
- New or increased taxes on compensation payments such as bonuses or on balance sheet items may adversely affect our profits.
- Should one of our customers or competitors fail, our business prospects and revenue could be negatively impacted due to negative market sentiment causing customers to cease doing business with us and our lenders to cease loaning us money, which could adversely affect our business, funding and liquidity.

Unfounded allegations about us could result in extreme price volatility and price declines in our securities and loss of revenue, clients, and employees.

Our reputation and business activity can be affected by statements and actions of third parties, even false or misleading statements by them. While we have been able to dispel such rumors in the past, our debt-securities prices suffered not only extreme volatility but also record high yields. In addition, our operations in the past have been impacted as some clients either ceased doing business or temporarily slowed down the level of business they do, thereby decreasing our revenue stream. Although we were able to reverse the negative impact of such unfounded allegations and false rumors, there is no assurance that we will be able to do so successfully in the future and our potential failure to do so could have a material adverse effect on our business, financial condition and liquidity.

A credit-rating agency downgrade could significantly impact our business.

Maintaining an investment grade credit rating is important to our business and financial condition. We intend to access the capital markets and issue debt securities from time to time; and a decrease in our credit rating would not only increase our borrowing costs, but could also decrease demand for our debt securities and make a successful financing more difficult. In addition, in connection with certain over-the-counter derivative contract arrangements and certain other trading arrangements, we may be required to provide additional collateral to counterparties, exchanges and clearing organizations in the event of a credit rating downgrade. Such a downgrade could also negatively impact our debt-securities prices. There can be no assurance that our credit ratings will not be downgraded.

Our principal trading and investments expose us to risk of loss.

A considerable portion of our revenues is derived from trading in which we act as principal. We may incur trading losses relating to the purchase, sale or short sale of fixed income, high yield, international, convertible, and equity securities and futures and commodities for our own account. In any period, we may experience losses on our inventory positions as a result of the level and volatility of equity, fixed income and commodity prices (including oil prices), lack of trading volume and illiquidity. From time to time, we may engage in a large block trade in a single security or maintain large position concentrations in a single security, securities of a single issuer, securities of issuers engaged in a specific industry, or securities from issuers located in a particular country or region. In general, because our inventory is marked to market on a daily basis, any adverse price movement in these securities could result in a reduction of our revenues and profits. In addition, we may engage in hedging transactions that if not successful, could result in losses.

We may incur losses if our risk management is not effective.

We seek to monitor and control our risk exposure. Our risk management processes and procedures are designed to limit our exposure to acceptable levels as we conduct our business. We apply a comprehensive framework of limits on a variety of key metrics to constrain the risk profile of our business activities. The size of the limit reflects our risk tolerance for a certain activity. Our framework includes inventory position and exposure limits on a gross and net basis, scenario analysis and stress tests, value-at-risk, sensitivities, exposure concentrations, aged inventory, amount of Level 3 assets, counterparty exposure, leverage, cash capital, and performance analysis. While we employ various risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application, including risk tolerance determinations, cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. As a result, we may incur losses notwithstanding our risk management processes and procedures.

As a holding company, we are dependent for liquidity from payments from our subsidiaries, many of which are subject to restrictions.

As a holding company, we depend on dividends, distributions and other payments from our subsidiaries to fund payments on our obligations, including debt obligations. Many of our subsidiaries, including our broker-dealer subsidiaries, are subject to regulation that restrict dividend payments or reduce the availability of the flow of funds from those subsidiaries to us. In addition, our broker-dealer subsidiaries are subject to restrictions on their ability to lend or transact with affiliates and to minimum regulatory capital requirements.

Increased competition may adversely affect our revenues, profitability and staffing.

All aspects of our business are intensely competitive. We compete directly with a number of bank holding companies and commercial banks, other brokers and dealers, investment banking firms and other financial institutions. In addition to competition from firms currently in the securities business, there has been increasing competition from others offering financial services, including automated trading and other services based on technological innovations. We believe that the principal factors affecting competition involve market focus, reputation, the abilities of professional personnel, the ability to execute the transaction, relative price of the service and products being offered, bundling of products and services and the quality of service. Increased competition or an adverse change in our competitive position could lead to a reduction of business and therefore a reduction of revenues and profits.

Competition also extends to the hiring and retention of highly skilled employees. A competitor may be successful in hiring away employees, which may result in our losing business formerly serviced by such employees. Competition can also raise our costs of hiring and retaining the employees we need to effectively operate our business.

Operational risks may disrupt our business, result in regulatory action against us or limit our growth.

Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies, and the transactions we process have become increasingly complex. If any of our financial, accounting or other data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer an impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage. These systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

Certain of our financial and other data processing systems rely on access to and the functionality of operating systems maintained by third parties. If the accounting, trading or other data processing systems on which we are dependent are unable to meet increasingly demanding standards for processing and security or, if they fail or have other significant shortcomings, we could be adversely affected. Such consequences may include our inability to effect transactions and manage our exposure to risk.

In addition, despite the contingency plans we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with which we conduct business.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and devote significant resources to maintaining and upgrading our systems and networks with measures such as intrusion and detection prevention systems, monitoring firewall to safeguard critical business applications and supervising third party providers that have access to our systems, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, and other events that could have a security impact. Additionally, if a client's computer system, network or other technology is compromised by unauthorized access, we may face losses or other adverse consequences by unknowingly entering into unauthorized transactions. If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks. Furthermore, such events may cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations, including the transmission and execution of unauthorized transactions. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. The increased use of smartphones, tablets and other mobile devices as well as cloud computing may also heighten these and other operational risks. Similar to other firms, we and our third party providers continue to be the subject of attempted unauthorized access, computer viruses and malware, and cyber attacks designed to disrupt of degrade service or cause other damage and denial of service. Additional challenges are posed by external parties, including foreign state actors. There can be no assurance that such unauthorized access or cyber incidents will not occur in the future, and they could occur more frequently and on a larger scale.

We face numerous risks and uncertainties as we expand our business.

We expect the growth of our business to come primarily from internal expansion and through acquisitions and strategic partnering. As we expand our business, there can be no assurance that our financial controls, the level and knowledge of our personnel, our operational abilities, our legal and compliance controls and our other corporate support systems will be adequate to manage our business and our growth. The ineffectiveness of any of these controls or systems could adversely affect our business and prospects. In addition, as we acquire new businesses and introduce new products, we face numerous risks and uncertainties integrating their controls and systems into ours, including financial controls, accounting and data processing systems, management controls and other operations. A failure to integrate these systems and controls, and even an inefficient integration of these systems and controls, could adversely affect our business and prospects.

Certain business initiatives, including expansions of existing businesses, may bring us into contact directly or indirectly, with individuals and entities that are not within our traditional client and counterparty base and may expose us to new asset classes and new markets. These business activities expose us to new and enhanced risks, greater regulatory scrutiny of these activities, increased credit-related, sovereign and operational risks, and reputational concerns regarding the manner in which these assets are being operated or held.

Our international operations subject us to numerous risks which could adversely impact our business in many ways.

Our business and operations are expanding internationally. Wherever we operate, we are subject to legal, regulatory, political, economic and other inherent risks. The laws and regulations applicable to the securities and investment banking industries differ in each country. Our inability to remain in compliance with applicable laws and regulations in a particular country could have a significant and negative effect on our business and prospects in that country as well as in other countries. A political, economic or financial disruption in a country or region could adversely impact our business and increase volatility in financial markets generally.

Legal liability may harm our business.

Many aspects of our business involve substantial risks of liability, and in the normal course of business, we have been named as a defendant or codefendant in lawsuits involving primarily claims for damages. The risks associated with potential legal liabilities often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. The expansion of our business, including increases in the number and size of investment banking transactions and our expansion into new areas impose greater risks of liability. In addition, unauthorized or illegal acts of our employees could result in substantial liability to us. Substantial legal liability could have a material adverse financial effect or cause us significant reputational harm, which in turn could seriously harm our business and our prospects.

Our business is subject to significant credit risk.

In the normal course of our businesses, we are involved in the execution, settlement and financing of various customer and principal securities and derivative transactions. These activities are transacted on a cash, margin or delivery-versus-payment basis and are subject to the risk of counterparty or customer nonperformance. Although transactions are generally collateralized by the underlying security or other securities, we still face the risks associated with changes in the market value of the collateral through settlement date or during the time when margin is extended and the risk of counterparty nonperformance to the extent collateral has not been secured or the counterparty defaults before collateral or margin can be adjusted. We may also incur credit risk in our derivative transactions to the extent such transactions result in uncollateralized credit exposure to our counterparties.

We seek to control the risk associated with these transactions by establishing and monitoring credit limits and by monitoring collateral and transaction levels daily. We may require counterparties to deposit additional collateral or return collateral pledged. In the case of aged securities failed to receive, we may, under industry regulations, purchase the underlying securities in the market and seek reimbursement for any losses from the counterparty. However, there can be no assurances that our risk controls will be successful.

Derivative transactions may expose us to unexpected risk and potential losses.

We are party to a number of derivative transactions that require us to deliver to the counterparty the underlying security, loan or other obligation in order to receive payment. In a number of cases, we do not hold the underlying security, loan or other obligation and may have difficulty obtaining, or be unable to obtain, the underlying security, loan or other obligation through the physical settlement of other transactions. As a result, we are subject to the risk that we may not be able to obtain the security, loan or other obligation within the required contractual time frame for delivery. This could cause us to forfeit the payments due to us under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs to the firm.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We maintain offices in over 30 cities throughout the world including, in the United States, New York, Charlotte, Chicago, Boston, Houston, Los Angeles, San Francisco, Stamford, and Jersey City, and internationally, London, Frankfurt, Milan, Paris, Zurich, Dubai, Hong Kong, Singapore, Tokyo and Mumbai. In addition, we maintain backup data center facilities with redundant technologies for each of our three main data center hubs in Jersey City, London and Hong Kong. We lease all of our office space, or contract via service arrangement, which management believes is adequate for our business.

Item 3. Legal Proceedings.

Many aspects of our business involve substantial risks of legal and regulatory liability. In the normal course of business, we have been named as defendants or co-defendants in lawsuits involving primarily claims for damages. We are also involved in a number of regulatory matters, including exams, investigations and similar reviews, arising out of the conduct of our business. Based on currently available information, we do not believe that any pending matter will have a material adverse effect on our financial condition.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Prior to the Leucadia Transaction, our common stock was traded on the NYSE under the symbol JEF. On March 1, 2013, all of our outstanding common shares were exchanged for shares of Leucadia, our common stock was delisted and there is no longer a public trading market for our common stock. Our ability to pay distributions to Leucadia is subject to the restrictions set forth in the governing provisions of the Delaware Limited Liability Company Act. We do not currently anticipate making distributions.

Dividends per Common Share (declared) were as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2015	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A
2013	$ 0.075	N/A	N/A	N/A

Item 6. Selected Financial Data.

Omitted pursuant to general instruction I(2)(a) to Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report contains or incorporates 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 results, 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. It is possible that the actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Information regarding important factors that could cause actual results to differ, perhaps materially, from those in our forward looking statements is contained in this report and other documents we file. You should read and interpret any forward looking statement together with these documents, including the following:

- the description of our business contained in this report under the caption "Business";
- the risk factors contained in this report under the caption "Risk Factors";
- the discussion of our analysis of financial condition and results of operations contained in this report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein;
- the discussion of our risk management policies, procedures and methodologies contained in this report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" herein;
- the notes to the consolidated financial statements contained in this report; 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, except as required by applicable law.

Consolidated Results of Operations

On March 1, 2013, Jefferies Group, Inc. converted into a limited liability company (renamed Jefferies Group LLC) and became an indirect wholly owned subsidiary of Leucadia National Corporation ("Leucadia") pursuant to an agreement with Leucadia (the "Leucadia Transaction"). Each outstanding share of Jefferies Group LLC was converted into 0.81 of a common share of Leucadia (the "Exchange Ratio"). Jefferies Group LLC operates as a full-service investment banking firm and as the holding company to its various regulated and unregulated operating subsidiaries, retains a credit rating separate from Leucadia and is an SEC reporting company, filing annual, quarterly and periodic financial reports. Richard Handler, our Chief Executive Officer and Chairman, is the Chief Executive Officer of Leucadia, as well as a Director of Leucadia. Brian P. Friedman, our Chairman of the Executive Committee, is Leucadia's President and a Director of Leucadia. (See Note 1, Organization and Basis of Presentation in our consolidated financial statements for further information.)

In Management's Discussion and Analysis of Financial Condition and Results of Operations, we have presented the historical financial results in the tables that follow for the periods before and after the Leucadia Transaction. The period prior to March 1, 2013 is referred to as the Predecessor period, while periods after March 1, 2013 are referred to as Successor periods to reflect the fact that under U.S. generally accepted accounting principles ("U.S. GAAP") Leucadia's cost of acquiring Jefferies Group LLC has been pushed down to create a new accounting basis for Jefferies Group LLC. The Predecessor and Successor periods have been separated by a vertical line to highlight the fact that the financial information for such periods has been prepared under two different cost bases of accounting. Our financial results of operations are discussed separately for the following periods (i) the year ended November 30, 2015 and the year ended November 30, 2014 and the nine months ended November 30, 2013 (the "Successor periods") and (ii) the three months ended February 28, 2013 (the "Predecessor period") The following table provides an overview of our consolidated results of operations (in thousands):

	Successor			Predecessor
	Year Ended November 30, 2015 (1)	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Net revenues, less interest on mandatorily redeemable preferred interests	$ 2,475,241	$ 2,990,138	$ 2,137,313	$ 807,583
Non-interest expenses	2,361,014	2,687,117	1,873,018	668,096
Earnings before income taxes	114,227	303,021	264,295	139,487
Income tax expense	18,898	142,061	94,686	48,645
Net earnings	95,329	160,960	169,609	90,842
Net earnings to noncontrolling interests	1,795	3,400	8,418	10,704
Net earnings attributable to Jefferies Group LLC / common stockholders	93,534	157,560	161,191	80,138
Effective tax rate	16.5%	46.9%	35.8%	34.9%

(1) Our results of operations for the year ended November 30, 2015 as reported in this Annual Report on Form 10-K differ from the results of operations as presented in our Current Report on Form 8-K, dated December 15, 2015 to reflect post-closing adjustments for inventory valuations, increases in legal reserves and accruals of certain expenses. The net impact of these adjustments was to decrease Net earnings attributable to Jefferies Group LLC for the reported period from that previously disclosed by $4.5 million. As a result of these adjustments, Total net revenues decreased by $9,000 from $2,475.250 million to $2,475.241 million and Total Non-interest expenses increased by $7.6 million from $2,353.5 million to $2,361.0 million. The tax effect of these adjustments was to decrease income tax expense by $3.0 million from $21.9 million to $18.9 million.

Executive Summary

Year Ended November 30, 2015

Net revenues, less interest on mandatorily redeemable preferred interests for the year ended November 30, 2015 were $2,475.2 million, primarily reflecting challenging market conditions in fixed income throughout the year, partially offset by increased revenues in equities. Almost all our fixed income credit businesses were impacted by lower levels of liquidity due to the expectations of interest rate increases by the Federal Reserve and deterioration in the global energy and distressed markets. There were a number of periods of extreme volatility, which were followed by periods of low trading volume. The results for the year ended November 30, 2015 reflect within Net revenues positive income of $100.2 million from the amortization of premiums arising from recognizing our long-term debt at fair value as part of the pushdown accounting for the Leucadia Transaction. Results in the year ended November 30, 2015 also include a net gain of $49.1 million from our investment in KCG Holdings, Inc. ("KCG").

Non-interest expenses were $2,361.0 million for the year ended November 30, 2015 and include Compensation and benefits expense of $1,467.1 million recognized commensurate with the level of net revenues for the year. Compensation and benefits expenses as a percentage of Net revenues was 59.3% for the year ended November 30, 2015. Non-interest expenses include $4.1

million in additional lease expense related to recognizing existing leases at their current market value, incremental amortization expense of $14.8 million associated with intangible assets and internally developed software recognized at the Leucadia Transaction date, and $13.3 million of additional amortization expense related to the write-up of the cost of outstanding share-based awards which had future service requirements and was recognized in connection with the Leucadia Transaction.

On April 9, 2015, we entered into an agreement to transfer certain of the client activities of our Jefferies Bache (also referred to as Futures) business to Société Générale S.A. At November 30, 2015, we have transferred all of our client accounts to Société Générale S.A. and other brokers. We substantially completed the exit of the Bache business during the third quarter of fiscal 2015. We expect to incur additional restructuring and exit costs in fiscal 2016 in connection with our exit activities.

Total non-interest expenses, since the agreement on April 9, 2015, include costs of $73.1 million, on a pre-tax basis, related to our exit of the Bache business. The after-tax impact of these costs is $52.6 million. These costs consist primarily of severance, retention and benefit payments for employees, incremental amortization of outstanding restricted stock and cash awards, contract termination costs and incremental amortization expense of capitalized software expected to no longer be used subsequent to the wind-down of the business. Net revenues from this business activity for the year ended November 30, 2015, which are included within our fixed income results, were $80.2 million. This is comprised of commissions, principal transaction revenues and net interest revenues. Expenses directly related to the Bache business, which are included within non-interest expenses, for the year ended November 30, 2015 were $214.8 million. For further information, refer to Note 24, Exit Costs in our consolidated financial statements.

At November 30, 2015, we had 3,557 employees globally, a decrease of 358 employees from our headcount at November 30, 2014 of 3,915. Since November 30, 2014, our headcount has decreased due to headcount reductions related to the exiting of the Bache business and corporate services outsourcing, partially offset by increases across our investment banking, equities and asset management businesses.

Year Ended November 30, 2014

Net revenues for the year ended November 30, 2014 were $2,990.1 million, reflecting record revenues in investment banking, partially offset by lower revenues in fixed income due to challenging market conditions during portions of the year. The results reflected the continued tapering of the U.S. Federal reserve monetary stimulus and global economic pressures, as well as the challenging credit markets, specifically the high yield bond and distressed markets in the fourth quarter of 2014. In addition, our Jefferies Bache business experienced various challenges with respect to its profitability. The results for the year ended November 30, 2014 reflect within Net revenues positive income of $100.6 million from the amortization of premiums arising from recognizing our long-term debt at fair value as part of the pushdown accounting for the Leucadia Transaction and a loss of $14.7 million from our investment in KCG and a gain of $19.9 from our investment in Harbinger Group Inc. (“HRG”), the latter of which we sold to Leucadia in March 2014.

Non-interest expenses were $2,687.1 million for the year ended November 30, 2014 and include Compensation and benefits expense of $1,698.5 million recognized commensurate with the level of net revenues for the year. Compensation and benefits expenses as a percentage of Net revenues was 56.8% for the year ended November 30, 2014. Non-interest expenses include goodwill impairment losses of $54.0 million and impairment losses of $7.8 million on certain intangible assets related to our Jefferies Bache and International Asset Management businesses. In addition, Non-interest expenses include $7.7 million in additional lease expense related to recognizing existing leases at their current market value, incremental amortization expense of $14.2 million associated with intangible assets and internally developed software recognized at the Leucadia Transaction date, and $14.4 million of additional amortization expense related to the write-up of the cost of outstanding share-based awards which had future service requirements and was recognized in connection with the Leucadia Transaction.

Net revenues from the Bache business activity for the year ended November 30, 2014, which are included within our fixed income results, were $202.8 million. This is comprised of commissions, principal transaction revenues and net interest revenues. Expenses directly related to the Bache business, which are included within non-interest expenses, for the year ended November 30, 2014 were $348.2 million. For further information, refer to Note 24, Exit Costs in our consolidated financial statements.

At November 30, 2014, we had 3,915 employees globally, an increase of 118 employees from our headcount of 3,797 at November 30, 2013.

Nine Months Ended November 30, 2013

Net revenues, less mandatorily redeemable preferred interests, for the nine months ended November 30, 2013 were $2,137.3 million reflecting a challenging environment for our fixed income businesses during portions of the period, partially offset by strong results in equities and investment banking. The results for the nine month period reflect within Net revenues positive income of $73.8 million, representing the amortization of premiums arising from recognizing our long-term debt at fair value as part of the pushdown accounting for the Leucadia Transaction and gains of $89.3 million in aggregate from our investments in KCG and HRG.

Non-interest expenses were $1,873.0 million for the nine months ended November 30, 2013 and include Compensation and benefits expense of $1,213.9 million recognized commensurate with the level of Net revenues for the nine month period. Compensation and benefits expenses as a percentage of Net revenues was 56.7% for the nine months ended November 30, 2013. Non-interest expense also includes approximately $50.0 million in merger related costs associated with the closing of the Leucadia Transaction. These costs are comprised of $11.6 million in transaction-related investment banking, legal and filing fees, $6.3 million in additional lease expense related to recognizing existing leases at their current market value, incremental amortization expense of $21.1 million associated with intangible assets and internally developed software recognized at the Leucadia Transaction date, and $11.0 million of additional amortization expense related to the write-up of the cost of outstanding share-based awards, which had future service requirements at the transaction date. In addition, occupancy and equipment includes an $8.7 million charge associated with our relocating certain staff and abandoning certain London office space recognized during the nine month period.

Net revenues from the Bache business activity for the nine months ended November 30, 2013, which are included within our fixed income results, were $158.4 million. This is comprised of commissions, principal transaction revenues and net interest revenues. Expenses directly related to the Bache business, which are included within non-interest expenses, for the year ended November 30, 2014 were $193.4 million. For further information, refer to Note 24, Exit Costs in our consolidated financial statements.

At November 30, 2013, we had 3,797 employees globally, slightly below our headcount at November 30, 2012.

Three Months Ended February 28, 2013

Net revenues, less mandatorily redeemable preferred interests, for the three months ended February 28, 2013 were $807.6 million, which include strong investment banking revenues, particularly in debt and equity capital markets, and a gain of $26.5 million on our then share ownership in KCG. Non-interest expenses of $668.1 million for the three months ended February 28, 2013 reflect compensation expense consistent with the level of net revenues and professional service costs associated with the Leucadia Transaction. Compensation costs as a percentage of Net revenues for the three months ended February 28, 2013 were 57.9%.

Net revenues from the Bache business activity for the three months ended February 28, 2013, which are included within our fixed income results, were $56.1 million. This is comprised of commissions, principal transaction revenues and net interest revenues. Expenses directly related to the Bache business, which are included within non-interest expenses, for the year ended November 30, 2014 were $65.8 million. For further information, refer to Note 24, Exit Costs in our consolidated financial statements.

Revenues by Source

The Capital Markets reportable segment includes our securities and commodities trading activities, and our investment banking activities. The Capital Markets reportable segment provides the sales, trading and origination and advisory effort for various equity, fixed income, commodities, futures, foreign exchange and advisory products and services. The Capital Markets segment comprises many business units, with many interactions and much integration among them. In addition, we separately discuss our Asset Management business.

For presentation purposes, the remainder of "Results of Operations" is presented on a detailed product and expense basis, rather than on a business segment basis. Net revenues presented for our equity and fixed income businesses include allocations of interest income and interest expense as we assess the profitability of these businesses inclusive of the net interest revenue or expense associated with the respective activities, which is a function of the mix of each business's associated assets and liabilities and the related funding costs.

The composition of our net revenues has varied over time as financial markets and the scope of our operations have changed. The composition of net revenues can also vary from period to period due to fluctuations in economic and market conditions, and our own performance. The following provides a summary of "Revenues by Source" (amounts in thousands):

JEFFERIES GROUP LLC AND SUBSIDIARIES

	Successor						Predecessor	
	Year Ended November 30, 2015 (1)		Year Ended November 30, 2014		Nine Months Ended November 30, 2013		Three Months Ended February 28, 2013	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Equities	$ 757,447	30.7 %	$ 696,221	23.3 %	$ 582,355	27.4%	$ 167,354	20.4 %
Fixed income	270,772	10.9	747,596	25.0	504,092	23.5	352,029	43.0
Total sales and trading	1,028,219	41.6	1,443,817	48.3	1,086,447	50.9	519,383	63.4
Other	—	—	—	—	4,624	0 2	—	—
Equity	408,474	16.5	339,683	11.4	228,394	10.7	61,380	7.5
Debt	398,179	16.1	627,536	21.0	415,932	19.4	140,672	17.2
Capital markets	806,653	32.6	967,219	32.4	644,326	30.1	202,052	24.7
Advisory	632,354	25.5	562,055	18.8	369,191	17.2	86,226	10 5
Total investment banking	1,439,007	58.1	1,529,274	51.2	1,013,517	47.3	288,278	35.2
Asset management fees and investment income (loss) from managed funds:								
Asset management fees	31,819	1.3	26,682	0.9	26,473	1.2	11,083	1.4
Investment income (loss) from managed funds	(23,804)	(1.0)	(9,635)	(0.4)	9,620	0.4	(200)	—
Total	8,015	0.3	17,047	0.5	36,093	1.6	10,883	1.4
Net revenues	2,475,241	100.0 %	2,990,138	100.0 %	2,140,681	100.0%	818,544	100.0 %
Interest on mandatorily redeemable preferred interests of consolidated subsidiaries	—		—		3,368		10,961	
Net revenues, less interest on mandatorily redeemable preferred interests	$ 2,475,241		$ 2,990,138		$ 2,137,313		$ 807,583	

(1) Equities revenues and Fixed income revenues for the year ended November 30, 2015 as reported in this Annual Report on Form 10-K differ from the results of operations as presented in our Current Report on Form 10-K, dated December 15, 2015 to reflect post-closing adjustments for inventory valuations. The net impact of the adjustments was to reduce Equities revenues by $1.0 million and increase Fixed income revenues by $1.0 million.

Net Revenues

Year Ended November 30, 2015

Net revenues for the year ended November 30, 2015 were $2,475.2 million, primarily reflecting lower fixed income revenues due to challenging market conditions and global economic pressures, partially offset by higher revenues in equities. Investment banking revenues for the year ended November 30, 2015 were $1,439.0 million, reflecting record equity capital markets and advisory revenues, partially offset by lower debt capital markets revenue. Overall, capital markets revenues were $806.7 million, primarily due to lower transaction volume in the leveraged finance and energy debt capital markets. Fixed income revenues for the year ended November 30, 2015 were $270.8 million primarily driven by lower trading volumes and mark to market losses in distressed trading, as a result of lower levels of liquidity due to the future expectations of Federal Reserve rate increases and the deterioration of the global energy markets. The wind-down of our Bache business also contributed to the lower fixed income revenues. Results in the year ended November 30, 2015 reflect revenues in our equities business of $757.4 million. Results in the year ended November 30, 2015 also include a net gain of $49.1 million from our investment in KCG. Net revenues from our asset management business were $8.0 million for the year ended November 30, 2015, as a result of asset management fees of $31.8 million, partially offset by investment losses from managed funds of $23.8 million.

Year Ended November 30, 2014

Net revenues for the year ended November 30, 2014 were $2,990.1 million, reflecting record investment banking revenues, partially offset by lower revenues due to challenging trading environments in our fixed income business, particularly in the fourth quarter of 2014. Our core equities business performed relatively well during the year ended November 30, 2014. The 2014 results include a loss of $14.7 million from our investment in KCG and a gain of $19.9 from our investment in HRG, the latter of which we sold to Leucadia in March 2014. Asset management fee results were offset by write-downs on certain of our investments in unconsolidated funds and the exclusion of fees from our ownership interest in CoreCommodity Management, LLC (“CoreCommodity”), which we restructured on September 11, 2013.

Nine Months Ended November 30, 2013

Net revenues for the nine months ended November 30, 2013 of $2,140.7 million reflect a solid performance in our equity sales and trading business and continued strength in our investment banking platform. Our fixed income businesses experienced difficult trading conditions for a portion of the period as a result of a change in expectations for interest rates surrounding the Federal Reserve’s plans for tapering its asset purchase program. The nine months results include gains of $89.3 million in aggregate within Equities Principal transaction revenues from our investments in KCG and HRG.

Three Months Ended February 28, 2013

Net revenues for the three months ended February 28, 2013 were $818.5 million as a result of improved overall market activity, with all of our business lines demonstrating strong results. Within Equities revenues, Net revenues include Principal transaction revenues of $26.5 million from unrealized gains related to our investment in KCG during the quarter.

Interest on mandatorily redeemable preferred interests of consolidated subsidiaries represents primarily the allocation of earnings and losses from our high yield business to third party noncontrolling interest holders that were invested in that business through mandatorily redeemable preferred securities. These interests were redeemed in April 2013 and all of the results in our high yield business are now wholly allocated to us.

Equities Revenue

Equities revenue is comprised of equity commissions, principal transactions and net interest revenue relating to cash equities, electronic trading, equity derivatives, convertible securities, prime brokerage, securities finance and alternative investment strategies. Equities revenue is heavily dependent on the overall level of trading activity of our clients. Equities revenue also includes our share of the net earnings from our joint venture investments in Jefferies Finance, LLC ("Jefferies Finance") and Jefferies LoanCore, LLC ("Jefferies LoanCore"), which are accounted for under the equity method, as well as changes in the value of our investments in KCG and HRG. In March 2014, we sold our investment in HRG to Leucadia at fair market value.

Year Ended November 30, 2015

Total equities revenue was $757.4 million for the year ended November 30, 2015. Results in the year ended November 30, 2015 include a net gain of $49.1 million from our investment in KCG. Also included within interest expense allocated to our equities business is positive income of $48.9 million related to the amortization of premiums arising from the adjustment of our long-term debt to fair value as part of accounting for the Leucadia Transaction

U.S. equity market conditions were characterized by instability in stock prices and moderate economic growth. In the equity markets, the NASDAQ Composite Index increased 6.6% and the S&P 500 Index increased 0.6%, while the Dow Jones Industrial Average decreased by 0.6% during the fiscal year. In Europe and Asia, the recovery remains gradual and economic developments vary across regions. Strong revenues, as a result of increased trading volumes, from our electronic trading platform contributed to higher commissions revenues. Total equities revenue also includes higher revenues from the Asia equity cash desk and net mark-to-market gains from equity investments, as well as growth from our wealth management platform. This was partially offset by lower revenues from equity block trading results from our U.S. equity cash desk and lower commissions in our Europe equity cash desk.

Equities revenue from our Jefferies LoanCore joint venture during the year ended November 30, 2015 includes higher revenues from an increase in loan closings and securitizations by the venture over the comparable prior year period. Equities revenue from our Jefferies Finance joint venture during the year ended November 30, 2015 includes lower revenues as a result of syndicate costs associated with the sell down of commitments, as well as reserves taken on certain loans held for investment as compared with the prior year period.

Year Ended November 30, 2014

Total equities revenue was $696.2 million for the year ended November 30, 2014. Equities revenue includes losses of $14.7 million from our investment in KCG and a gain of $19.9 from our investment in HRG, as compared to gains of $116.8 million recognized primarily in the fourth quarter of fiscal 2013. Revenues also include an unrealized gain of $8.9 million from marking to market the option on Leucadia shares embedded in our 3.875% Senior Convertible Debentures. Additionally, during the first quarter of 2014, we recognized a gain of $12.2 million in connection with our investment in CoreCommodity, which was transferred to Leucadia on February 28, 2014. Also included within interest expense allocated to our equities business is positive income of $45.1 million related to the amortization of premiums arising from the adjustment of our long-term debt to fair value as part of accounting for the Leucadia Transaction.

For the year ended November 30, 2014, U.S. stock prices continued an overall upward trend with company earnings and economic data largely meeting expectations and the outlook for monetary policy remaining favorable. While the markets in the fourth quarter were relatively unsettled, the S&P 500 Index was up 14.5% for the fiscal year and exchange trading volumes increased generally, which contributed to increased commission revenue. Similarly, European exchange volumes grew significantly throughout the 2014 year. Additionally, the performance from our electronic trading platform and our prime brokerage business continued to increase.

Equities revenue from our Jefferies Finance joint venture decreased during the year ended November 30, 2014 as compared to the nine months ended November 30, 2013 and the three months ended February 28, 2013, due to a reduction in loan closings and syndications by the venture, particularly in the fourth quarter of 2014. Equities revenue from our LoanCore joint venture decreased during the year ended November 30, 2014 as compared to the nine months ended November 30, 2013 and the three months ended February 28, 2013, due to fewer securitizations by the venture over the period. These declines were offset by results from certain block trading opportunities and the benefits of the general stock market rise and other positioning on certain security positions. In addition, during the first quarter of 2014, we deconsolidated certain of our strategic investment entities as additional third party investments were received during the period. Accordingly, the results from this business reflected in equities revenues for the year ended November 30, 2014 represent trading revenues solely from managed accounts that are solely owned by us. Results from our strategic investments business in prior periods represented 100% of strategic investment trading revenues, a portion of which was attributed to noncontrolling interests.

Nine Months Ended November 30, 2013

Total equities revenue was $582.4 million for the nine months ended November 30, 2013. Equities revenue includes within Principal transaction revenues a gain of $19.5 million on our investment in KCG, a gain of $69.8 million from our investment in HRG and an unrealized gain of $6.9 million from marking to market the option on Leucadia shares embedded in our 3.875% Senior Convertible Debentures. In addition, included within Interest expense is positive income of $33.7 million from the allocation to our equities business of a portion of the amortization of premiums arising from the adjustment of our long-term debt to fair value as part of accounting for the Leucadia Transaction.

U.S. equity market conditions during the period were characterized by continually increasing stock prices as the U.S. government maintained its monetary stimulus program. In the equity markets, the NASDAQ Composite Index, the S&P 500 Index and the Dow Jones Industrial Average increased by 28%, 19% and 14%, respectively, over the nine month period ended November 30, 2013, with the S&P Index registering a series of record closing highs. However, during the nine months ended November 30, 2013, economic data in the U.S. continued to indicate a slow recovery and geopolitical concerns regarding the Middle East and a U.S. federal government shutdown added volatility in the U.S. and international markets. Despite the rally in the equity markets in 2013, overall market volumes were subdued moderating customer flow in our U.S. cash equity business, although we benefited from certain block trading opportunities during the period.

In Europe, liquidity returned to the market as the European Central Bank convinced investors that it would not allow the Eurozone to break up aiding results to both our cash and option desks, although the results are still impacted by relatively low trading volumes given the region’s fragile economy. Additionally, Asian equity commissions are stronger, particularly in Japan with new monetary policies increasing trading volumes on the Nikkei Exchange.

Our Securities Finance desk also contributed solidly to Equities revenue for the period and the performance of certain strategic investment strategies were strong. Revenue from our sales and trading of convertible securities for the nine months are reflective of increased market share as we have expanded our team in this business. Net earnings from our Jefferies Finance and Jefferies LoanCore joint ventures reflect a solid level of securitization deals and loan closings during the 2013 nine month period.

Three Months Ended February 28, 2013

Total equities revenue was $167.4 million for the three months ended February 28, 2013 and includes within Principal transaction revenues an unrealized gain of $26.5 million recognized on our investment in KCG. While U.S. equity markets posted gains during our first quarter, with the S&P index up 7%, investors remained cautious as evidenced by declining volumes. Although market volumes declined, our equity trading desks experienced ample client trading volumes. For the three months ended February 28, 2013, performance from certain strategic investments benefited from the increase in the overall stock markets and other positioning.

Fixed Income Revenue

Fixed income revenue includes commissions, principal transactions and net interest revenue from investment grade corporate bonds, mortgage- and asset-backed securities, government and agency securities, municipal bonds, emerging markets debt, high yield and distressed securities, bank loans, foreign exchange and commodities trading activities.

Year Ended November 30, 2015

Total fixed income revenue was $270.8 million for the year ended November 30, 2015. The lower revenues were primarily due to tighter trading conditions across most core businesses and losses in our high yield distressed sales and trading business and international mortgages business, partially offset by higher revenues in our U.S. and International rates businesses, as well as our U.S. investment grade corporate credit business. Included within Interest expense for the year is positive income of $51.3 million from the allocation to our fixed income business of a portion of the amortization of premiums arising from adjusting our long-term debt to fair value as part of accounting for the Leucadia Transaction.

During the year ended November 30, 2015, the fixed income markets were impacted at various points by the expectations of and uncertainty related to interest rate increases by the Federal Reserve, deterioration in the global energy markets, the slowdown of China's economic growth, geopolitical concerns in the Middle East, the potential of a Greece default, and economic uncertainty, which led to volatility in currency markets. The uncertainty as to the timing of the interest rate increases by the Federal Reserve and extremely low rates globally drove investors to seek spread and yield primarily in more liquid investments. The higher revenues in our U.S. and International rates businesses, as well as our U.S. investment grade corporate credit business, resulted from higher transaction volumes as volatility caused attractive yields and interest in new issuances. However, that same volatility negatively impacted the municipal securities business as prices declined and the sector experienced overall net cash outflows. Most of our credit fixed income businesses were negatively impacted during the year ended November 30, 2015 by periods of extreme volatility and market conditions, as investors focused on liquidity, resulting in periods of low trading volume during the year. In addition, results in our distressed trading businesses were negatively impacted by our position in the energy sector and led to mark-to-market write-downs in our inventory and results in our emerging markets business were lower due to slower growth in the emerging markets during the year. Revenues from futures sales and trading were also lower for the year ended November 30, 2015 as we exited this business activity. Our mortgages business was also negatively impacted by market volatility as credit spreads tightened for these asset classes and expectations of future rate increases resulted in lower trading volumes and revenues.

Year Ended November 30, 2014

Fixed income revenue was $747.6 million for the year ended November 30, 2014. Included within Interest expense for the period is positive income of $55.5 million from the allocation to our fixed income business of a portion of the amortization of premiums arising from adjusting our long-term debt to fair value as part of accounting for the Leucadia Transaction.

The fixed income markets during the year ended November 30, 2014 were impacted at various points by uncertainty with respect to U.S. economic data and concerns about the global economy, as well as reactions to legal matters regarding Freddie Mac and Fannie Mae and anticipated monetary policy, which created market uncertainty. Client trading demand was lower across most of the fixed income platform with the exception of increased customer flow in our international rates business, which benefited from tightening yields in Europe. Credit spreads continued to tighten as the U.S. Federal Reserve continued to taper its bond buyback program at a measured pace. In the fourth quarter of 2014, the volatility in the equity markets and the lowering of oil prices, put downward pressure on high yield bonds, especially those in the energy and transport sectors, as well as on the distressed trading markets. We experienced a decline in the results of our efforts in distressed trading for the year, which was primarily due to mark to market inventory losses as a result of the broad sell-off in distressed and post-reorganization securities, although investor interest in high yield asset classes was strong during the year as investors continued to migrate to certain asset classes in search of higher yields. Futures sales and trading revenues for the year ended November 30, 2014 were negatively impacted by challenging market conditions for foreign currency trading and U.S. futures trading given political and economic instability in various global environments.

Nine Months Ended November 30, 2013

Fixed income revenue was $504.1 million for the nine months ended November 30, 2013. Included within Interest expense for the period is positive income of $40.1 million from the allocation to our fixed income business of a portion of the amortization of premiums arising from adjusting our long-term debt to fair value as part of acquisition accounting.

The second quarter of fiscal 2013 was characterized by improving U.S. macroeconomic conditions, and, through the first half of May 2013, the U.S. Federal Reserve's policies resulted in historically low yields for fixed income securities motivating investors to take on more risk in search for yield. In May 2013, however, the Treasury market experienced a steep sell-off and credit spreads widened across the U.S. fixed income markets in reaction to an anticipated decrease in Federal Reserve treasury issuances and mortgage debt security purchases in future periods. These market conditions negatively impacted our U.S. rates, corporates and U.S. mortgages revenues through August as the volatility made it difficult to realize net revenue from our customer flow. In the latter part of the 2013 year, the fixed income markets stabilized with lower volatility and tightening spreads increasing overall customer flows across the various fixed income product classes.

While revenues rebounded towards the end of the fiscal year for our mortgage-backed securities business, the mid-year sell-off in U.S. Treasuries and the widening of credit spreads for mortgage products negatively impacted the overall results for the nine months ended November 30, 2013 by reducing trading volumes and increasing market volatility. Corporate bond revenues were also negatively impacted by the widening of credit spreads in the third quarter though there was significant improvement during the fourth quarter of 2013 with more robust trading volumes and narrowing credit spreads. Municipal securities underperformed as an asset class for a large part of the period as investors discounted greater risk than they had previously although investors began to return to the municipal market at the end of the period increasing our trading volumes. Components of our futures business experienced varying degrees of fluctuations in customer trading volume, but trading volume was relatively constant when considered overall and across the full nine month period ended November 30, 2013.

While our U.S. rates, corporates and U.S. mortgages desks underpeformed, our leveraged credit business produced solid results as investors sought investment yields in this fixed income class and issuers of bank debt were active with the supply level creating a positive effect on liquidity in the secondary market. Further, the low interest rate environment in the U.S. caused investors to seek higher yields in emerging market debt. In addition, suppressed long-term interest rates in the U.S. encouraged investment in international mortgage-backed securities resulting in increased trading volumes, improved market liquidity and ultimately increased revenues on our international mortgage desk, despite experiencing reduced market liquidity and consequently lower levels of secondary market activity during the summer months of 2013.

During the second quarter of 2013, we redeemed the third party interests in our high yield joint venture, Jefferies High Yield Holdings, LLC. As a result of this redemption, effective April 1, 2013, results of this business are allocated to us in full.

Three Months Ended February 28, 2013

For the three months ended February 28, 2013, fixed income revenue was $352.0 million. Credit spreads narrowed through the first quarter of 2013. In January 2013, global macroeconomic conditions appeared to be improving, with the U.S. economy expanding and the U.S. Federal reserve continuing quantitative easing. U.S. rates revenues were robust, with strong treasury issuance and strong demand and yields at historic lows. Revenues from our leveraged finance and emerging markets sales and trading businesses were sound as investor confidence returned in 2013 and investors were attracted to the relatively higher yield on these products. Revenue in our emerging markets business is reflective of our efforts to strengthen our position in this business and revenues for the period include significant gains generated by certain high yield positions. Revenues from our international mortgage desk were positively impacted by the demand for European mortgage bonds and foreign exchange revenues demonstrated a successful navigation of volatile currency markets. Revenues also benefited from new client activity associated with our expansion of our global metals desk in the latter part of 2012. However, international rates sales and trading revenues were negatively impacted by investor concerns over the European markets resulting in restrained trading volumes and a high level of market volatility.

Of the net earnings recognized in Jefferies High Yield Holdings, LLC (our high yield and distressed securities and bank loan trading and investment business) for the three months ended February 28, 2013, approximately 65% is allocated to minority investors and are presented within interest on mandatorily redeemable preferred interests and net earnings to noncontrolling interests in our Consolidated Statements of Earnings.

Other Revenue

Other revenue for the nine months ended November 30, 2013 includes a gain of $4.6 million related to the restructuring of our ownership interest in our commodity asset management business.

Investment Banking Revenue

We provide capital markets and financial advisory services to our clients across most industry sectors in the Americas, Europe and Asia. Capital markets revenue includes underwriting and placement revenue related to corporate debt, municipal bonds, mortgage- and asset-backed securities and equity and equity-linked securities. Advisory revenue consists primarily of advisory and transaction fees generated in connection with merger, acquisition and restructuring transactions. The following table sets forth our investment banking revenue (in thousands):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Equity	$ 408,474	$ 339,683	$ 228,394	$ 61,380
Debt	398,179	627,536	415,932	140,672
Capital markets	806,653	967,219	644,326	202,052
Advisory	632,354	562,055	369,191	86,226
Total	$ 1,439,007	$ 1,529,274	$ 1,013,517	$ 288,278

Year Ended November 30, 2015

Total investment banking revenue was $1,439.0 million for the year ended November 30, 2015, reflecting lower debt capital market revenues, partially offset by record equity capital markets and advisory revenues. Overall, capital markets revenues of $806.7 million in the year ended November 30, 2015 were lower primarily due to significantly lower transaction volume in the leveraged finance market. Record advisory revenues of $632.4 million for the year ended November 30, 2015 were primarily due to higher transaction volume.

From equity and debt capital raising activities, we generated $408.5 million and $398.2 million in revenues, respectively. During the year ended November 30, 2015, we completed 1,003 public and private debt financings that raised $199.8 billion in aggregate and we completed 191 public equity and convertible offerings that raised $53.9 billion (176 of which we acted as sole or joint bookrunner). Financial advisory revenues totaled $632.4 million, including revenues from 158 merger and acquisition transactions and 13 restructuring and recapitalization transactions with an aggregate transaction value of $141.0 billion.

Year Ended November 30, 2014

Low borrowing costs and generally strong capital market conditions throughout most of our fiscal year were important factors in driving the growth in our debt and equity capital markets businesses. These factors, together with generally strong corporate balance sheets and record equity valuations, were important in driving the growth in our merger and acquisition advisory business.

Investment banking revenues were a record $1,529.3 million for the year ended November 30, 2014. From equity and debt capital raising activities, we generated $339.7 million and $627.5 million in revenues, respectively. During the year ended November 30, 2014, we completed 1,109 public and private debt financings that raised $250.0 billion and we completed 193 public equity and convertible offerings that raised $66.0 billion (159 of which we acted as sole or joint bookrunner). Financial advisory revenues totaled $562.1 million, including revenues from 132 merger and acquisition transactions and 12 restructuring and recapitalization transactions with an aggregate transaction value of $176.0 billion.

Nine Months Ended November 30, 2013

During the nine month period, despite uneven U.S. economic growth and uncertainty surrounding the U.S. Federal Reserve's decision on quantitative easing, capital market conditions continued to improve due to the availability of low-priced credit and a general rise in the stock market. Mergers and acquisition activity gained momentum through the later part of the 2013 nine month period.

Investment banking revenue was $1,013.5 million for the nine months ended November 30, 2013. From equity and debt capital raising activities, we generated $228.4 million and $415.9 million in revenues, respectively. During the nine months ended November 30, 2013, we completed 412 public and private debt financings that raised $162.3 billion in aggregate, as companies took advantage of low borrowing costs and we completed 130 public equity financings that raised $32.9 billion (111 of which we acted as sole or joint bookrunner). During the nine month period, our financial advisory revenues totaled $369.2 million, including revenues from 108 merger and acquisition transactions where we served as financial advisor.

Three Months Ended February 28, 2013

For the three months ended February 28, 2013, investment banking revenue was $288.3 million, including advisory revenues of $86.2 million and $202.1 million in revenues from capital market activities. Debt capital markets revenue were $140.7 million, driven by a high number of debt capital market transactions as companies took advantage of lower borrowing costs and more favorable economic and market conditions. During the three months ended February 28, 2013, we completed 121 public and private debt financings that raised a total of $42.0 billion. Equity capital markets revenue totaled $61.4 million, completing 30 public equity financings that raised $10.0 billion (25 of which we acted as sole or joint bookrunner). Reflective of a subdued mergers and acquisition deal environment, despite improving fundamentals, for the three months ended February 28, 2013, advisory revenue totaled $86.2 million. During the three months ended February 28, 2013, we served as financial advisor on 31 merger and acquisition transactions and two restructuring transactions with an aggregate transaction value of approximately $21.0 billion.

Asset Management Fees and Investment Income (Loss) from Managed Funds

Asset management revenue includes management and performance fees from funds and accounts managed by us, management and performance fees from related party managed funds and accounts and investment income (loss) from our investments in these funds, accounts and related party managed funds. The key components of asset management revenue are the level of assets under management and the performance return, whether on an absolute basis or relative to a benchmark or hurdle. These components can be affected by financial markets, profits and losses in the applicable investment portfolios and client capital activity. Further, asset management fees vary with the nature of investment management services. The terms under which clients may terminate our investment management authority, and the requisite notice period for such termination, varies depending on the nature of the investment vehicle and the liquidity of the portfolio assets.

On September 11, 2013, we restructured our ownership interest in CoreCommodity, our commodity asset management business. Pursuant to the terms of that restructuring, we acquired Class B Units in what is now called CoreCommodity Capital, LLC. As a consequence, subsequent to September 11, 2013, we no longer report asset management revenues, assets under management and managed accounts attributed to the commodities asset class. On February 28, 2014, we sold our Class B Units to Leucadia at fair market value.

During the fourth quarter of 2014, as part of a strategic review of our business, we decided to liquidate our International Asset Management business, which provides long only investment solutions in global convertible bonds to institutional investors. Asset management fees and assets under management from this business comprise our convertibles asset strategy in the tables below.

The following summarizes the results of our Asset Management businesses by asset class (in thousands):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014 (1)	Nine Months Ended November 30, 2013 (1)	Three Months Ended February 28, 2013 (1)
Asset management fees:				
Fixed income	$ 4,090	$ 6,087	$ 3,932	$ 1,154
Equities	4,875	9,212	4,262	1,510
Multi-asset	20,173	8,863	2,652	1,496
Convertibles	2,681	2,520	3,602	665
Commodities	—	—	12,025	6,258
Total asset management fees	31,819	26,682	26,473	11,083
Investment income (loss) from managed funds	(23,804)	(9,635)	9,620	(200)
Total	$ 8,015	$ 17,047	$ 36,093	$ 10,883

(1) Prior period amounts have been recast to conform to the current year’s presentation due to the presentation of the multi-asset asset class. Previously, these fees have been classified within the equities asset class. We have also concluded that certain fees previously reported within the convertibles asset class are better aligned within the equities asset class. The total amount of asset management fees remains unchanged in the prior periods.

As a result of deconsolidation of certain strategic investment entities during the first quarter of 2014, results above attributed to Multi-asset include asset management fees from these entities. Fixed income asset management fees represent ongoing consideration we receive from the sale of contracts to manage certain collateralized loan obligations ("CLOs") to Babson Capital Management, LLC in January 2010. As sale consideration, we are entitled to a portion of the asset management fees earned under the contracts for their remaining lives. Investment income (loss) from managed funds primarily comprise net unrealized markups (markdowns) in private equity funds managed by related parties.

Assets under Management

Period end assets under management by predominant asset class were as follows (in millions):

	November 30, 2015	November 30, 2014 (1)
Assets under management (2):		
Equities	$ 18	$ —
Multi-asset	688	483
Convertibles (3)	—	225
Total	$ 706	$ 708

(1) Prior period amounts have been recast to conform to the current year's presentation due to the inclusion of the multi-asset asset class. Previously, these assets under management have been classified within the equities asset class. The total amount of assets under management remains unchanged in the prior periods.

(2) Assets under management include assets actively managed by us, including hedge funds and certain managed accounts. Assets under management do not include the assets of funds that are consolidated due to the level or nature of our investment in such funds.

(3) Our investment in the Jefferies Umbrella Fund, an open-ended investment company managed by us that invests primarily in convertible bonds, is in liquidation at November 30, 2015.

Non-interest Expenses

Non-interest expenses were as follows (in thousands):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Compensation and benefits	$ 1,467,131	$ 1,698,530	$ 1,213,908	$ 474,217
Non-compensation expenses:				
Floor brokerage and clearing fees	199,780	215,329	150,774	46,155
Technology and communications	313,044	268,212	193,683	59,878
Occupancy and equipment rental	101,138	107,767	86,701	24,309
Business development	105,963	106,984	63,115	24,927
Professional services	103,972	109,601	72,802	24,135
Bad debt provision	(396)	55,355	179	1,945
Goodwill impairment	—	54,000	—	—
Other	70,382	71,339	91,856	12,530
Total non-compensation expenses	893,883	988,587	659,110	193,879
Total non-interest expenses	$ 2,361,014	$ 2,687,117	$ 1,873,018	$ 668,096

Compensation and Benefits

Compensation and benefits expense consists of salaries, benefits, cash bonuses, commissions, annual cash compensation awards, historical annual share-based compensation awards and the amortization of certain annual and non-annual share-based and cash compensation awards to employees. Historical share-based awards and a portion of cash awards granted to employees as part of year end compensation contain provisions such that employees who terminate their employment or are terminated without cause may continue to vest in their awards, so long as those awards are not forfeited as a result of other forfeiture provisions (primarily non-compete clauses) of those awards. Accordingly, the compensation expense for such awards granted at year end as part of annual compensation is fully recorded in the year of the award. Separately, a portion of cash awards granted to employees as part of year end compensation which are subject to ratable vesting terms with service requirements. Accordingly, the compensation expense for this portion of awards granted at year end as part of annual compensation is recognized in each period over the relevant service period, which is generally considered to start at the beginning of the annual compensation year.

Included within Compensation and benefits expense are share-based amortization expense for senior executive awards granted in September 2012, non-annual share-based and cash-based awards to other employees and certain year end awards that contain future service requirements for vesting. Such awards are being amortized over their respective future service periods.

Refer to Note 16, Compensation Plans, for further details on compensation and benefits.

Year Ended November 30, 2015

Compensation and benefits expense for the year ended November 30, 2015 was $1,467.1 million, which is 59.3% as a percentage of Net revenues. Amortization expense of $307.1 million related to share- and cash-based awards is included within 2015 compensation cost, as well as additional amortization expense of $13.3 million related to the write-up of the cost of outstanding share-based awards, which had remaining future service requirements at the date of the Leucadia Transaction. Employee headcount was 3,557 at November 30, 2015. Since November 30, 2014, our headcount has decreased due to headcount reductions related to the exiting of the Bache business and corporate services outsourcing, partially offset by increases across our investment banking, equities and asset management businesses.

Compensation and benefits expense directly related to our Bache business was $87.7 million for the year ended November 30, 2015. Included within compensation and benefits expense for the Bache business for the year ended November 30, 2015 are severance, retention and related benefits costs of $38.2 million incurred as part of decisions surrounding the exit of this business.

Year Ended November 30, 2014

Compensation and benefits expense for the year ended November 30, 2014 was $1,698.5 million, which is 56.8% as a percentage of Net revenues. Amortization expense of $284.3 million related to share- and cash-based awards is included within 2014 compensation cost, as well as additional amortization expense of $14.4 million related to the write-up of the cost of outstanding share-based awards, which had remaining future service requirements at the date of the Leucadia Transaction. Employee headcount was 3,915 at November 30, 2014. We expanded our headcount modestly during 2014, primarily in our investment banking and equities businesses. These increases were partially offset by headcount reductions due to corporate services outsourcing.

Compensation and benefits expense directly related to our Bache business was $98.6 million for the year ended November 30, 2014.

Nine Months Ended November 30, 2013 and Three Months Ended February 28, 2013

Compensation and benefits expense was $1,213.9 million for the nine months ended November 30, 2013 and was $474.2 million for the three months ended February 28, 2013, which is 56.7% and 57.9% as a percentage of Net revenues for the nine months ended November 30, 2013 and the three months ended February 28, 2013, respectively. Amortization expense of $232.0 million and $73.1 million related to share- and cash-based awards is included within compensation cost for the nine months ended November 30, 2013 and the three months ended February 28, 2013, respectively. Compensation cost in the nine months ended November 30, 2013 also included additional amortization expense of $11.0 million related to the write-up of the cost of outstanding share-based awards, which had remaining future service requirements at the date of the Leucadia Transaction. Employee headcount was 3,797 at November 30, 2013.

Compensation and benefits expense directly related to our Bache business was $87.1 million and $30.3 million for the nine months ended November 30, 2013 and the three months ended February 28, 2013, respectively.

Non-Compensation Expenses

Year Ended November 30, 2015

Non-compensation expenses were $893.9 million for the year ended November 30, 2015, equating to 36.1% of Net revenues. Technology and communications expenses includes costs associated with the development of the various trading systems and projects associated with corporate support infrastructure, as well as accelerated amortization expense of $19.7 million related to capitalized software and $11.2 million in contract termination costs related to our Jefferies Bache business. Floor brokerage and clearing expenses for the year are reflective of the exit of the Bache business, partially offset by higher trading volumes in our equities trading businesses. Business development costs reflect our continued efforts to continue to build market share. We continue to incur legal and consulting fees as part of implementing various regulatory requirements, which is recognized in Professional services expense. Non-compensation expenses associated directly with the activities of the Bache business were $127.2 million for the year ended November 30, 2015. During the year ended November 30, 2015, we incurred professional services costs of approximately $2.5 million in connection with our actions related to exiting the Bache business. During the year ended November 30, 2015, we also released $4.4 million in reserves related to the resolution of bankruptcy claims against Lehman Brothers Holdings, Inc., which is presented within Bad debt expenses.

Year Ended November 30, 2014

Non-compensation expenses were $988.6 million for the year ended November 30, 2014, equating to 33.1% of Net revenues. Non-compensation expenses include a goodwill impairment loss of $51.9 million related to our Jefferies Bache business, which constitutes our global futures sales and trading operations. In addition, a goodwill impairment loss of $2.1 million was recognized for the period related to our International Asset Management business. Additionally, approximately $7.6 million in impairment losses were recognized related to customer relationship intangible assets within our Jefferies Bache and International Asset Management businesses, which is presented within Other expenses. Non-compensation expenses associated directly with the activities of the Bache business were $249.6 million for the year ended November 30, 2014.

Floor brokerage and clearing expenses for the period are reflective of the trading volumes in our equities trading businesses. Technology and communications expense includes costs associated with development of the various trading systems and projects associated with corporate support infrastructure, including communication enhancements to our global headquarters at 520 Madison Avenue and incremental amortization expense associated with fair value adjustments to capitalized software recognized as part of accounting for the Leucadia Transaction. Occupancy and equipment rental expense reflects incremental office re-configuration expenditures at 520 Madison Avenue. Business development costs reflect our continued efforts to continue to build market share, including our loan origination business conducted through our Jefferies Finance joint venture. We continued to incur legal and consulting fees as part of implementing various regulatory requirements, which is recognized in Professional services expense. During the fourth quarter of 2014, we recognized a bad debt provision, which primarily relates to a receivable of $52.3 million from a client to which we provided futures clearing and execution services, which declared bankruptcy.

Nine Months Ended November 30, 2013

Non-compensation expenses were $659.1 million for the nine months ended November 30, 2013, equating to 30.8% of Net revenues. Non-compensation expenses include approximately $21.1 million in incremental amortization expense associated with fair value adjustments to identifiable tangible and intangible assets recognized as part of acquisition accounting reported within Technology and communications expense and Other expense, $6.3 million in additional lease expense related to recognizing existing leases at their current market value in Occupancy and equipment rental expense and $11.6 million in Leucadia Transaction-related investment banking filing fees recognized in Professional services expense. Additionally, during the nine month period an $8.7 million charge was recognized in Occupancy and equipment rental expense due to vacating certain office space in London. Other expenses for the nine months ended November 30, 2013 include $38.4 million in litigation expenses, which includes litigation costs related to the final judgment on our last outstanding auction rate securities legal matter and to agreements reached in principle with the relevant authorities pertaining to an investigation of purchases and sales of mortgage-backed securities. Non-compensation expenses associated directly with the activities of the Bache business were $106.3 million for the nine months ended November 30, 2013.

Floor brokerage and clearing expenses for the period are reflective of the trading volumes in our fixed income and equities trading businesses, including a meaningful volume of trading by our foreign exchange business. Technology and communications expense includes costs associated with development of the various trading systems and various projects associated with corporate support infrastructure, including technology initiatives to support Dodd-Frank reporting requirements. We continued to incur legal and consulting fees as part of implementing various regulatory requirements, which is recognized in Professional services expense.

Three Months Ended February 28, 2013

Non-compensation expenses were $193.9 million for the three months ended February 28, 2013, or 23.7% of Net revenues. Floor brokerage and clearing expense for the 2013 first quarter is commensurate with equity, fixed income and futures trading volumes for the quarter. Occupancy and equipment expense for the period includes costs associated with taking on additional space at our global head office in New York offset by a reduction in integration costs for technology and communications as significant system migrations for Jefferies Bache have been completed. Professional services expense includes legal and consulting fees of $2.1 million related to the Leucadia Transaction and business and development expense contains costs incurred in connection with our efforts to build out our market share. Non-compensation expenses associated directly with the activities of the Bache business were $35.4 million for the three months ended February 28, 2013.

Income Taxes

For the year ended November 30, 2015, the provision for income taxes was $18.9 million equating to an effective tax rate of 16.5%. For the year ended November 30, 2014, the provision for income taxes was $142.1 million equating to an effective tax rate of 46.9%. For the nine months ended November 30, 2013 and the three months ended February 28, 2013 the provision for income taxes was $94.7 million and $48.6 million, respectively, equating to an effective tax rate of 35.8% and 34.9%, respectively. The change in the effective tax rate during the year ended November 30, 2015 as compared with the prior year is primarily due to net tax benefits related to the resolution of state income tax examinations and statute expirations during the current year, a change in the geographical mix of earnings and the impact of the goodwill impairment charge that was non-deductible in the prior year period.

Earnings per Common Share

Diluted net earnings per common share was $0.35 for the three months ended February 28, 2013 on 217,844,000 shares. Earnings per share data is not provided for periods subsequent to February 28, 2013, coinciding with the date we became a limited liability company and wholly-owned subsidiary of Leucadia. (See Note 18, Earnings per Share, in our consolidated financial statements for further information regarding the calculation of earnings per common share.)

Accounting Developments

For a discussion of recently issued accounting developments and their impact on our consolidated financial statements, see Note 3, Accounting Developments, in our consolidated financial statements.

Critical Accounting Policies

The consolidated financial statements are prepared in conformity with U.S. GAAP, which require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Actual results can and may differ from estimates. These differences could be material to the financial statements.

We believe our application of U.S. GAAP and the associated estimates are reasonable. Our accounting estimates are constantly reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

We believe our critical accounting policies (policies that are both material to the financial condition and results of operations and require our most subjective or complex judgments) are our valuation of financial instruments, assessment of goodwill and our use of estimates related to compensation and benefits during the year.

Valuation of Financial Instruments

Financial instruments owned and Financial instruments sold, not yet purchased are recorded at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Unrealized gains or losses are generally recognized in Principal transaction revenues in our Consolidated Statements of Earnings.

The following is a summary of the fair value of major categories of financial instruments owned and financial instruments sold, not yet purchased (in thousands):

	November 30, 2015		November 30, 2014	
	Financial Instruments Owned	Financial Instruments Sold, Not Yet Purchased	Financial Instruments Owned	Financial Instruments Sold, Not Yet Purchased
Corporate equity securities	$ 2,027,989	$ 1,418,933	$ 2,426,242	$ 1,985,864
Corporate debt securities	2,893,041	1,556,941	3,365,042	1,612,217
Government, federal agency and other sovereign obligations	5,792,233	2,831,117	6,125,901	4,044,140
Mortgage- and asset-backed securities	4,166,362	117	4,526,366	4,557
Loans and other receivables	1,312,333	769,408	1,556,018	870,975
Derivatives	251,080	208,548	406,268	363,515
Investments at fair value	116,078	—	168,541	—
Physical commodities	—	—	62,234	—
	$ 16,559,116	$ 6,785,064	$ 18,636,612	$ 8,881,268

Fair Value Hierarchy - In determining fair value, we maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect our assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. We apply a hierarchy to categorize our fair value measurements broken down into three levels based on the transparency of inputs, where Level 1 uses observable prices in active markets and Level 3 uses valuation techniques that incorporate significant unobservable inputs and broker quotes that are considered less observable. Greater use of management judgment is required in determining fair value when inputs are less observable or unobservable in the marketplace, such as when the volume or level of trading activity for a financial instrument has decreased and when certain factors suggest that observed transactions may not be reflective of orderly market transactions. Judgment must be applied in determining the appropriateness of available prices, particularly in assessing whether available data reflects current prices and/or reflects the results of recent market transactions. Prices or quotes are weighed when estimating fair value with greater reliability placed on information from transactions that are considered to be representative of orderly market transactions.

Fair value is a market based measure; therefore, when market observable inputs are not available, our judgment is applied to reflect those judgments that a market participant would use in valuing the same asset or liability. The availability of observable inputs can vary for different products. We use prices and inputs that are current as of the measurement date even in periods of market disruption or illiquidity. The valuation of financial instruments classified in Level 3 of the fair value hierarchy involves the greatest amount of management judgment. (See Note 2, Summary of Significant Accounting Policies, and Note 5, Fair Value Disclosures, in our consolidated financial statements for further information on the definitions of fair value, Level 1, Level 2 and Level 3 and related valuation techniques.)

Level 3 Assets and Liabilities – The following table reflects the composition of our Level 3 assets and Level 3 liabilities by asset class (in thousands):

	Financial Instruments Owned		Financial Instruments Sold, Not Yet Purchased	
	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014
Loans and other receivables	$ 189,289	$ 97,258	$ 10,469	$ 14,450
Residential mortgage-backed securities	70,263	82,557	—	—
Collateralized debt obligations (1)	85,092	124,650	—	—
Investments at fair value (2)	53,120	53,224	—	—
Corporate equity securities	40,906	20,964	38	38
Corporate debt securities (1)	25,876	22,766	—	223
Other asset-backed securities	42,925	2,294	—	—
Derivatives	19,785	54,190	19,543	49,552
Commercial mortgage-backed securities	14,326	26,655	—	—
Sovereign obligations	120	—	—	—
Total Level 3 financial instruments (2)	$ 541,702	$ 484,558	$ 30,050	$ 64,263
Total Level 3 financial instruments as a percentage of total financial instruments (2)	3.3%	2.6%	0.4%	0.7%

(1) Level 3 Collateralized debt obligations at November 30, 2014 increased by $33.2 million with a corresponding decrease in Level 3 Corporate debt securities from those previously reported to correct for the classification of certain positions. The total amount of Level 3 assets remained unchanged.

(2) In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-07, "Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" ("ASU No. 2015-07"). In the second quarter of fiscal 2015, we early adopted ASU No. 2015-07 retrospectively. (See Note 3, Accounting Developments, and Note 5, Fair Value Disclosures, in our consolidated financial statements for further information on the adoption of this guidance.)

While our Financial instruments sold, not yet purchased, which are included within liabilities in our Consolidated Statements of Financial Condition, are accounted for at fair value, we do not account for any of our other liabilities at fair value, except for certain secured financings that arise in connection with our securitization activities included with Other secured financings of approximately $0.5 million and $30.8 million at November 30, 2015 and November 30, 2014, respectively, and the conversion option to Leucadia shares embedded in our 3.875% Convertible Senior debenture of approximately $0.0 and $0.7 million reported within Long-term debt at November 30, 2015 and November 30, 2014, respectively.

The following table reflects activity with respect to our Level 3 assets and net liabilities (in millions):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Assets:				
Transfers from Level 3 to Level 2 (1)	$ 85.8	$ 54.6	$ 55.9	$ 112.7
Transfers from Level 2 to Level 3 (1)	236.7	139.0	82.4	100.5
Net gains (losses) (1)	(34.3)	(28.6)	(3.4)	13.2
Net Liabilities:				
Transfers from Level 3 to Level 2	$ 52.3	$ 4.4	$ 0.1	$ 0.7
Transfers from Level 2 to Level 3	1.1	—	—	—
Net gains (losses)	8.3	(6.0)	1.1	(2.7)

(1)In the second quarter of fiscal 2015, we early adopted ASU No. 2015-07 retrospectively. (See Note 3, Accounting Developments, and Note 5, Fair Value Disclosures, in our consolidated financial statements for further information on the adoption of this guidance.)

For additional discussion on transfers of assets and liabilities among the fair value hierarchy levels, see Note 5, Fair Value Disclosures, in our consolidated financial statements.

Controls Over the Valuation Process for Financial Instruments – Our Independent Price Verification Group, independent of the trading function, plays an important role in determining that our financial instruments are appropriately valued and that fair value measurements are reliable. This is particularly important where prices or valuations that require inputs are less observable. In the event that observable inputs are not available, the control processes are designed to assure that the valuation approach utilized is appropriate and consistently applied and that the assumptions are reasonable. Where a pricing model is used to determine fair value, these control processes include reviews of the pricing model's theoretical soundness and appropriateness by risk management personnel with relevant expertise who are independent from the trading desks. In addition, recently executed comparable transactions and other observable market data are considered for purposes of validating assumptions underlying the model.

Goodwill

At November 30, 2015, goodwill recorded on our Consolidated Statement of Financial Condition is $1,656.6 million (4.3% of total assets). The nature and accounting for goodwill is discussed in Note 2, Summary of Significant Accounting Policies and Note 11, Goodwill and Other Intangible Assets, in our consolidated financial statements. Goodwill must be allocated to reporting units and tested for impairment at least annually, or when circumstances or events make it more likely than not that an impairment occurred. Goodwill is tested by comparing the estimated fair value of each reporting unit with its carrying value.

We use allocated tangible equity plus allocated goodwill and intangible assets as a proxy for the carrying amount of each reporting unit. The amount of equity allocated to a reporting unit is based on our cash capital model deployed in managing our businesses, which seeks to approximate the capital a business would require if it were operating independently. For further information on our Cash Capital Policy, refer to the Liquidity, Financial Condition and Capital Resources section herein. Intangible assets are allocated to a reporting unit based on either specifically identifying a particular intangible asset as pertaining to a reporting unit or, if shared among reporting units, based on an assessment of the reporting unit's benefit from the intangible asset in order to generate results.

Estimating the fair value of a reporting unit requires management judgment and often involves the use of estimates and assumptions that could have a significant effect on whether or not an impairment charge is recorded and the magnitude of such a charge. Estimated fair values for our reporting units utilize market valuation methods that incorporate price-to-earnings and price-to-book multiples of comparable public companies. Under the market approach, the key assumptions are the selected multiples and our internally developed forecasts of future profitability, growth and return on equity for each reporting unit. The weight assigned to the multiples requires judgment in qualitatively and quantitatively evaluating the size, profitability and the nature of the business activities of the reporting units as compared to the comparable publicly-traded companies. In addition, as the fair values determined under the market approach represent a noncontrolling interest, we apply a control premium to arrive at the estimate fair value of each reporting unit on a controlling basis. We engaged an independent valuation specialist to assist us in our valuation process at August 1, 2015.

Our annual goodwill impairment testing at August 1, 2015 did not indicate any goodwill impairment in any of our reporting units. The carrying values of goodwill by reporting unit at November 30, 2015 are as follows: $568.7 million in Investment Banking, $161.5 million in Equities and Wealth Management, $923.4 million in Fixed Income and $3.0 million in Strategic Investments.

The results of our assessment indicated that our reporting units had a fair value in excess of their carrying amounts based on current projections. While no goodwill impairment was identified, the valuation methodology for our Fixed Income reporting unit is sensitive to management's forecasts of future profitability, which comes with a level of uncertainty given current economic conditions and results. Changes in global economic growth, fixed income market liquidity and destabilization in the commodity markets, among other factors, may adversely impact our fixed income business relative to our forecast which could cause a decline in the estimated fair value of the Fixed Income reporting unit and a resulting impairment of a portion of our goodwill.

Refer to Note 11, Goodwill and Other Intangible Assets, for further details on goodwill.

Compensation and Benefits

A portion of our compensation and benefits represents discretionary bonuses, which are finalized at year end. In addition to the level of net revenues, our overall compensation expense in any given year is influenced by prevailing labor markets, revenue mix, profitability, individual and business performance metrics, and our use of share-based compensation programs. We believe the most appropriate way to allocate estimated annual total compensation among interim periods is in proportion to net revenues earned. Consequently, during the year we accrue compensation and benefits based on annual targeted compensation ratios, taking into account the mix of our revenues and the timing of expense recognition.

For further discussion of these and other significant accounting policies, see Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements.

Liquidity, Financial Condition and Capital Resources

Our Chief Financial Officer and Global Treasurer are responsible for developing and implementing our liquidity, funding and capital management strategies. These policies are determined by the nature and needs of our day to day business operations, business opportunities, regulatory obligations, and liquidity requirements.

Our actual levels of capital, total assets and financial leverage are a function of a number of factors, including asset composition, business initiatives and opportunities, regulatory requirements and cost and availability of both long term and short term funding. We have historically maintained a balance sheet consisting of a large portion of our total assets in cash and liquid marketable securities, arising principally from traditional securities brokerage and trading activity. The liquid nature of these assets provides us with flexibility in financing and managing our business.

Analysis of Financial Condition

A business unit level balance sheet and cash capital analysis is prepared and reviewed with senior management on a weekly basis. As a part of this balance sheet review process, capital is allocated to all assets and gross and adjusted balance sheet limits are established. This process ensures that the allocation of capital and costs of capital are incorporated into business decisions. The goals of this process are to protect the firm's platform, enable our businesses to remain competitive, maintain the ability to manage capital proactively and hold businesses accountable for both balance sheet and capital usage.

We actively monitor and evaluate our financial condition and the composition of our assets and liabilities. Substantially all of our Financial instruments owned and Financial instruments sold, not yet purchased are valued on a daily basis and we monitor and employ balance sheet limits for our various businesses. In connection with our government and agency fixed income business and our role as a primary dealer in these markets, a sizable portion of our securities inventory is comprised of U.S. government and agency securities and other G-7 government securities.

The following table provides detail on key balance sheet asset and liability line items (in millions):

	November 30, 2015	November 30, 2014	% Change
Total assets	$ 38,565.1	$ 44,517.6	(13.4)%
Cash and cash equivalents	3,510.2	4,080.0	(14.0)%
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	751.1	3,444.7	(78.2)%
Financial instruments owned	16,559.1	18,636.6	(11.1)%
Financial instruments sold, not yet purchased	6,785.1	8,881.3	(23.6)%
Total Level 3 assets (1)	541.7	484.6	11.8 %
Securities borrowed	$ 6,975.1	$ 6,853.1	1.8 %
Securities purchased under agreements to resell	3,857.3	3,926.9	(1.8)%
Total securities borrowed and securities purchased under agreements to resell	$ 10,832.4	$ 10,780.0	0.5 %
Securities loaned	$ 2,979.3	$ 2,598.5	14.7 %
Securities sold under agreements to repurchase	10,004.4	10,672.2	(6.3)%
Total securities loaned and securities sold under agreements to repurchase	$ 12,983.7	$ 13,270.7	(2.2)%

(1)In the second quarter of fiscal 2015, we early adopted ASU No. 2015-07 retrospectively. (See Note 3, Accounting Developments, and Note 5, Fair Value Disclosures, in our consolidated financial statements for further information on the adoption of this guidance.)

Total assets at November 30, 2015 and November 30, 2014 were $38.6 billion and $44.5 billion, respectively, a decline of 13.4%. This decline reflects reductions that we implemented in connection with our view of the current market environment, which are also reflected in a reduction in risk at the comparable period ends. During the year ended November 30, 2015, average total assets were approximately 28.4% higher than total assets at November 30, 2015.

Cash and cash equivalents decreased by $569.8 million from $4,080.0 million at November 30, 2014 to $3,510.2 million, primarily due to the repayment of $500.0 million in unsecured senior notes, which matured during the fourth quarter of fiscal 2015. Cash and securities segregated decreased by $2,693.6 million from $3,444.7 million at November 30, 2014 to $751.1 million at November 30, 2015, primarily as a result of the exit of the Bache business during the year ended November 30, 2015. At November 30, 2015, we have transfered all of our customer accounts to Société Générale S.A. and other brokers. With the changes in our balance sheet from November 30, 2014 to November 30, 2015, our liquidity pool as a percentage of total assets increased from 12.4% at November 30, 2014 to 13.2% at November 30, 2015. (See “Sources of Liquidity” herein.)

Our total Financial instruments owned inventory at November 30, 2015 was $16.6 billion, a decrease of 11.1% from inventory of $18.6 billion at November 30, 2014, driven by a reduction in all inventory positions in response to market conditions. Financial instruments sold, not yet purchased inventory was $6.8 billion and $8.9 billion at November 30, 2015 and November 30, 2014, respectively, with the decrease in all inventory products primarily consisting of a decline in government obligations, federal agency and other sovereign inventory due to U.S. treasury hedges and global market concerns. Our overall net inventory position was $9.8 billion both at November 30, 2015 and November 30, 2014, due to an increase in our net inventory of government, federal agency and other sovereign obligations, offset by a reduction in our net inventory of corporate debt securities and mortgage- and asset-backed securities. The reductions in our balance sheet and mix of inventory was substantially effected during our fourth quarter. While our total financial instruments owned declined from November 30, 2014 to November 30, 2015, our Level 3 financial instruments owned as a percentage of total financial instruments owned remained relatively consistent at 3.3% at November 30, 2015 and 2.6% at November 30, 2014.

We continually monitor our overall securities inventory, including the inventory turnover rate, which confirms the liquidity of our overall assets. As a Primary Dealer in the U.S. and with our similar role in several European jurisdictions, we carry inventory and make an active market for our clients in securities issued by the various governments. These inventory positions are substantially comprised of the most liquid securities in the asset class, with a significant portion in holdings of securities of G-7 countries.

Of our total Financial instruments owned, approximately 76.7% are readily and consistently financeable at haircuts of 10% or less. In addition, as a matter of our policy, a portion of these assets has internal capital assessed, which is in addition to the funding haircuts provided in the securities finance markets. Additionally, our Financial instruments owned primarily consisting of bank loans, consumer loans, investments and non-agency mortgage-backed securities are predominantly funded by long term capital. Under our cash capital policy, we model capital allocation levels that are more stringent than the haircuts used in the market for secured funding; and we maintain surplus capital at these maximum levels.

Securities financing assets and liabilities include both financing for our financial instruments trading activity and matched book transactions. Matched book transactions accommodate customers, as well as obtain securities for the settlement and financing of inventory positions. The aggregate outstanding balance of our securities borrowed and securities purchased under agreements to resell increased by 0.5% from November 30, 2014 to November 30, 2015, primarily due to an increase in our matched book activity, partially offset by a decrease in firm financing of our short inventory. The outstanding balance of our securities loaned and securities sold under agreement to repurchase decreased by 2.2% from November 30, 2014 to November 30, 2015 primarily due to a decrease in firm financing of our inventory, partially offset by an increase in our matched book activity. By executing repurchase agreements with central clearing corporations to finance liquid inventory, rather than bi-lateral arrangements, we reduce the credit risk associated with these arrangements and decrease net outstanding balances. Our average month end balances of total reverse repos and stock borrows and total repos and stock loans during the year ended November 30, 2015 were 31.3% and 34.4% higher, respectively, than the November 30, 2015 balances.

The following table presents our period end balance, average balance and maximum balance at any month end within the periods presented for Securities purchased under agreements to resell and Securities sold under agreements to repurchase (in millions):

	Year Ended November 30, 2015	Year Ended November 30, 2014
Securities Purchased Under Agreements to Resell:		
Period end	$ 3,857	$ 3,927
Month end average	5,719	5,788
Maximum month end	7,577	8,081
Securities Sold Under Agreements to Repurchase:		
Period end	$ 10,004	$ 10,672
Month end average	14,026	13,291
Maximum month end	18,629	16,586

Fluctuations in the balance of our repurchase agreements from period to period and intraperiod are dependent on business activity in those periods. Additionally, the fluctuations in the balances of our securities purchased under agreements to resell over the periods presented are influenced in any given period by our clients' balances and our clients' desires to execute collateralized financing arrangements via the repurchase market or via other financing products. Average balances and period end balances will fluctuate based on market and liquidity conditions and we consider the fluctuations intraperiod to be typical for the repurchase market.

Leverage Ratios

The following table presents total assets, adjusted assets, total equity, total member's equity, tangible equity and tangible member's equity with the resulting leverage ratios (in thousands):

		November 30, 2015	November 30, 2014
Total assets		$ 38,565,142	$ 44,517,648
Deduct:	Securities borrowed	(6,975,136)	(6,853,103)
	Securities purchased under agreements to resell	(3,857,306)	(3,926,858)
Add:	Financial instruments sold, not yet purchased	6,785,064	8,881,268
	Less derivative liabilities	(208,548)	(363,515)
Subtotal		6,576,516	8,517,753
Deduct:	Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	(751,084)	(3,444,674)
	Goodwill and intangible assets	(1,882,371)	(1,904,417)
Adjusted assets		$ 31,675,761	$ 36,906,349
Total equity		$ 5,509,377	$ 5,463,431
Deduct:	Goodwill and intangible assets	(1,882,371)	(1,904,417)
Tangible equity		$ 3,627,006	$ 3,559,014
Total member's equity		$ 5,481,909	$ 5,424,583
Deduct:	Goodwill and intangible assets	(1,882,371)	(1,904,417)
Tangible member's equity		$ 3,599,538	$ 3,520,166
Leverage ratio (1)		7.0	8.1
Tangible gross leverage ratio (2)		10.2	12.1
Leverage ratio – excluding impacts of the Leucadia Transaction (3)		8.8	10.3
Adjusted leverage ratio (4)		8.7	10.4

(1) Leverage ratio equals total assets divided by total equity.

(2) Tangible gross leverage ratio (a non-GAAP financial measure) equals total assets less goodwill and identifiable intangible assets divided by tangible member's equity. The tangible gross leverage ratio is used by Rating Agencies in assessing our leverage ratio.

(3) On March 1, 2013, we converted into a limited liability company and became an indirect wholly owned subsidiary of Leucadia, pursuant to an agreement with Leucadia, which is accounted for using the acquisition method of accounting

(the “Leucadia Transaction”). Leverage ratio – excluding impacts of the Leucadia Transaction (a non-GAAP financial measure) equals total assets less the increase in goodwill and asset fair values in accounting for the Leucadia Transaction of $1,957 million less amortization of $124 million and $108 million during the period since the Leucadia Transaction to November 30, 2015 and November 30, 2014, respectively, on assets recognized at fair value in accounting for the Leucadia Transaction divided by the sum of total equity less $1,353 million and $1,310 million at November 30, 2015 and November 30, 2014, respectively, being the increase in equity arising from consideration of $1,426 million excluding the $125 million attributable to the assumption of our preferred stock by Leucadia, and less the impact on equity due to amortization of $52 million and $9 million at November 30, 2015 and November 30, 2014, respectively, on assets and liabilities recognized at fair value in accounting for the Leucadia Transaction.

(4) Adjusted leverage ratio (a non-GAAP financial measure) equals adjusted assets divided by tangible total equity.

Adjusted assets is a non-GAAP financial measure and excludes certain assets that are considered of lower risk as they are generally self-financed by customer liabilities through our securities lending activities. We view the resulting measure of adjusted leverage, also a non-GAAP financial measure, as a more relevant measure of financial risk when comparing financial services companies.

Liquidity Management

The key objectives of the liquidity management framework are to support the successful execution of our business strategies while ensuring sufficient liquidity through the business cycle and during periods of financial distress. Our liquidity management policies are designed to mitigate the potential risk that we may be unable to access adequate financing to service our financial obligations without material franchise or business impact.

The principal elements of our liquidity management framework are our Contingency Funding Plan, our Cash Capital Policy and our assessment of Maximum Liquidity Outflow.

Contingency Funding Plan. Our Contingency Funding Plan is based on a model of a potential liquidity contraction over a one year time period. This incorporates potential cash outflows during a liquidity stress event, including, but not limited to, the following: (a) repayment of all unsecured debt maturing within one year and no incremental unsecured debt issuance; (b) maturity rolloff of outstanding letters of credit with no further issuance and replacement with cash collateral; (c) higher margin requirements than currently exist on assets on securities financing activity, including repurchase agreements; (d) liquidity outflows related to possible credit downgrade; (e) lower availability of secured funding; (f) client cash withdrawals; (g) the anticipated funding of outstanding investment and loan commitments; and (h) certain accrued expenses and other liabilities and fixed costs.

Cash Capital Policy. We maintain a cash capital model that measures long-term funding sources against requirements. Sources of cash capital include our equity and the noncurrent portion of long-term borrowings. Uses of cash capital include the following: (a) illiquid assets such as equipment, goodwill, net intangible assets, exchange memberships, deferred tax assets and certain investments; (b) a portion of securities inventory that is not expected to be financed on a secured basis in a credit stressed environment (*i.e.*, margin requirements) and (c) drawdowns of unfunded commitments. To ensure that we do not need to liquidate inventory in the event of a funding crisis, we seek to maintain surplus cash capital, which is reflected in the leverage ratios we maintain. Our total long-term capital of $10.8 billion at November 30, 2015 exceeded our cash capital requirements.

Maximum Liquidity Outflow. Our businesses are diverse, and our liquidity needs are determined by many factors, including market movements, collateral requirements and client commitments, all of which can change dramatically in a difficult funding environment. During a liquidity crisis, credit-sensitive funding, including unsecured debt and some types of secured financing agreements, may be unavailable, and the terms (*e.g.*, interest rates, collateral provisions and tenor) or availability of other types of secured financing may change. As a result of our policy to ensure we have sufficient funds to cover what we estimate may be needed in a liquidity crisis, we hold more cash and unencumbered securities and have greater long-term debt balances than our businesses would otherwise require. As part of this estimation process, we calculate a Maximum Liquidity Outflow that could be experienced in a liquidity crisis. Maximum Liquidity Outflow is based on a scenario that includes both a market-wide stress and firm-specific stress, characterized by some or all of the following elements:

- Global recession, default by a medium-sized sovereign, low consumer and corporate confidence, and general financial instability.
- Severely challenged market environment with material declines in equity markets and widening of credit spreads.
- Damaging follow-on impacts to financial institutions leading to the failure of a large bank.
- A firm-specific crisis potentially triggered by material losses, reputational damage, litigation, executive departure, and/or a ratings downgrade.

The following are the critical modeling parameters of the Maximum Liquidity Outflow:

- Liquidity needs over a 30-day scenario.
- A two-notch downgrade of our long-term senior unsecured credit ratings.
- No support from government funding facilities.
- A combination of contractual outflows, such as upcoming maturities of unsecured debt, and contingent outflows (*e.g*., actions though not contractually required, we may deem necessary in a crisis). We assume that most contingent outflows will occur within the initial days and weeks of a crisis.
- No diversification benefit across liquidity risks. We assume that liquidity risks are additive.

The calculation of our Maximum Liquidity Outflow under the above stresses and modeling parameters considers the following potential contractual and contingent cash and collateral outflows:

- All upcoming maturities of unsecured long-term debt, commercial paper, promissory notes and other unsecured funding products assuming we will be unable to issue new unsecured debt or rollover any maturing debt.
- Repurchases of our outstanding long-term debt in the ordinary course of business as a market maker.
- A portion of upcoming contractual maturities of secured funding trades due to either the inability to refinance or the ability to refinance only at wider haircuts (*i.e.*, on terms which require us to post additional collateral). Our assumptions reflect, among other factors, the quality of the underlying collateral and counterparty concentration.
- Collateral postings to counterparties due to adverse changes in the value of our over-the-counter ("OTC") derivatives and other outflows due to trade terminations, collateral substitutions, collateral disputes, collateral calls or termination payments required by a two-notch downgrade in our credit ratings.
- Variation margin postings required due to adverse changes in the value of our outstanding exchange-traded derivatives and any increase in initial margin and guarantee fund requirements by derivative clearing houses.
- Liquidity outflows associated with our prime brokerage business, including withdrawals of customer credit balances, and a reduction in customer short positions.
- Liquidity outflows to clearing banks to ensure timely settlements of cash and securities transactions.
- Draws on our unfunded commitments considering, among other things, the type of commitment and counterparty.
- Other upcoming large cash outflows, such as tax payments.

Based on the sources and uses of liquidity calculated under the Maximum Liquidity Outflow scenarios we determine, based on a calculated surplus or deficit, additional long-term funding that may be needed versus funding through the repurchase financing market and consider any adjustments that may be necessary to our inventory balances and cash holdings. At November 30, 2015, we have sufficient excess liquidity to meet all contingent cash outflows detailed in the Maximum Liquidity Outflow. We regularly refine our model to reflect changes in market or economic conditions and the firm’s business mix.

Sources of Liquidity

The following are financial instruments that are cash and cash equivalents or are deemed by management to be generally readily convertible into cash, marginable or accessible for liquidity purposes within a relatively short period of time (in thousands):

	November 30, 2015	Average balance Quarter ended November 30, 2015 (1)	November 30, 2014
Cash and cash equivalents:			
Cash in banks	$ 973,796	$ 811,034	$ 1,083,605
Certificate of deposit	75,000	75,000	75,000
Money market investments	2,461,367	2,001,419	2,921,363
Total cash and cash equivalents	3,510,163	2,887,453	4,079,968
Other sources of liquidity:			
Debt securities owned and securities purchased under agreements to resell (2)	1,265,840	1,138,614	1,056,766
Other (3)	305,123	522,514	363,713
Total other sources	1,570,963	1,661,128	1,420,479
Total cash and cash equivalents and other liquidity sources	$ 5,081,126	$ 4,548,581	$ 5,500,447
Total cash and cash equivalents and other liquidity sources as % of total assets	13.2%		12.4%
Total cash and cash equivalents and other liquidity sources as % of total assets less goodwill and intangible assets	13.9%		12.9%

(1) Average balances are calculated based on weekly balances.

(2) Consists of high quality sovereign government securities and reverse repurchase agreements collateralized by U.S. government securities and other high quality sovereign government securities; deposits with a central bank within the European Economic Area, Canada, Australia, Japan, Switzerland or the USA; and securities issued by a designated multilateral development bank and reverse repurchase agreements with underlying collateral comprised of these securities.

(3) Other includes unencumbered inventory representing an estimate of the amount of additional secured financing that could be reasonably expected to be obtained from our financial instruments owned that are currently not pledged after considering reasonable financing haircuts and additional funds available under the committed senior secured revolving credit facility available for working capital needs of Jefferies.

In addition to the cash balances and liquidity pool presented above, the majority of financial instruments (both long and short) in our trading accounts are actively traded and readily marketable. At November 30, 2015, we had the ability to readily obtain repurchase financing for 76.7% of our inventory at haircuts of 10% or less, which reflects the liquidity of our inventory. We continually assess the liquidity of our inventory based on the level at which we could obtain financing in the market place for a given asset. Assets are considered to be liquid if financing can be obtained in the repurchase market or the securities lending market at collateral haircut levels of 10% or less. The following summarizes our financial instruments by asset class that we consider to be of a liquid nature and the amount of such assets that have not been pledged as collateral (in thousands):

	November 30, 2015		November 30, 2014	
	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)
Corporate equity securities	$ 1,881,419	$ 268,664	$ 2,191,288	$ 297,628
Corporate debt securities	1,999,162	89,230	2,583,779	11,389
U.S. government, agency and municipal securities	2,987,784	317,518	3,124,780	250,278
Other sovereign obligations	2,444,339	1,026,842	2,671,807	877,366
Agency mortgage-backed securities (1)	3,371,680	—	3,395,771	—
Physical commodities	—	—	62,234	—
	$ 12,684,384	$ 1,702,254	$ 14,029,659	$ 1,436,661

(1) Consists solely of agency mortgage-backed securities issued by Freddie Mac, Fannie Mae and Ginnie Mae. These securities include pass-through securities, securities backed by adjustable rate mortgages ("ARMs"), collateralized mortgage obligations, commercial mortgage-backed securities and interest- and principal-only securities.

(2) Unencumbered liquid balances represent assets that can be sold or used as collateral for a loan, but have not been.

Average liquid financial instruments were $15.3 billion and $15.2 billion for the three and twelve months ended November 30, 2015, respectively, and $17.2 billion for both the three and twelve months ended November 30, 2014. Average unencumbered liquid financial instruments were $1.9 billion for both the three and twelve months ended November 30, 2015, and $1.8 billion and $2.1 billion for the three and twelve months ended November 30, 2014, respectively.

In addition to being able to be readily financed at modest haircut levels, we estimate that each of the individual securities within each asset class above could be sold into the market and converted into cash within three business days under normal market conditions, assuming that a significant portion of the portfolio of a given asset class was not simultaneously liquidated. There are no restrictions on the unencumbered liquid securities, nor have they been pledged as collateral.

Sources of Funding and Capital Resources

Our assets are funded by equity capital, senior debt, convertible debt, securities loaned, securities sold under agreements to repurchase, customer free credit balances, bank loans and other payables.

Secured Financing

We rely principally on readily available secured funding to finance our inventory of financial instruments. Our ability to support increases in total assets is largely a function of our ability to obtain short and intermediate-term secured funding, primarily through securities financing transactions. We finance a portion of our long inventory and cover some of our short inventory by pledging and borrowing securities in the form of repurchase or reverse repurchase agreements (collectively "repos"), respectively. Approximately 81.2% of our repurchase financing activities use collateral that is considered eligible collateral by central clearing corporations. Central clearing corporations are situated between participating members who borrow cash and lend securities (or vice versa); accordingly repo participants contract with the central clearing corporation and not one another individually. Therefore, counterparty credit risk is borne by the central clearing corporation which mitigates the risk through initial margin demands and variation margin calls from repo participants. The comparatively large proportion of our total repo activity that is eligible for central clearing reflects the high quality and liquid composition of the inventory we carry in our trading books. The tenor of our repurchase and reverse repurchase agreements generally exceeds the expected holding period of the assets we are financing.

A significant portion of our financing of European sovereign inventory is executed using central clearinghouse financing arrangements rather than via bi-lateral repo agreements. For those asset classes not eligible for central clearinghouse financing, we seek to execute our bi-lateral financings on an extended term basis.

Weighted average maturity of repurchase agreements for non-clearing corporation eligible funded inventory is approximately four months at November 30, 2015. Our ability to finance our inventory via central clearinghouses and bi-lateral arrangements is augmented by our ability to draw bank loans on an uncommitted basis under our various banking arrangements. At November 30, 2015, short-term borrowings, which include bank loans, which must be repaid within one year or less, as well as borrowings under revolving credit and loan facilities, totaled $310.7 million. Interest under the bank lines is generally at a spread over the federal funds rate. Letters of credit are used in the normal course of business mostly to satisfy various collateral requirements in favor of exchanges in lieu of depositing cash or securities. Average daily short-term borrowings outstanding were $65.3 million for the year ended November 30, 2015 and $81.7 million for the year ended November 30, 2014.

On October 29, 2015, we entered into a secured revolving loan facility ("Loan Facility") with Pacific Western Bank. Pacific Western Bank agrees to make available a revolving loan facility in a maximum principal amount of $50.0 million in U.S. dollars to purchase eligible receivables that meet certain requirements as defined in the Loan Facility agreement. Interest is based on an annual rate equal to the lesser of the LIBOR rate plus three and three-quarters percent or the maximum rate as defined in the Loan Facility agreement. At November 30, 2015, borrowings under the Loan Facility amounted to $48.7 million and are included within the Short-term borrowings balance above and in the Consolidated Statements of Financial Condition.

In addition to the above financing arrangements, in November 2012, we initiated a program whereby we issue notes backed by eligible collateral under a master repurchase agreement, which provides an additional financing source for our inventory (our "repurchase agreement financing program"). At November 30, 2015, the outstanding amount of the notes issued under the program was $716.7 million in aggregate, which is presented within Other secured financings in the Consolidated Statement of Financial Condition. Of the $716.7 million aggregate notes, $40.0 million mature in March 2016, $50.0 million in June 2016, $195.1 million in July 2016, $76.5 million in August 2016, $60.0 million in December 2016, $60.0 million in May 2017, and $60.0 million in October 2017, all bearing interest at a spread over one month LIBOR. The remaining $175.1 million matured in January 2016, and bore interest at a spread over three month LIBOR. At November 30, 2015, $431.6 million of the $716.7 million aggregate notes are redeemable within approximately 90 days at the option of the noteholders. For additional discussion on the program, refer to Note 9, Variable Interest Entities, in our consolidated financial statements.

On April 23, 2015, we entered into a committed revolving credit facility ("Intraday Credit Facility") with the Bank of New York Mellon. The Bank of New York Mellon agrees to make revolving intraday credit advances for an aggregate committed amount of $500.0 million in U.S. dollars. The term of the Intraday Credit Facility was six months after the closing date, but could be extended for an additional six months upon our request and at the lender's discretion. On October 22, 2015, we amended and restated the Intraday Credit Facility and reduced the aggregate committed amount to $300.0 million in U.S. dollars and extended the termination date to October 21, 2016, which can be extended for 364 days upon our request and at the lender's discretion. The Intraday Credit Facility contains a financial covenant, which includes a minimum regulatory net capital requirement. Interest is based on the higher of the Federal funds effective rate plus 0.5% or the prime rate. At November 30, 2015, we were in compliance with debt covenants under the Intraday Credit Facility.

Total Long-Term Capital

At November 30, 2015 and November 30, 2014, we have total long-term capital of $10.8 billion and $11.3 billion resulting in a long-term debt to equity capital ratio of 0.96:1 and 1.06:1, respectively. Our total long-term capital base at November 30, 2015 and November 30, 2014 was as follows (in thousands):

	November 30, 2015	November 30, 2014
Long-Term Debt (1)	$ 5,288,867	$ 5,805,673
Total Equity	5,509,377	5,463,431
Total Long-Term Capital	$ 10,798,244	$ 11,269,104

(1) Long-term debt for purposes of evaluating long-term capital at November 30, 2014 excludes $170.0 million of our outstanding borrowings under our long-term revolving Credit Facility. In addition, long-term capital excludes $353.0 million of our 5.5% Senior Notes at November 30, 2015 and $507.9 million of our 3.875% Senior Notes at November 30, 2014, as these notes mature in less than one year from the period end.

Long-Term Debt

On August 26, 2011, we entered into a committed senior secured revolving credit facility ("Credit Facility") with a group of commercial banks in Dollars, Euros and Sterling, for an aggregate committed amount of $950.0 million with availability subject to one or more borrowing bases and of which $250.0 million can be borrowed by Jefferies Bache Limited without a borrowing base requirement. On June 26, 2014, we amended and restated the Credit Facility to extend the term of the Credit Facility for three years and reduced the committed amount to $750.0 million. The borrowers under the Credit Facility were Jefferies Bache Financial Services, Inc., Jefferies Bache, LLC and Jefferies Bache Limited, with a guarantee from Jefferies Group LLC. On September 1, 2014, Jefferies Bache, LLC merged with and into Jefferies LLC ("Jefferies"), (a U.S. broker-dealer). Jefferies was the surviving entity, and therefore, was a borrower under the Credit Facility. At November 30, 2014, borrowings under the Credit Facility amounted to $170.0 million and were denominated in U.S. dollars.

Interest was based on the Federal funds rate or, in the case of Euro and Sterling borrowings, the Euro Interbank Offered Rate and the London Interbank Offered Rate, respectively. The Credit Facility contained financial covenants that, among other things, imposed restrictions on future indebtedness of our subsidiaries, required Jefferies Group LLC to maintain specified level of tangible net worth and liquidity amounts, and required certain of our subsidiaries to maintain specified levels of regulated capital. At November 30, 2014, the minimum tangible net worth requirement was $2,603.1 million and the minimum liquidity requirement was $541.7 million for which we were in compliance. Throughout the period, no instances of noncompliance with the Credit Facility occurred. We terminated our $750.0 million Credit Facility on July 31, 2015, due to the exiting of the Bache business. For further information with respect to the Credit Facility, refer to Note 24, Exit Costs in our consolidated financial statements.

On May 20, 2014, under our $2.0 billion Euro Medium Term Note Program we issued senior unsecured notes with a principal amount of €500.0 million, due 2020, which bear interest at 2.375% per annum. Proceeds amounted to €498.7 million.

At November 30, 2015, our long-term debt has a weighted average maturity of approximately 8 years. Our 3.875% Senior Notes with a principal amount of $500.0 million matured in November 2015.

Our long-term debt ratings are currently as follows:

	Rating	Outlook
Moody’s Investors Service (1)	Baa3	Stable
Standard and Poor’s (2)	BBB-	Stable
Fitch Ratings (3)	BBB-	Stable

(1) On January 21, 2016, Moody's affirmed our long-term debt rating of Baa3 and our rating outlook was changed from negative to stable.

(2) On December 11, 2014, Standard and Poor’s (“S&P”) announced its review of the ratings on 13 U.S. securities firms by applying its new ratings criteria for the sector. As part of this review, S&P downgraded our long-term debt rating one notch from “BBB” to “BBB-” and left the rating outlook unchanged at “stable”.

(3) On March 5, 2015, Fitch affirmed our long-term debt rating of BBB- and our stable rating outlook.

In addition, on March 24, 2015, S&P assigned our principal operating broker-dealers, Jefferies LLC (“Jefferies”) (a U.S. broker-dealer) and Jefferies International Limited (a U.K. broker-dealer), long-term ratings of BBB and assigned a stable outlook to these ratings. On May 6, 2015, Moody's assigned Jefferies and Jefferies International Limited, long-term ratings of Baa2 and assigned a negative outlook to these ratings. On January 21, 2016, Moody's reaffirmed our Jefferies and Jefferies International Limited ratings of Baa2 and our rating outlook was changed to stable from negative.

We rely upon our cash holdings and external sources to finance a significant portion of our day to day operations. Access to these external sources, as well as the cost of that financing, is dependent upon various factors, including our debt ratings. Our current debt ratings are dependent upon many factors, including industry dynamics, operating and economic environment, operating results, operating margins, earnings trend and volatility, balance sheet composition, liquidity and liquidity management, our capital structure, our overall risk management, business diversification and our market share and competitive position in the markets in which we operate. Deteriorations in any of these factors could impact our credit ratings. While certain aspects of a credit rating downgrade are quantifiable pursuant to contractual provisions, the impact on our business and trading results in future periods is inherently uncertain and depends on a number of factors, including the magnitude of the downgrade, the behavior of individual clients and future mitigating action taken by us.

In connection with certain over-the-counter derivative contract arrangements and certain other trading arrangements, we may be required to provide additional collateral to counterparties, exchanges and clearing organizations in the event of a credit rating downgrade. At November 30, 2015, the amount of additional collateral that could be called by counterparties, exchanges and clearing organizations under the terms of such agreements in the event of a downgrade of our long-term credit rating below investment grade was $49.5 million. For certain foreign clearing organizations credit rating is only one of several factors employed in determining collateral that could be called. The above represents management’s best estimate for additional collateral to be called in the event of credit rating downgrade. The impact of additional collateral requirements are considered in our Contingency Funding Plan and calculation of Maximum Liquidity Outflow, as described above.

Contractual Obligations and Commitments

The tables below provide information about our commitments related to debt obligations, investments and derivative contracts at November 30, 2015. The table presents principal cash flows with expected maturity dates (in millions):

	Expected Maturity Date					
	2016	2017	2018 and 2019	2020 and 2021	2022 and Later	Total
Debt obligations:						
Unsecured long-term debt (contractual principal payments net of unamortized discounts and premiums)	$ 353.0	$ 347.3	$ 1,636.4	$ 1,366.4	$ 1,938.8	$ 5,641.9
Interest payment obligations on senior notes	294.3	287.6	461.4	297.1	1,150.8	2,491.2
Purchase obligations (1)	66.2	55.5	78.9	52.6	23.4	276.6
	$ 713.5	$ 690.4	$ 2,176.7	$ 1,716.1	$ 3,113.0	$ 8,409.7
Commitments and guarantees:						
Equity commitments	$ 9.5	$ —	$ —	$ 15.8	$ 189.5	$ 214.8
Loan commitments	247.3	170.7	81.4	—	—	499.4
Mortgage-related and other purchase commitments	1,571.4	312.5	1,013.7	—	—	2,897.6
Forward starting reverse repos and repos	1,635.0	—	—	—	—	1,635.0
Other unfunded commitments	87.0	186.9	20.2	5.7	35.6	335.4
Derivative Contracts (2):						
Derivative contracts – non credit related	11,840.6	584.6	142.8	—	414.4	12,982.4
Derivative contracts – credit related	—	—	115.4	955.4	10.0	1,080.8
	$ 15,390.8	$ 1,254.7	$ 1,373.5	$ 976.9	$ 649.5	$ 19,645.4

(1) Purchase obligations for goods and services primarily include payments for outsourcing and computer and telecommunications maintenance agreements. Purchase obligations at November 30, 2015 reflect the minimum contractual obligations under legally enforceable contracts.

(2) Certain of our derivative contracts meet the definition of a guarantee and are therefore included in the above table. For additional information on commitments, see Note 20, Commitments, Contingencies and Guarantees, in our consolidated financial statements.

As lessee, we lease certain premises and equipment under non-cancelable agreements expiring at various dates through 2029 which are operating leases. At November 30, 2015, future minimum aggregate annual lease payments under such leases (net of subleases) for fiscal years ended November 30, 2016 through 2020 and the aggregate amount thereafter, are as follows (in thousands):

Fiscal Year	Operating Leases
2016	$ 54,532
2017	57,072
2018	57,298
2019	55,755
2020	50,584
Thereafter	396,041
Total	$ 671,282

During 2012, we entered into a master sale and leaseback agreement under which we sold and have leased back existing and additional new equipment supplied by the lessor. The transaction resulted in a gain of $2.0 million, which is being amortized into earnings in proportion to and is reflected net against the leased equipment. The lease may be terminated in the third quarter of fiscal 2017 for a termination cost of the present value of the remaining lease payments plus a residual value. If not terminated early, the lease term is approximately five years from the start of the supply of new and additional equipment, which commenced on various dates in 2013 and continued into 2015. At November 30, 2015, minimum future lease payments are as follows (in thousands):

Fiscal Year		
2016	$	3,798
2017		3,798
2018		1,513
2019		189
Net minimum lease payments		9,298
Less amount representing interest		471
Present value of net minimum lease payments	$	8,827

In the normal course of business we engage in other off balance sheet arrangements, including derivative contracts. Neither derivatives' notional amounts nor underlying instrument values are reflected as assets or liabilities in our Consolidated Statements of Financial Condition. Rather, the fair value of derivative contracts are reported in the Consolidated Statements of Financial Condition as Financial instruments owned or Financial instruments sold, not yet purchased as applicable. Derivative contracts are reflected net of cash paid or received pursuant to credit support agreements and are reported on a net by counterparty basis when a legal right of offset exists under an enforceable master netting agreement. For additional information about our accounting policies and our derivative activities, see Note 2, Summary of Significant Accounting Policies, Note 5, Fair Value Disclosures, and Note 6, Derivative Financial Instruments, in our consolidated financial statements.

We are routinely involved with variable interest entities ("VIEs") in connection with our mortgage- and other asset- backed securities and collateralized loan obligation securitization activities. VIEs are entities in which equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are consolidated by the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a variable interest entity ("VIE") that most significantly impact the entity's economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. Where we are the primary beneficiary of a VIE, we consolidate the VIE. We do not generally consolidate the various VIEs related to our securitization activities because we are not the primary beneficiary.

At November 30, 2015, we did not have any commitments to purchase assets from our securitization vehicles. For additional information regarding our involvement with VIEs, see Note 8, Securitization Activities, and Note 9, Variable Interest Entities, in our consolidated financial statements.

We expect to make cash payments of $508.5 million on January 31, 2016 related to compensation awards for fiscal 2015.

Due to the uncertainty regarding the timing and amounts that will ultimately be paid, our liability for unrecognized tax benefits has been excluded from the above contractual obligations table. See Note 19, Income Taxes, in our consolidated financial statements for further information.

Equity Capital

As compared to November 30, 2014, the increase to total member's equity at November 30, 2015 is primarily attributed to net earnings, partially offset by foreign currency translation adjustments.

Net Capital

As broker-dealers registered with the SEC and member firms of the Financial Industry Regulatory Authority ("FINRA"), Jefferies and Jefferies Execution are subject to the Securities and Exchange Commission Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital, and have elected to calculate minimum capital requirements using the alternative method permitted by Rule 15c3-1 in calculating net capital. Jefferies, as a dually-registered U.S. broker-dealer and FCM, is also subject to Rule 1.17 of the Commodity Futures Trading Commission ("CFTC"), which sets forth minimum financial requirements. The minimum net capital requirement in determining excess net capital for a dually-registered U.S. broker-dealer and FCM is equal to the greater of the requirement under Rule 15c3-1 or CFTC Rule 1.17.

At November 30, 2015, Jefferies and Jefferies Execution's net capital and excess net capital were as follows (in thousands):

	Net Capital	Excess Net Capital
Jefferies	$ 1,556,602	$ 1,471,663
Jefferies Execution	9,647	9,397

FINRA is the designated self-regulatory organization ("DSRO") for our U.S. broker-dealers. Effective September 21, 2015, the National Futures Association is the DSRO for Jefferies as an FCM.

Certain other U.S. and non-U.S. subsidiaries are subject to capital adequacy requirements as prescribed by the regulatory authorities in their respective jurisdictions, including Jefferies International Limited and Jefferies Bache Limited which are subject to the regulatory supervision and requirements of the Financial Conduct Authority in the United Kingdom. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law on July 21, 2010. The Dodd-Frank Act contains provisions that require the registration of all swap dealers, major swap participants, security-based swap dealers, and/or major security-based swap participants. While entities that register under these provisions will be subject to regulatory capital requirements, these regulatory capital requirements have not yet been finalized. We expect that these provisions will result in modifications to the regulatory capital requirements of some of our entities, and will result in some of our other entities becoming subject to regulatory capital requirements for the first time, including Jefferies Derivative Products, LLC and Jefferies Financial Services, Inc., which registered as swap dealers with the CFTC during January 2013 and Jefferies Financial Products, LLC, which registered during August 2014.

The regulatory capital requirements referred to above may restrict our ability to withdraw capital from our regulated subsidiaries.

Risk Management

Overview

Risk is an inherent part of our business and activities. The extent to which we properly and effectively identify, assess, monitor and manage each of the various types of risk involved in our activities is critical to our financial soundness, viability and profitability. Accordingly, we have a comprehensive risk management approach, with a formal governance structure and processes to identify, assess, monitor and manage risk. Principal risks involved in our business activities include market, credit, liquidity and capital, operational, legal and compliance, new business, and reputational risk.

Risk management is a multifaceted process that requires communication, judgment and knowledge of financial products and markets. Accordingly, our risk management process encompasses the active involvement of executive and senior management, and also many departments independent of the revenue-producing business units, including the Risk Management, Operations, Compliance, Legal and Finance Departments. Our risk management policies, procedures and methodologies are fluid in nature and are subject to ongoing review and modification.

For discussion of liquidity and capital risk management, refer to the "Liquidity, Financial Condition and Capital Resources" section herein.

Governance and Risk Management Structure

Our Board of Directors. Our Board of Directors and its Audit Committee play an important role in reviewing our risk management process and risk tolerance. Our Board of Directors and Audit Committee are provided with data relating to risk at each of its regularly scheduled meetings. Our Chief Risk Officer and Global Treasurer meet with the Board of Directors on not less than a quarterly basis to present our risk profile and liquidity profile and to respond to questions.

Risk Committees. We make extensive use of internal committees to govern risk taking and ensure that business activities are properly identified, assessed, monitored and managed. Our Risk Management Committee meets weekly to discuss our risk, capital, and liquidity profile in detail. In addition, business or market trends and their potential impact on the risk profile are discussed. Membership is comprised of our Chief Executive Officer and Chairman, Chairman of the Executive Committee, Chief Financial Officer, Chief Risk Officer and Global Treasurer. The Committee approves limits for us as a whole, and across risk categories and business lines. It also reviews all limit breaches. Limits are reviewed on at least an annual basis. Other risk related committees include Market Risk Management, Credit Risk Management, New Business, Underwriting Acceptance, Margin Oversight, Executive Management and Operating Committees. These Committees govern risk taking and ensure that business activities are properly managed for their area of oversight.

Risk Related Policies. We make use of various policies in the risk management process:

- *Market Risk Policy*- This policy sets out roles, responsibilities, processes and escalation procedures regarding market risk management.
- *Independent Price Verification Policy*- This policy sets out roles, responsibilities, processes and escalation procedures regarding independent price verification for securities and other financial instruments.
- *Operational Risk Policy*- This policy sets out roles, responsibilities, processes and escalation procedures regarding operational risk management.
- *Credit Risk Policy*- This policy provides standards and controls for credit risk-taking throughout our global business activities. This policy also governs credit limit methodology and counterparty review.
- *Model Validation Policy*-This policy sets out roles, processes and escalation procedures regarding model validation and model risk management.

Risk Management Key Metrics

We apply a comprehensive framework of limits on a variety of key metrics to constrain the risk profile of our business activities. The size of the limit reflects our risk tolerance for a certain activity under normal business conditions. Key metrics included in our framework include inventory position and exposure limits on a gross and net basis, scenario analysis and stress tests, Value-at-Risk, sensitivities (greeks), exposure concentrations, aged inventory, amount of Level 3 assets, counterparty exposure, leverage, cash capital, and performance analysis metrics.

Market Risk

The potential for changes in the value of financial instruments is referred to as market risk. Our market risk generally represents the risk of loss that may result from a change in the value of a financial instrument as a result of fluctuations in interest rates, credit spreads, equity prices, commodity prices and foreign exchange rates, along with the level of volatility. Interest rate risks result primarily from exposure to changes in the yield curve, the volatility of interest rates, and credit spreads. Equity price risks result from exposure to changes in prices and volatilities of individual equities, equity baskets and equity indices. Commodity price risks result from exposure to the changes in prices and volatilities of individual commodities, commodity baskets and commodity indices. Market risk arises from market making, proprietary trading, underwriting, specialist and investing activities. We seek to manage our exposure to market risk by diversifying exposures, controlling position sizes, and establishing economic hedges in related securities or derivatives. Due to imperfections in correlations, gains and losses can occur even for positions that are hedged. Position limits in trading and inventory accounts are established and monitored on an ongoing basis. Each day, consolidated position and exposure reports are prepared and distributed to various levels of management, which enable management to monitor inventory levels and results of the trading groups.

Value-at-Risk

We estimate Value-at-Risk ("VaR") using a model that simulates revenue and loss distributions on substantially all financial instruments by applying historical market changes to the current portfolio. Using the results of this simulation, VaR measures the potential loss in value of our financial instruments over a specified time horizon at a given confidence level. We calculate a one-day VaR using a one year look-back period measured at a 95% confidence level.

As with all measures of VaR, our estimate has inherent limitations due to the assumption that historical changes in market conditions are representative of the future. Furthermore, the VaR model measures the risk of a current static position over a one-day horizon and might not capture the market risk of positions that cannot be liquidated or offset with hedges in a one-day period. Published VaR results reflect past trading positions while future risk depends on future positions.

While we believe the assumptions and inputs in our risk model are reasonable, we could incur losses greater than the reported VaR because the historical market prices and rates changes may not be an accurate measure of future market events and conditions. Consequently, this VaR estimate is only one of a number of tools we use in our daily risk management activities. When comparing our VaR numbers to those of other firms, it is important to remember that different methodologies and assumptions could produce significantly different results.

Our average daily VaR decreased to $12.39 million for the year ended November 30, 2015 from $14.35 million for the year ended November 30, 2014, a 13.7% decrease. The decrease was primarily driven by a decrease in our investment in KCG and the exit of the Bache business. In addition, our VaR declined from $13.28 million at November 30, 2014 to November 30, 2015 to $7.73

million. The decrease is reflective of a reduction in risk that we implemented in connection with our view of the current market environment. The reductions in our balance sheet and mix of inventory was substantially effected during our fourth quarter. Excluding our investment in KCG, our average VaR increased to $9.97 million for the year ended November 30, 2015 from $9.54 million in the year ended November 30, 2014.

The following table illustrates each separate component of VaR for each component of market risk by interest rate, equity, currency and commodity products, as well as for our overall trading positions using the past 365 days of historical data (in millions).

Daily VaR (1)
Value-at-Risk In Trading Portfolios

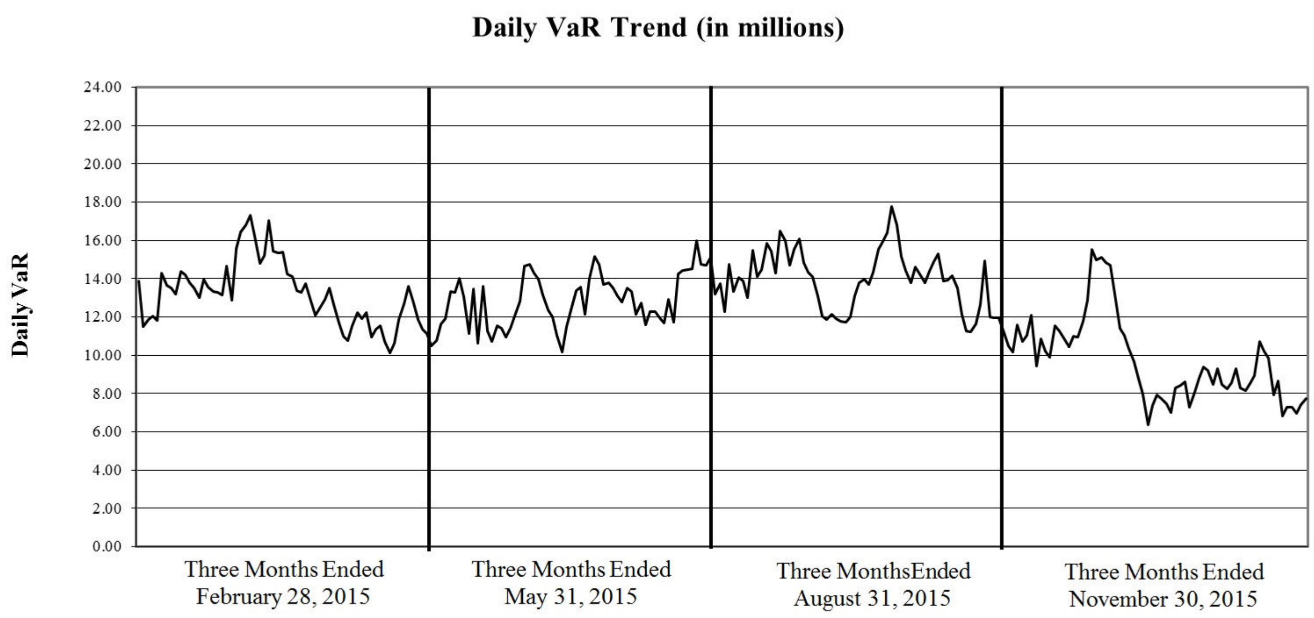
	VaR at November 30, 2015	Daily VaR for the Year Ended November 30, 2015			VaR at November 30, 2014	Daily VaR for theYear Ended November 30, 2014		
Risk Categories:		Average	High	Low		Average	High	Low
Interest Rates	$ 5.01	$ 5.84	$ 8.06	$ 4.19	$ 5.56	$ 5.77	$ 8.69	$ 3.16
Equity Prices	6.69	9.79	13.61	5.39	10.53	11.08	14.68	7.85
Currency Rates	0.30	0.46	3.32	0.12	0.87	1.33	6.59	0.15
Commodity Prices	0.82	0.57	1.62	0.04	0.19	0.70	2.14	0.07
Diversification Effect (2)	(5.09)	(4.27)	N/A	N/A	(3.87)	(4.53)	N/A	N/A
Firmwide	$ 7.73	$ 12.39	$ 17.75	$ 6.35	$ 13.28	$ 14.35	$ 19.68	$ 10.31

(1) VaR is the potential loss in value of our trading positions due to adverse market movements over a defined time horizon with a specific confidence level. For the VaR numbers reported above, a one-day time horizon, with a one year look-back period, and a 95% confidence level were used.

(2) The diversification effect is not applicable for the maximum and minimum VaR values as the firmwide VaR and the VaR values for the four risk categories might have occurred on different days during the year.

The aggregated VaR presented here is less than the sum of the individual components (*i.e.*, interest rate risk, foreign exchange rate risk, equity risk and commodity price risk) due to the benefit of diversification among the four risk categories. Diversification effect equals the difference between aggregated VaR and the sum of VaRs for the four risk categories and arises because the market risk categories are not perfectly correlated.

The chart below reflects our daily VaR over the last four quarters:



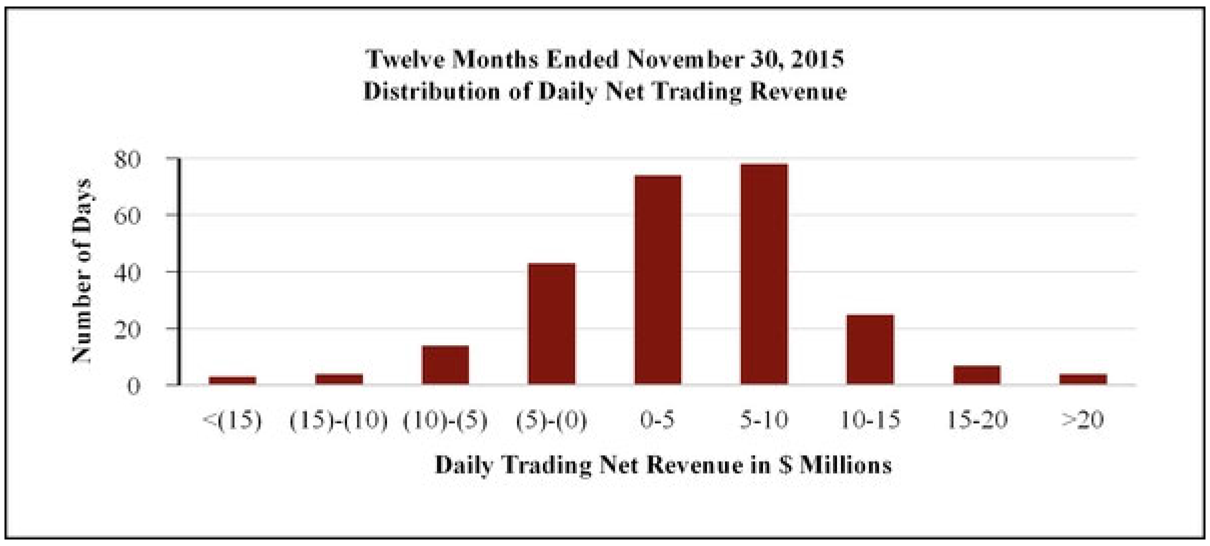
The primary method used to test the efficacy of the VaR model is to compare our actual daily net revenue for those positions included in our VaR calculation with the daily VaR estimate. This evaluation is performed at various levels of the trading portfolio, from the holding company level down to specific business lines. For the VaR model, trading related revenue is defined as principal transaction revenue, trading related commissions, revenue from securitization activities and net interest income. For a 95% confidence one day VaR model (*i.e.,* no intra-day trading), assuming current changes in market value are consistent with the historical changes used in the calculation, net trading losses would not be expected to exceed the VaR estimates more than twelve times on an annual basis (*i.e.,* once in every 20 days). During the year ended November 30, 2015, results of the evaluation at the aggregate level demonstrated five days when the net trading loss exceeded the 95% one day VaR.

Certain positions within financial instruments are not included in the VaR model because VaR is not the most appropriate measure of risk. Accordingly, Risk Management has additional procedures in place to assure that the level of potential loss that would arise from market movements are within acceptable levels. Such procedures include performing stress tests, monitoring concentration risk and tracking price target/stop loss levels. The table below presents the potential reduction in net income associated with a 10% stress of the fair value of the positions that are not included in the VaR model at November 30, 2015 (in thousands):

	10% Sensitivity
Private investments	$ 24,889
Corporate debt securities in default	7,223
Trade claims	1,435

Daily Net Trading Revenue

Excluding trading losses associated with the daily marking to market of our investment in KCG, there were 55 days with trading losses out of a total of 252 trading days in the year ended November 30, 2015. Including these losses, there were 64 days with trading losses. The histogram below presents the distribution of our actual daily net trading revenue for substantially all of our trading activities for the year ended November 30, 2015 (in millions).



Scenario Analysis and Stress Tests

While VaR measures potential losses due to adverse changes in historical market prices and rates, we use stress testing to analyze the potential impact of specific events or moderate or extreme market moves on our current portfolio both firm wide and within business segments. Stress scenarios comprise both historical market price and rate changes and hypothetical market environments, and generally involve simultaneous changes of many risk factors. Indicative market changes in our scenarios include, but are not limited to, a large widening of credit spreads, a substantial decline in equities markets, significant moves in selected emerging markets, large moves in interest rates, changes in the shape of the yield curve and large moves in European markets. In addition, we also perform ad hoc stress tests and add new scenarios as market conditions dictate. Because our stress scenarios are meant to reflect market moves that occur over a period of time, our estimates of potential loss assume some level of position reduction for liquid positions. Unlike our VaR, which measures potential losses within a given confidence interval, stress scenarios do not have an associated implied probability; rather, stress testing is used to estimate the potential loss from market moves that tend to be larger than those embedded in the VaR calculation.

Stress testing is performed and reported regularly as part of the risk management process. Stress testing is used to assess our aggregate risk position as well as for limit setting and risk/reward analysis.

Counterparty Credit Risk and Issuer Country Exposure

Counterparty Credit Risk

Credit risk is the risk of loss due to adverse changes in a counterparty's credit worthiness or its ability or willingness to meet its financial obligations in accordance with the terms and conditions of a financial contract. We are exposed to credit risk as trading counterparty to other broker-dealers and customers, as a direct lender and through extending loan commitments, as a holder of securities and as a member of exchanges and clearing organizations.

It is critical to our financial soundness and profitability that we properly and effectively identify, assess, monitor, and manage the various credit and counterparty risks inherent in our businesses. Credit is extended to counterparties in a controlled manner in order to generate acceptable returns, whether such credit is granted directly or is incidental to a transaction. All extensions of credit are monitored and managed on an enterprise level in order to limit exposure to loss related to credit risk.

Our Credit Risk Framework is responsible for identifying credit risks throughout the operating businesses, establishing counterparty limits and managing and monitoring those credit limits. Our framework includes:

- defining credit limit guidelines and credit limit approval processes;
- providing a consistent and integrated credit risk framework across the enterprise;
- approving counterparties and counterparty limits with parameters set by the Risk Management Committee;
- negotiating, approving and monitoring credit terms in legal and master documentation;
- delivering credit limits to all relevant sales and trading desks;
- maintaining credit reviews for all active and new counterparties;
- operating a control function for exposure analytics and exception management and reporting;
- determining the analytical standards and risk parameters for on-going management and monitoring of global credit risk books;
- actively managing daily exposure, exceptions, and breaches;
- monitoring daily margin call activity and counterparty performance (in concert with the Margin Department); and
- setting the minimum global requirements for systems, reports, and technology.

Credit Exposures

Credit exposure exists across a wide-range of products including cash and cash equivalents, loans, securities finance transactions and over-the-counter derivative contracts.

- Loans and lending arise in connection with our capital markets activities and represents the notional value of loans that have been drawn by the borrower and lending commitments that were outstanding at November 30, 2015. In addition, credit exposures on forward settling traded loans are included within our loans and lending exposures for consistency with the balance sheet categorization of these items.
- Securities and margin finance includes credit exposure arising on securities financing transactions (reverse repurchase agreements, repurchase agreements and securities lending agreements) to the extent the fair value of the underlying collateral differs from the contractual agreement amount and from margin provided to customers.
- Derivatives represent OTC derivatives, which are reported net by counterparty when a legal right of setoff exists under an enforceable master netting agreement. Derivatives are accounted for at fair value net of cash collateral received or posted under credit support agreements. In addition, credit exposures on forward settling trades are included within our derivative credit exposures.
- Cash and cash equivalents include both interest-bearing and non-interest bearing deposits at banks.

Current counterparty credit exposures at November 30, 2015 and November 30, 2014 are summarized in the tables below and provided by credit quality, region and industry (in millions). Credit exposures presented take netting and collateral into consideration by counterparty and master agreement. Collateral taken into consideration includes both collateral received as cash as well as collateral received in the form of securities or other arrangements. Current exposure is the loss that would be incurred on a particular set of positions in the event of default by the counterparty, assuming no recovery. Current exposure equals the fair value of the positions less collateral. Issuer risk is the credit risk arising from inventory positions (for example, corporate debt securities and secondary bank loans). Issuer risk is included in our country risk exposure tables below. Of our counterparty credit exposure at November 30, 2015, excluding cash and cash equivalents, the percentage of exposure from investment grade counter-parties increased 6% to 76% from 70% at November 30, 2014, and are mainly concentrated in North America. When comparing our credit exposure at November 30, 2015 with credit exposure at November 30, 2014, excluding cash and cash equivalents, current exposure has decreased 19% to approximately $1.4 billion from $1.7 billion. Counterparty credit exposure from OTC derivatives decreased by 47%, primarily attributable to North American and European banks and broker dealers. Loans and lending decreased over the year by 22% and securities and margin finance decreased by 9% over the year.

Counterparty Credit Exposure by Credit Rating

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total		Cash and Cash Equivalents		Total with Cash and Cash Equivalents	
	At		At		At		At		At		At	
	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014
AAA Range	$ —	$ —	$ 11 8	$ 1 9	$ —	$ —	$ 11 8	$ 1 9	$ 2,461 4	$ 2,921 4	$ 2,473 2	$ 2,923 3
AA Range	—	2 7	152 3	134 6	4 4	7 1	156 7	144 4	175 0	412 9	331 7	557 3
A Range	1 0	7 6	556 4	586 9	95 9	218 1	653 3	812 6	846 3	731 3	1,499 6	1,543 9
BBB Range	86 6	132 3	107 9	73 6	31 7	34 8	226 2	240 7	25 8	2 8	252 0	243 5
BB or Lower	197 5	189 9	14 8	127 9	30 1	45 2	242 4	363 0	—	—	242 4	363 0
Unrated	85 1	139 6	—	—	0 1	—	85 2	139 6	1 7	11 5	86 9	151 1
Total	$ 370 2	$ 472 1	$ 843 2	$ 924 9	$ 162 2	$ 305 2	$ 1,375 6	$ 1,702 2	$ 3,510 2	$ 4,079 9	$ 4,885 8	$ 5,782 1

Counterparty Credit Exposure by Region

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total		Cash and Cash Equivalents		Total with Cash and Cash Equivalents	
	At		At		At		At		At		At	
	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014
Asia/Latin America/ Other	$ 37 4	$ 48 8	$ 15 3	$ 55 7	$ 40 6	$ 24 6	$ 93 3	$ 129 1	$ 159 6	$ 221 0	$ 252 9	$ 350 1
Europe	0 4	8 5	212 2	218 2	43 4	76 1	256 0	302 8	341 8	617 5	597 8	920 3
North America	332 4	414 8	615 7	651 0	78 2	204 5	1,026 3	1,270 3	3,008 8	3,241 4	4,035 1	4,511 7
Total	$ 370 2	$ 472 1	$ 843 2	$ 924 9	$ 162 2	$ 305 2	$ 1,375 6	$ 1,702 2	$ 3,510 2	$ 4,079 9	$ 4,885 8	$ 5,782 1

Counterparty Credit Exposure by Industry

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total		Cash and Cash Equivalents		Total with Cash and Cash Equivalents	
	At		At		At		At		At		At	
	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014
Asset Managers	$ —	$ —	$ 69 8	$ 91 8	$ —	$ —	$ 69 8	$ 91 8	$ 2,461 3	$ 2,921 4	$ 2,531 1	$ 3,013 2
Banks, Broker-dealers	0 9	10 7	464 9	482 2	95 1	251 4	560 9	744 3	1,048 9	1,158 5	1,609 8	1,902 8
Commodities	—	—	—	59 9	16 7	24 8	16 7	84 7	—	—	16 7	84 7
Corporates/ Loans	237 4	320 8	—	—	11 3	0 8	248 7	321 6	—	—	248 7	321 6
Other	131 9	140 6	308 5	291 0	39 1	28 2	479 5	459 8	—	—	479 5	459 8
Total	$ 370 2	$ 472 1	$ 843 2	$ 924 9	$ 162 2	$ 305 2	$ 1,375 6	$ 1,702 2	$ 3,510 2	$ 4,079 9	$ 4,885 8	$ 5,782 1

For additional information regarding credit exposure to OTC derivative contracts, refer to Note 6, Derivative Financial Instruments, in our consolidated financial statements included within this Annual Report on Form 10-K.

Country Risk Exposure

Country risk is the risk that events or developments that occur in the general environment of a country or countries due to economic, political, social, regulatory, legal or other factors, will affect the ability of obligors of the country to honor their obligations. We define country risk as the country of jurisdiction or domicile of the obligor. The following tables reflect our top exposure at November 30, 2015 and November 30, 2014 to the sovereign governments, corporations and financial institutions in those non- U.S. countries in which we have a net long issuer and counterparty exposure (in millions):

	November 30, 2015								
	Issuer Risk			Counterparty Risk				Issuer and Counterparty Risk	
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
Belgium	$ 413.8	$ (48.8)	$ 6.2	$ —	$ —	$ —	$ 157.8	$ 371.2	$ 529.0
United Kingdom	711.6	(359.3)	52.4	0.4	31.6	25.4	26.3	462.1	488.4
Netherlands	543.5	(139.6)	(23.4)	—	36.2	2.0	—	418.7	418.7
Italy	1,112.2	(662.4)	(105.6)	—	—	0.2	—	344.4	344.4
Ireland	164.3	(27.4)	3.3	—	3.5	—	—	143.7	143.7
Spain	394.0	(291.9)	(1.6)	—	—	0.2	26.6	100.7	127.3
Australia	86.6	(24.9)	9.6	37.4	—	0.3	0.8	109.0	109.8
Hong Kong	38.1	(22.3)	(2.9)	—	0.4	—	74.8	13.3	88.1
Switzerland	79.5	(28.9)	(6.6)	—	34.5	5.2	3.7	83.7	87.4
Portugal	111.9	(38.2)	—	—	—	—	—	73.7	73.7
Total	$ 3,655.5	$ (1,643.7)	$ (68.6)	$ 37.8	$ 106.2	$ 33 3	$ 290.0	$ 2,120.5	$ 2,410.5

	November 30, 2014								
	Issuer Risk			Counterparty Risk				Issuer and Counterparty Risk	
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
Germany	$ 357.6	$ (153.7)	$ 196.1	$ —	$ 97.8	$ 16.8	$ 59.5	$ 514.6	$ 574.1
Spain	587.2	(171.0)	—	0.2	1.2	—	—	417.6	417.6
United Kingdom	441.0	(252.5)	(25.4)	6.5	29.8	25.2	138.9	224.6	363.5
Belgium	137.6	(65.9)	(8.4)	—	2.5	—	278.7	65.8	344.5
Canada	123.1	(28.8)	(27.3)	—	120.2	79.6	5.3	266.8	272.1
Netherlands	341.4	(121.0)	(13.5)	—	5.4	—	—	212.3	212.3
Italy	1,467.9	(880.1)	(427.7)	—	—	0.3	—	160.4	160.4
Hong Kong	18.4	(8.5)	—	—	0.6	—	145.1	10.5	155.6
Luxembourg	5.6	(6.9)	2.9	—	0.4	—	127.2	2.0	129.2
Puerto Rico	108.2	—	—	—	—	0.8	—	109.0	109.0
Total	$ 3,588.0	$ (1,688.4)	$ (303.3)	$ 6.7	$ 257.9	$ 122.7	$ 754.7	$ 1,983.6	$ 2,738.3

In addition, at November 30, 2015 our issuer and counterparty risk exposure to Puerto Rico was $40.1 million, which is in connection with our municipal securities market-making activities. The government of Puerto Rico is seeking to restructure much of its $72 billion in debt on a voluntary basis. At November 30, 2015, we had no material exposure to countries where either sovereign or non-sovereign sectors potentially pose potential default risk as the result of liquidity concerns, given that individually and collectively all countries of concern are less than 2% of Jefferies' total exposure.

Operational Risk

Operational risk refers to the risk of loss resulting from our operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our operating systems, business disruptions and inadequacies or breaches in our internal control processes. Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. In addition, the transactions we process have become increasingly complex. If our financial, accounting or other data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer an impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage.

These systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. We also face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. Any such failure or termination could adversely affect our ability to effect transactions and manage our exposure to risk. In addition, despite the contingency plans we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with which we conduct business.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

Our Operational Risk framework includes governance, collection of operational risk incidents, proactive operational risk management, and periodic review and analysis of business metrics to identify and recommend controls and process-related enhancements.

Each revenue producing and support department is responsible for the management and reporting of operational risks and the implementation of the Operational Risk policy and processes within the department. Operational Risk policy, framework, infrastructure, methodology, processes, guidance and oversight of the operational risk processes are centralized and consistent firm wide and also subject to regional operational risk governance.

Legal and Compliance Risk

Legal and compliance risk includes the risk of noncompliance with applicable legal and regulatory requirements. We are subject to extensive regulation in the different jurisdictions in which we conduct our business. We have various procedures addressing issues such as regulatory capital requirements, sales and trading practices, use of and safekeeping of customer funds, credit granting, collection activities, anti-money laundering and record keeping. These risks also reflect the potential impact that changes in local and international laws and tax statutes have on the economics and viability of current or future transactions. In an effort to mitigate these risks, we continuously review new and pending regulations and legislation and participate in various industry interest groups. We also maintain an anonymous hotline for employees or others to report suspected inappropriate actions by us or by our employees or agents.

New Business Risk

New business risk refers to the risks of entering into a new line of business or offering a new product. By entering a new line of business or offering a new product, we may face risks that we are unaccustomed to dealing with and may increase the magnitude of the risks we currently face. The New Business Committee reviews proposals for new businesses and new products to determine if we are prepared to handle the additional or increased risks associated with entering into such activities.

Reputational Risk

We recognize that maintaining our reputation among clients, investors, regulators and the general public is an important aspect of minimizing legal and operational risks. Maintaining our reputation depends on a large number of factors, including the selection of our clients and the conduct of our business activities. We seek to maintain our reputation by screening potential clients and by conducting our business activities in accordance with high ethical standards. Our reputation and business activity can be affected by statements and actions of third parties, even false or misleading statements by them. We actively monitor public comment concerning us and are vigilant in seeking to assure accurate information and perception prevails.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Quantitative and qualitative disclosures about market risk are set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations —Risk Management" in Part II, Item 7 of this Form 10-K.

Item 8. **Financial Statements and Supplementary Data.**

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Management's Report on Internal Control over Financial Reporting	51
Report of Independent Registered Public Accounting Firm	52
Report of Independent Registered Public Accounting Firm	53
Consolidated Statements of Financial Condition at November 30, 2015 and 2014	54
Consolidated Statements of Earnings for the Year Ended November 30, 2015, Year Ended November 30, 2014, Nine Months Ended November 30, 2013 and for the Three Months Ended February 28, 2013	55
Consolidated Statements of Comprehensive Income for the Year Ended November 30, 2015, Year ended November 30, 2014, Nine Months Ended November 30, 2013 and for the Three Months Ended February 28, 2013	56
Consolidated Statements of Changes in Equity for the Year Ended November 30, 2015, Year Ended November 30, 2014, Nine Months Ended November 30, 2013 and for the Three Months Ended February 28, 2013	57
Consolidated Statements of Cash Flows for the Year ended November 30, 2015, Year Ended November 30, 2014, Nine Months Ended November 30, 2013 and for the Three Months Ended February 28, 2013	58
Notes to Consolidated Financial Statements	60

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated our internal control over financial reporting as of November 30, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework (2013)*. As a result of this assessment and based on the criteria in this framework, management has concluded that, as of November 30, 2015, our internal control over financial reporting was effective.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has audited and issued a report on our internal control over financial reporting, which appears on page 52.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Member of Jefferies Group LLC

In our opinion, the accompanying consolidated statements of financial condition as of November 30, 2015 and 2014 and the related consolidated statements of earnings, of comprehensive income, of changes in equity, and of cash flows for the years ended November 30, 2015 and 2014, and the nine months ended November 30, 2013 present fairly, in all material respects, the financial position of Jefferies Group LLC and its subsidiaries (Successor Company) at November 2015 and 2014, and the results of their operations and their cash flows for the year ended November 2015 and 2014 and the nine months ended November 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2015, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
January 29, 2016

Report of Independent Registered Public Accounting Firm

To Board of Directors and Shareholders of Jefferies Group, Inc.

In our opinion, the consolidated statements of earnings, of comprehensive income, of changes in equity and of cash flows of Jefferies Group, Inc. and its subsidiaries (Predecessor company) for the three months ended February 28, 2013 present fairly, in all material respects, the results of operations and cash flows of Jefferies Group, Inc. and its subsidiaries for the three months ended February 28, 2013, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
New York, New York
January 29, 2016

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands)

	November 30, 2015	November 30, 2014
ASSETS		
Cash and cash equivalents ($669 and $178 at November 30, 2015 and November 30, 2014, respectively, related to consolidated VIEs)	$ 3,510,163	$ 4,079,968
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	751,084	3,444,674
Financial instruments owned, at fair value, (including securities pledged of $12,207,123 and $14,794,488 at November 30, 2015 and November 30, 2014, respectively; and $68,679 and $62,990 at November 30, 2015 and November 30, 2014, respectively, related to consolidated VIEs)	16,559,116	18,636,612
Investments in managed funds	85,775	74,365
Loans to and investments in related parties	825,908	773,141
Securities borrowed	6,975,136	6,853,103
Securities purchased under agreements to resell	3,857,306	3,926,858
Securities received as collateral	—	5,418
Receivables:		
Brokers, dealers and clearing organizations	1,574,759	2,164,006
Customers	1,191,316	1,250,520
Fees, interest and other ($329 and $363 at November 30, 2015 and November 30, 2014, respectively, related to consolidated VIEs)	260,924	262,437
Premises and equipment	243,486	251,957
Goodwill	1,656,588	1,662,636
Other assets	1,073,581	1,131,953
Total assets	$ 38,565,142	$ 44,517,648
LIABILITIES AND EQUITY		
Short-term borrowings	$ 310,659	$ 12,000
Financial instruments sold, not yet purchased, at fair value	6,785,064	8,881,268
Collateralized financings:		
Securities loaned	2,979,300	2,598,487
Securities sold under agreements to repurchase	10,004,428	10,672,157
Other secured financings ($762,909 and $597,999 at November 30, 2015 and November 30, 2014, respectively, related to consolidated VIEs)	762,909	605,824
Obligation to return securities received as collateral	—	5,418
Payables:		
Brokers, dealers and clearing organizations	2,742,001	2,280,103
Customers	2,780,493	6,241,965
Accrued expenses and other liabilities ($859 and $589 at November 30, 2015 and November 30, 2014, respectively, related to consolidated VIEs)	1,049,019	1,273,378
Long-term debt	5,641,892	6,483,617
Total liabilities	33,055,765	39,054,217
EQUITY		
Member's paid-in capital	5,526,855	5,439,256
Accumulated other comprehensive loss:		
Currency translation adjustments	(36,811)	(9,654)
Additional minimum pension liability	(8,135)	(5,019)
Total accumulated other comprehensive loss	(44,946)	(14,673)
Total member's equity	5,481,909	5,424,583
Noncontrolling interests	27,468	38,848
Total equity	5,509,377	5,463,431
Total liabilities and equity	$ 38,565,142	$ 44,517,648

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share amounts)

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Revenues:				
Commissions and other fees	$ 659,002	$ 668,801	$ 472,596	$ 146,240
Principal transactions	172,608	532,292	399,091	300,278
Investment banking	1,439,007	1,529,274	1,003,517	288,278
Asset management fees and investment income from managed funds	8,015	17,047	36,093	10,883
Interest	922,189	1,019,970	714,248	249,277
Other	74,074	78,881	94,195	27,004
Total revenues	3,274,895	3,846,265	2,719,740	1,021,960
Interest expense	799,654	856,127	579,059	203,416
Net revenues	2,475,241	2,990,138	2,140,681	818,544
Interest on mandatorily redeemable preferred interests of consolidated subsidiaries	—	—	3,368	10,961
Net revenues, less interest on mandatorily redeemable preferred interests of consolidated subsidiaries	2,475,241	2,990,138	2,137,313	807,583
Non-interest expenses:				
Compensation and benefits	1,467,131	1,698,530	1,213,908	474,217
Non-compensation expenses:				
Floor brokerage and clearing fees	199,780	215,329	150,774	46,155
Technology and communications	313,044	268,212	193,683	59,878
Occupancy and equipment rental	101,138	107,767	86,701	24,309
Business development	105,963	106,984	63,115	24,927
Professional services	103,972	109,601	72,802	24,135
Bad debt provision	(396)	55,355	179	1,945
Goodwill impairment	—	54,000	—	—
Other	70,382	71,339	91,856	12,530
Total non-compensation expenses	893,883	988,587	659,110	193,879
Total non-interest expenses	2,361,014	2,687,117	1,873,018	668,096
Earnings before income taxes	114,227	303,021	264,295	139,487
Income tax expense	18,898	142,061	94,686	48,645
Net earnings	95,329	160,960	169,609	90,842
Net earnings attributable to noncontrolling interests	1,795	3,400	8,418	10,704
Net earnings attributable to Jefferies Group LLC/ common stockholders	$ 93,534	$ 157,560	$ 161,191	$ 80,138
Earnings per common share:				
Basic	N/A	N/A	N/A	$ 0.35
Diluted	N/A	N/A	N/A	$ 0.35
Dividends declared per common share	N/A	N/A	N/A	$ 0.075
Weighted average common shares:				
Basic	N/A	N/A	N/A	213,732
Diluted	N/A	N/A	N/A	217,844

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Net earnings	$ 95,329	$ 160,960	$ 169,609	$ 90,842
Other comprehensive income (loss), net of tax:				
Currency translation and other adjustments	(27,157)	(30,995)	21,341	(10,018)
Minimum pension liability adjustments, net of tax (1)	(3,116)	(7,778)	2,759	—
Total other comprehensive income (loss), net of tax (2)	(30,273)	(38,773)	24,100	(10,018)
Comprehensive income	65,056	122,187	193,709	80,824
Net earnings attributable to noncontrolling interests	1,795	3,400	8,418	10,704
Comprehensive income attributable to Jefferies Group LLC/ common stockholders	$ 63,261	$ 118,787	$ 185,291	$ 70,120

(1) Includes income tax benefit of $4.2 million, $0.5 million, $2.5 million and $0.0 for the years ended November 30, 2015 and 2014, the nine months ended November 30, 2013 and the three months ended February 28, 2013, respectively.

(2) None of the components of other comprehensive income (loss) are attributable to noncontrolling interests.

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except per share amounts)

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Common stock, par value $0.0001 per share:				
Balance, beginning of period	$ —	$ —	$ —	$ 20
Issued	—	—	—	1
Balance, end of period	$ —	$ —	$ —	$ 21
Member's paid-in capital:				
Balance, beginning of period	$ 5,439,256	$ 5,280,420	$ 4,754,101	$ —
Contributions	—	—	362,255	—
Net earnings attributable to Jefferies Group LLC	93,534	157,560	161,191	—
Tax benefit (detriment) for issuance of share-based awards	(5,935)	1,276	2,873	—
Balance, end of period	$ 5,526,855	$ 5,439,256	$ 5,280,420	$ —
Additional paid-in capital:				
Balance, beginning of period	$ —	$ —	$ —	$ 2,219,959
Benefit plan share activity (1)	—	—	—	3,138
Share-based expense, net of forfeitures and clawbacks	—	—	—	22,288
Proceeds from exercise of stock options	—	—	—	57
Acquisitions and contingent consideration	—	—	—	2,535
Tax deficiency for issuance of share-based awards	—	—	—	(17,965)
Dividend equivalents on share-based plans	—	—	—	1,418
Balance, end of period	$ —	$ —	$ —	$ 2,231,430
Retained earnings:				
Balance, beginning of period	$ —	$ —	$ —	$ 1,281,855
Net earnings to common stockholders	—	—	—	80,138
Dividends	—	—	—	(17,217)
Balance, end of period	$ —	$ —	$ —	$ 1,344,776
Accumulated other comprehensive income (loss) (2) (3):				
Balance, beginning of period	$ (14,673)	$ 24,100	$ —	$ (53,137)
Currency adjustments	(27,157)	(30,995)	21,341	(10,018)
Pension adjustments, net of tax	(3,116)	(7,778)	2,759	—
Balance, end of period	$ (44,946)	$ (14,673)	$ 24,100	$ (63,155)
Treasury stock, at cost:				
Balance, beginning of period	$ —	$ —	$ —	$ (12,682)
Purchases	—	—	—	(166,541)
Returns / forfeitures	—	—	—	(1,922)
Balance, end of period	$ —	$ —	$ —	$ (181,145)
Total member's / common stockholders' equity	$ 5,481,909	$ 5,424,583	$ 5,304,520	$ 3,331,927
Noncontrolling interests:				
Balance, beginning of period	$ 38,848	$ 117,154	$ 356,180	$ 346,738
Net earnings attributable to noncontrolling interests	1,795	3,400	8,418	10,704
Contributions	—	39,075	100,210	—
Distributions	(4,982)	—	(25)	(1,262)
Redemptions	—	—	(347,629)	—
Deconsolidation of asset management company	(8,193)	(120,781)	—	—
Balance, end of period	$ 27,468	$ 38,848	$ 117,154	$ 356,180
Total equity	$ 5,509,377	$ 5,463,431	$ 5,421,674	$ 3,688,107

(1) Includes grants related to the Incentive Plan, Deferred Compensation Plan and Directors' Plan.

(2) The components of other comprehensive income (loss) are attributable to Jefferies Group LLC (formerly Jefferies Group, Inc.). None of the components of other comprehensive income (loss) are attributable to noncontrolling interests.

(3) There were no material reclassifications out of Accumulated other comprehensive income during the year ended November 30, 2015, the year ended November 30, 2014 and the nine months ended November 30, 2013.

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Cash flows from operating activities:				
Net earnings	$ 95,329	$ 160,960	$ 169,609	$ 90,842
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:				
Depreciation and amortization	15,236	691	(2,509)	17,393
Goodwill impairment	—	54,000	—	—
Interest on mandatorily redeemable preferred interests of consolidated subsidiaries	—	—	3,368	10,961
Accruals related to various benefit plans and stock issuances, net of forfeiture	—	—	—	23,505
Deferred income taxes	88,796	122,195	31,284	30,835
Income on loans to and investments in related parties	(75,717)	(90,243)	(92,181)	—
Distributions received on investments in related parties	76,681	53,985	37,742	—
Other adjustments	(97,804)	(78,064)	(14,740)	(1,154)
Net change in assets and liabilities:				
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	2,691,028	166,108	113,754	352,891
Receivables:				
Brokers, dealers and clearing organizations	576,832	11,872	506,774	(1,225,840)
Customers	57,837	(294,412)	(170,286)	67,626
Fees, interest and other	541	(12,062)	(29,388)	(29,149)
Securities borrowed	(127,060)	(1,497,438)	(41,678)	(224,557)
Financial instruments owned	2,003,978	(2,243,053)	(200,974)	229,394
Loans to and investments in related parties	—	—	—	(197,166)
Investments in managed funds	15,498	13,473	2,674	(2,213)
Securities purchased under agreements to resell	53,817	(200,568)	(156,197)	(224,418)
Other assets	(63,110)	(146,114)	47,296	(5,346)
Payables:				
Brokers, dealers and clearing organizations	471,661	968,615	(532,255)	(1,018,241)
Customers	(3,455,080)	1,089,423	(224,772)	(124,233)
Securities loaned	385,929	95,607	600,539	(28,138)
Financial instruments sold, not yet purchased	(2,043,319)	1,832,930	(2,511,777)	2,327,667
Securities sold under agreements to repurchase	(650,795)	(84,303)	2,794,412	(197,493)
Accrued expenses and other liabilities	(230,370)	69,459	414,515	(267,336)
Net cash (used in) provided by operating activities	(210,092)	(6,939)	745,210	(394,170)
Cash flows from investing activities:				
Contributions to loans to and investments in related parties	(1,438,675)	(2,786,394)	(2,241,232)	—
Distributions from loans to and investments in related parties	1,384,944	2,751,384	2,360,691	—
Net payments on premises and equipment	(68,813)	(110,536)	(48,534)	(10,706)
Cash disposed in connection with disposal of reporting units, net of cash received	—	—	(4,939)	—
Deconsolidation of asset management entity	(16,512)	(137,856)	—	—
Cash received from contingent consideration	4,444	6,253	3,796	1,203
Net cash (used in) provided by investing activities	(134,612)	(277,149)	69,782	(9,503)

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED
(In thousands)

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Cash flows from financing activities:				
Excess tax benefits from the issuance of share-based awards	$ 749	$ 1,921	$ 3,054	$ 5,682
Proceeds from short-term borrowings	17,263,217	18,965,163	13,623,650	6,744,000
Payments on short-term borrowings	(16,964,558)	(18,965,163)	(13,711,650)	(6,794,000)
Proceeds from secured credit facility	903,000	2,819,000	920,000	900,000
Payments on secured credit facility	(1,073,000)	(2,849,000)	(980,000)	(990,007)
Net proceeds from other secured financings	157,085	371,113	114,711	60,000
Net proceeds from issuance of senior notes, net of issuance costs	—	681,222	—	991,469
Repayment of long-term debt	(500,000)	(250,000)	—	—
Proceeds from contributions of noncontrolling interests	—	39,075	100,210	—
Payments on mandatorily redeemable preferred interest of consolidated subsidiaries	—	—	(64)	(61)
Payments on repurchase of common stock	—	—	—	(166,541)
Payments on dividends	—	—	—	(15,799)
Proceeds from exercise of stock options, not including tax benefits	—	—	—	57
Payments on distributions to noncontrolling interests	(4,982)	—	(347,654)	(1,262)
Net cash (used in) provided by financing activities	(218,489)	813,331	(277,743)	733,538
Effect of changes in exchange rates on cash and cash equivalents	(6,612)	(10,394)	5,912	(4,502)
Net (decrease) increase in cash and cash equivalents	(569,805)	518,849	543,161	325,363
Cash and cash equivalents at beginning of period	4,079,968	3,561,119	3,017,958	2,692,595
Cash and cash equivalents at end of period	$ 3,510,163	$ 4,079,968	$ 3,561,119	$ 3,017,958
Supplemental disclosures of cash flow information:				
Cash paid (received) during the period for:				
Interest	$ 859,815	$ 922,194	$ 638,657	$ 178,836
Income taxes, net	(683)	120,703	55,251	(34,054)

Noncash financing activities:

In connection with the transaction with Leucadia National Corporation, Jefferies Group LLC recorded accounting adjustments for the Leucadia Transaction, which resulted in changes to equity. Refer to Note 4, Leucadia and Related Transactions, for further details.

On March 31, 2013, Leucadia contributed its mandatorily redeemable preferred interests in JHYH to Jefferies Group, LLC. The contribution was recorded as a capital contribution and increased member's equity by $362.3 million. Refer to Note 4, Leucadia and Related Transactions, for further details.

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Index

Note	*Page*
Note 1. Organization and Basis of Presentation	61
Note 2. Summary of Significant Accounting Policies	62
Note 3. Accounting Developments	69
Note 4. Leucadia and Related Transactions	70
Note 5. Fair Value Disclosures	73
Note 6. Derivative Financial Instruments	92
Note 7. Collateralized Transactions	98
Note 8. Securitization Activities	100
Note 9. Variable Interest Entities	102
Note 10. Investments	105
Note 11. Goodwill and Other Intangible Assets	108
Note 12. Short-Term Borrowings	111
Note 13. Long-Term Debt	111
Note 14. Noncontrolling Interests	113
Note 15. Benefit Plans	113
Note 16. Compensation Plans	118
Note 17. Non-Interest Expenses	121
Note 18.Earnings Per Share	122
Note 19. Income Taxes	123
Note 20. Commitments, Contingencies and Guarantees	126
Note 21. Net Capital Requirements	129
Note 22. Segment Reporting	129
Note 23. Related Party Transactions	130
Note 24. Exit Costs	132
Note 25. Selected Quarterly Financial Data	133

Note 1. Organization and Basis of Presentation

Organization

Jefferies Group LLC and its subsidiaries operate as a global full service, integrated securities and investment banking firm. The accompanying Consolidated Financial Statements represent the accounts of Jefferies Group LLC and all our subsidiaries (together "we" or "us"). The subsidiaries of Jefferies Group LLC include Jefferies LLC ("Jefferies"), Jefferies Execution Services, Inc. ("Jefferies Execution"), Jefferies International Limited, Jefferies Hong Kong Limited, Jefferies Financial Services, Inc., Jefferies Funding LLC, Jefferies Derivative Products, LLC, Jefferies Financial Products, LLC and Jefferies Leveraged Credit Products, LLC and all other entities in which we have a controlling financial interest or are the primary beneficiary. On September 1, 2014, Jefferies Bache, LLC merged with and into Jefferies (a U.S. broker-dealer), with Jefferies as the surviving entity. On April 9, 2015, we entered into an agreement to transfer certain of the client activities of our Jefferies Bache business to Société Générale S.A. and initiated a plan to substantially exit the remaining aspects of our futures business. At November 30, 2015, we have transferred all of our client accounts to Société Générale S.A. and other brokers. We substantially completed the exit of the Bache business during fiscal 2015. For further information on the exit of the Bache business, refer to Note 24, Exit Costs.

On March 1, 2013, Jefferies Group LLC, through a series of transactions, became an indirect wholly owned subsidiary of Leucadia National Corporation ("Leucadia") (referred to herein as the "Leucadia Transaction"). Each outstanding share of Jefferies Group LLC was converted into 0.81 of a share of Leucadia common stock (the "Exchange Ratio"). Leucadia did not assume nor guarantee any of our outstanding debt securities. Our 3.875% Convertible Senior Debentures due 2029 are convertible into Leucadia common shares (see Note 13, Long-Term Debt, for further details). Jefferies Group LLC operates as a full-service investment banking firm and as the holding company of its various regulated and unregulated operating subsidiaries, retains a credit rating separate from Leucadia and is a Securities and Exchange Commission ("SEC") reporting company, filing annual, quarterly and periodic financial reports. Richard Handler, our Chief Executive Officer and Chairman, is the Chief Executive Officer of Leucadia, as well as a Director of Leucadia. Brian P. Friedman, our Chairman of the Executive Committee, is Leucadia's President and a Director of Leucadia.

We operate in two business segments, Capital Markets and Asset Management. Capital Markets, which represents substantially our entire business, includes our securities, commodities, futures and foreign exchange trading and investment banking activities, which provides the research, sales, trading, origination and advisory effort for various equity, fixed income and advisory products and services. Asset Management provides investment management services to various private investment funds and separate accounts.

On April 1, 2013, we merged Jefferies High Yield Trading, LLC (our high yield trading broker-dealer) with Jefferies and our high yield activities are now conducted by Jefferies. In addition, during the three months ended May 31, 2013, we redeemed the third party interests in our high yield joint venture.

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for financial information.

As more fully described in Note 4, Leucadia and Related Transactions, the Leucadia Transaction is accounted for using the acquisition method of accounting, which requires that the assets, including identifiable intangible assets, and liabilities of Jefferies Group LLC be recorded at their fair values. The application of the acquisition method of accounting has been pushed down and reflected in the financial statements of Jefferies Group LLC as a wholly-owned subsidiary of Leucadia. The application of push down accounting represents the termination of the prior reporting entity and the creation of a new reporting entity, which do not have the same bases of accounting. As a result, our consolidated financial statements are presented for periods subsequent to March 1, 2013 for the new reporting entity (the "Successor"), and before March 1, 2013 for the prior reporting entity (the "Predecessor.") The Predecessor and Successor periods are separated by a vertical line to highlight the fact that the financial information for such periods has been prepared under two different cost bases of accounting.

We have made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. GAAP. The most important of these estimates and assumptions relate to fair value measurements, compensation and benefits, goodwill and intangible assets, the ability to realize deferred tax assets and the recognition and measurement of uncertain tax positions. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Cash Flow Statement Presentation

Amounts relating to loans and investments in related parties are classified as components of investing activities on the Consolidated Statements of Cash Flows to conform to the presentation of our Parent company in connection with the establishment of a new accounting entity through the application of push down accounting. These amounts are classified by the Predecessor entity as operating activities for reporting periods prior to the Leucadia Transaction.

Consolidation

Our policy is to consolidate all entities in which we control by ownership a majority of the outstanding voting stock. In addition, we consolidate entities which meet the definition of a variable interest entity ("VIE") for which we are the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. For consolidated entities that are less than wholly owned, the third-party's holding of equity interest is presented as Noncontrolling interests in the Consolidated Statements of Financial Condition and Consolidated Statements of Changes in Equity. The portion of net earnings attributable to the noncontrolling interests are presented as Net earnings to noncontrolling interests in the Consolidated Statements of Earnings.

In situations where we have significant influence, but not control, of an entity that does not qualify as a variable interest entity, we apply either the equity method of accounting or fair value accounting pursuant to the fair value option election under U.S. GAAP, with our portion of net earnings or gains and losses recorded within Other revenues or Principal transaction revenues, respectively. We also have formed nonconsolidated investment vehicles with third-party investors that are typically organized as partnerships or limited liability companies and are carried at fair value. We act as general partner or managing member for these investment vehicles and have generally provided the third-party investors with termination or "kick-out" rights.

Intercompany accounts and transactions are eliminated in consolidation.

Note 2. Summary of Significant Accounting Policies

Revenue Recognition Policies

Commissions and Other Fees. All customer securities transactions are reported on the Consolidated Statements of Financial Condition on a settlement date basis with related income reported on a trade-date basis. We permit institutional customers to allocate a portion of their gross commissions to pay for research products and other services provided by third parties. The amounts allocated for those purposes are commonly referred to as soft dollar arrangements. These arrangements are accounted for on an accrual basis and, as we are not the primary obligor for these arrangements, netted against commission revenues in the Consolidated Statements of Earnings. The commissions and related expenses on client transactions executed by Jefferies, a futures commission merchant ("FCM"), are recorded on a half-turn basis. In addition, we earn asset-based fees associated with the management and supervision of assets, account services and administration related to customer accounts.

Principal Transactions. Financial instruments owned and Financial instruments sold, but not yet purchased (all of which are recorded on a trade-date basis) are carried at fair value with gains and losses reflected in Principal transaction revenues in the Consolidated Statements of Earnings on a trade date basis. Fees received on loans carried at fair value are also recorded within Principal transaction revenues.

Investment Banking. Underwriting revenues and fees from mergers and acquisitions, restructuring and other investment banking advisory assignments or engagements are recorded when the services related to the underlying transactions are completed under the terms of the assignment or engagement. Expenses associated with such assignments are deferred until reimbursed by the client, the related revenue is recognized or the engagement is otherwise concluded. Expenses are recorded net of client reimbursements and netted against revenues. Unreimbursed expenses with no related revenues are included in Business development and Professional services expenses in the Consolidated Statements of Earnings.

Asset Management Fees and Investment Income From Managed Funds. Asset management fees and investment income from managed funds include revenues we earn from management, administrative and performance fees from funds and accounts managed by us, revenues from management and performance fees we earn from related-party managed funds and investment income from our investments in these funds. We earn fees in connection with management and investment advisory services performed for various funds and managed accounts. These fees are based on assets under management or an agreed upon notional amount and may include performance fees based upon the performance of the funds. Management and administrative fees are generally recognized over the period that the related service is provided. Generally, performance fees are earned when the return on assets under management exceeds certain benchmark returns, “high-water marks” or other performance targets. Performance fees are accrued (or reversed) on a monthly basis based on measuring performance to date versus any relevant benchmark return hurdles stated in the investment management agreement. Performance fees are not subject to adjustment once the measurement period ends (generally annual periods) and the performance fees have been realized.

Interest Revenue and Expense. We recognize contractual interest on Financial instruments owned and Financial instruments sold, but not yet purchased, on an accrual basis as a component of interest revenue and expense. Interest flows on derivative trading transactions and dividends are included as part of the fair valuation of these contracts and recognized in Principal transaction revenues in the Consolidated Statements of Earnings rather than as a component of interest revenue or expense. We account for our short- and long-term borrowings on an accrual basis with related interest recorded as Interest expense. Discounts/premiums arising on our long-term debt are accreted/amortized to Interest expense using the effective yield method over the remaining lives of the underlying debt obligations. In addition, we recognize interest revenue related to our securities borrowed and securities purchased under agreements to resell activities and interest expense related to our securities loaned and securities sold under agreements to repurchase activities on an accrual basis.

Cash Equivalents

Cash equivalents include highly liquid investments, including certificates of deposit and money market funds, not held for resale with original maturities of three months or less.

Cash and Securities Segregated and on Deposit for Regulatory Purposes or Deposited With Clearing and Depository Organizations

In accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, Jefferies as a broker-dealer carrying client accounts, is subject to requirements related to maintaining cash or qualified securities in a segregated reserve account for the exclusive benefit of its clients. In addition, certain financial instruments used for initial and variation margin purposes with clearing and depository organizations are recorded in this caption. Jefferies as an FCM is obligated by rules mandated by the Commodity Futures Trading Commission ("CFTC") under the Commodities Exchange Act, to segregate or set aside cash or qualified securities to satisfy such regulations, which regulations have been promulgated to protect customer assets. During October 2015, Jefferies ceased being a full service FCM. As a result, Jefferies no longer carries customer or proprietary accounts or holds any customer monies or funds. Certain other entities are also obligated by rules mandated by their primary regulators to segregate or set aside cash or equivalent securities to satisfy regulations, promulgated to protect customer assets.

Financial Instruments and Fair Value

Financial instruments owned and Financial instruments sold, not yet purchased are recorded at fair value, either as required by accounting pronouncements or through the fair value option election. These instruments primarily represent our trading activities and include both cash and derivative products. Gains and losses are recognized in Principal transaction revenues in our Consolidated Statements of Earnings. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

Fair Value Hierarchy

In determining fair value, we maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect our assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. We apply a hierarchy to categorize our fair value measurements broken down into three levels based on the transparency of inputs as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities at the reported date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these financial instruments include cash instruments for which quoted prices are available but traded less frequently, derivative instruments whose fair value have been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3: Instruments that have little to no pricing observability at the reported date. These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

Financial instruments are valued at quoted market prices, if available. Certain financial instruments have bid and ask prices that can be observed in the marketplace. For financial instruments whose inputs are based on bid-ask prices, the financial instrument is valued at the point within the bid-ask range that meets our best estimate of fair value. We use prices and inputs that are current at the measurement date. For financial instruments that do not have readily determinable fair values using quoted market prices, the determination of fair value is based upon consideration of available information, including types of financial instruments, current financial information, restrictions on dispositions, fair values of underlying financial instruments and quotations for similar instruments.

The valuation of financial instruments may include the use of valuation models and other techniques. Adjustments to valuations derived from valuation models may be made when, in management's judgment, features of the financial instrument such as its complexity, the market in which the financial instrument is traded and risk uncertainties about market conditions require that an adjustment be made to the value derived from the models. Adjustments from the price derived from a valuation model reflect management's judgment that other participants in the market for the financial instrument being measured at fair value would also consider in valuing that same financial instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of financial instrument and market conditions. As the observability of prices and inputs may change for a financial instrument from period to period, this condition may cause a transfer of an instrument among the fair value hierarchy levels. Transfers among the levels are recognized at the beginning of each period. The degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Valuation Process for Financial Instruments

Our Independent Price Verification ("IPV") Group, which is part of our Finance department, in partnership with Risk Management, is responsible for establishing our valuation policies and procedures. The IPV Group and Risk Management, which are independent of our business functions, play an important role and serve as a control function in determining that our financial instruments are appropriately valued and that fair value measurements are reliable. This is particularly important where prices or valuations that require inputs are less observable. In the event that observable inputs are not available, the control processes are designed to assure that the valuation approach utilized is appropriate and consistently applied and that the assumptions are reasonable. The IPV Group reports to the Global Controller and is subject to the oversight of the IPV Committee, which is comprised of our Chief Financial Officer, Global Controller, Chief Risk Officer and Principal Accounting Officer, among other personnel. Our independent price verification policies and procedures are reviewed, at a minimum, annually and changes to the policies require the approval of the IPV Committee.

Price Testing Process. The business units are responsible for determining the fair value of our financial instruments using approved valuation models and methodologies. In order to ensure that the business unit valuations represent a fair value exit price, the IPV Group tests and validates the fair value of our financial instruments inventory. In the testing process, the IPV Group obtains prices and valuation inputs from independent sources, consistently adheres to established procedures set forth in our valuation policies for sourcing prices and valuation inputs and utilizing valuation methodologies. Sources used to validate fair value prices and inputs include, but are not limited to, exchange data, recently executed transactions, pricing data obtained from third party vendors, pricing and valuation services, broker quotes and observed comparable transactions.

To the extent discrepancies between the business unit valuations and the pricing or valuations resulting from the price testing process are identified, such discrepancies are investigated by the IPV Group and fair values are adjusted, as appropriate. The IPV Group maintains documentation of its testing, results, rationale and recommendations and prepares a monthly summary of its valuation results. This process also forms the basis for our classification of fair values within the fair value hierarchy (*i.e.,* Level 1, Level 2 or Level 3). The IPV Group utilizes the additional expertise of Risk Management personnel in valuing more complex financial instruments and financial instruments with less or limited pricing observability. The results of the valuation testing are reported to the IPV Committee on a monthly basis, which discusses the results and is charged with the final conclusions as to the financial instrument fair values in the consolidated financial statements. This process specifically assists the Chief Financial Officer in asserting as to the fair presentation of our financial condition and results of operations as included within our Quarterly Reports on Form 10-Q and Annual Report on Form 10-K. At each quarter end, the overall valuation results, as concluded upon by the IPV Committee, are presented to the Audit Committee.

Judgment exercised in determining Level 3 fair value measurements is supplemented by daily analysis of profit and loss performed by the Product Control functions. Gains and losses, which result from changes in fair value, are evaluated and corroborated daily based on an understanding of each of the trading desks' overall risk positions and developments in a particular market on the given day. Valuation techniques generally rely on recent transactions of suitably comparable financial instruments and use the observable inputs from those comparable transactions as a validation basis for Level 3 inputs. Level 3 fair value measurements are further validated through subsequent sales testing and market comparable sales, if such information is available. Level 3 fair value measurements require documentation of the valuation rationale applied, which is reviewed for consistency in application from period to period; and the documentation includes benchmarking the assumptions underlying the valuation rationale against relevant analytic data.

Third Party Pricing Information. Pricing information obtained from external data providers (including independent pricing services and brokers) may incorporate a range of market quotes from dealers, recent market transactions and benchmarking model derived prices to quoted market prices and trade data for comparable securities. External pricing data is subject to evaluation for reasonableness by the IPV Group using a variety of means including comparisons of prices to those of similar product types, quality and maturities, consideration of the narrowness or wideness of the range of prices obtained, knowledge of recent market transactions and an assessment of the similarity in prices to comparable dealer offerings in a recent time period. We have a process whereby we challenge the appropriateness of pricing information obtained from external data providers (including independent pricing services and brokers) in order to validate the data for consistency with the definition of a fair value exit price. Our process includes understanding and evaluating the external data providers' valuation methodologies. For corporate, U.S. government and agency and municipal debt securities, and loans, to the extent independent pricing services or broker quotes are utilized in our valuation process, the vendor service providers are collecting and aggregating observable market information as to recent trade activity and active bid-ask submissions. The composite pricing information received from the independent pricing service is thus not based on unobservable inputs or proprietary models. For mortgage- and other asset-backed securities and collateralized debt obligations, our independent pricing services use a matrix evaluation approach incorporating both observable yield curves and market yields on comparable securities as well as implied inputs from observed trades for comparable securities in order to determine prepayment speeds, cumulative default rates and loss severity. Further, we consider pricing data from multiple service providers as available as well as compare pricing data to prices we have observed for recent transactions, if any, in order to corroborate our valuation inputs.

Model Review Process. Where a pricing model is to be used to determine fair value, the pricing model is reviewed for theoretical soundness and appropriateness by Risk Management, independent from the trading desks, and then approved by Risk Management to be used in the valuation process. Review and approval of a model for use may include benchmarking the model against relevant third party valuations, testing sample trades in the model, backtesting the results of the model against actual trades and stress-testing the sensitivity of the pricing model using varying inputs and assumptions. In addition, recently executed comparable transactions and other observable market data are considered for purposes of validating assumptions underlying the model. Models are independently reviewed and validated by Risk Management annually or more frequently if market conditions or use of the valuation model changes.

Investments in Managed Funds

Investments in managed funds include our investments in funds managed by us and our investments in related-party managed funds in which we are entitled to a portion of the management and/or performance fees. Investments in nonconsolidated managed funds are accounted for at fair value based on the net asset value ("NAV") of the funds provided by the fund managers with gains or losses included in Asset management fees and investment income (loss) from managed funds in the Consolidated Statements of Earnings.

Loans to and Investments in Related Parties

Loans to and investments in related parties include investments in private equity and other operating entities made in connection with our capital markets activities in which we exercise significant influence over operating and capital decisions and loans issued in connection with such activities. Loans to and investments in related parties are accounted for using the equity method or at cost, as appropriate. Revenues on Loans to and investments in related parties are included in Other revenues in the Consolidated Statements of Earnings. See Note 10, Investments, and Note 23, Related Party Transactions, for additional information regarding certain of these investments.

Securities Borrowed and Securities Loaned

Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced and received in connection with the transactions and accounted for as collateralized financing transactions. In connection with both trading and brokerage activities, we borrow securities to cover short sales and to complete transactions in which customers have failed to deliver securities by the required settlement date, and lend securities to other brokers and dealers for similar purposes. We have an active securities borrowed and lending matched book business in which we borrow securities from one party and lend them to another party. When we borrow securities, we generally provide cash to the lender as collateral, which is reflected in our Consolidated Statements of Financial Condition as Securities borrowed. We earn interest revenues on this cash collateral. Similarly, when we lend securities to another party, that party provides cash to us as collateral, which is reflected in our Consolidated Statements of Financial Condition as Securities loaned. We pay interest expense on the cash collateral received from the party borrowing the securities. The initial collateral advanced or received approximates or is greater than the fair value of the securities borrowed or loaned. We monitor the fair value of the securities borrowed and loaned on a daily basis and request additional collateral or return excess collateral, as appropriate.

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

Securities purchased under agreements to resell and Securities sold under agreements to repurchase (collectively “repos”) are accounted for as collateralized financing transactions and are recorded at their contracted resale or repurchase amount plus accrued interest. We earn and incur interest over the term of the repo, which is reflected in Interest income and Interest expense on our Consolidated Statements of Earnings on an accrual basis. Repos are presented in the Consolidated Statements of Financial Condition on a net-basis by counterparty, where permitted by U.S. GAAP. We monitor the fair value of the underlying securities daily versus the related receivable or payable balances. Should the fair value of the underlying securities decline or increase, additional collateral is requested or excess collateral is returned, as appropriate.

Premises and Equipment

Premises and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets (generally three to ten years). Leasehold improvements are amortized using the straight-line method over the term of the related leases or the estimated useful lives of the assets, whichever is shorter. Premises and equipment includes internally developed software, which was increased to its fair market value in the allocation of the purchase price on March 1, 2013. The revised carrying values of internally developed software ready for its intended use are depreciated over the remaining useful life. (See Note 4, Leucadia and Related Transactions for more information regarding the allocation of the purchase price.)

At November 30, 2015 and November 30, 2014, furniture, fixtures and equipment, including amounts under capital leases, amounted to $365.8 million and $351.1 million, respectively, and leasehold improvements amounted to $190.5 million and $156.9 million, respectively. Accumulated depreciation and amortization was $312.8 million and $256.0 million at November 30, 2015 and November 30, 2014, respectively.

Depreciation and amortization expense amounted to $78.7 million for the year ended November 30, 2015, $58.0 million for the year ended November 30, 2014, $38.8 million for the nine months ended November 30, 2013 and $12.9 million for the three months ended February 28, 2013, respectively.

Goodwill and Intangible Assets

Goodwill. Goodwill represents the excess acquisition cost over the fair value of net tangible and intangible assets acquired. Goodwill is not amortized and is subject to annual impairment testing on August 1 or between annual tests if an event or change in circumstance occurs that would more likely than not reduce the fair value of a reporting unit below its carrying value. In testing for goodwill impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not required. If we conclude otherwise, we are required to perform the two-step impairment test. The goodwill impairment test is performed at the reporting unit level by comparing the estimated fair value of a reporting unit with its respective carrying value. If the estimated fair value exceeds the carrying value, goodwill at the reporting unit level is not impaired. If the estimated fair value is less than the carrying value, further analysis is necessary to determine the amount of impairment, if any, by comparing the implied fair value of the reporting unit's goodwill to the carrying value of the reporting unit's goodwill.

The fair value of reporting units are based on widely accepted valuation techniques that we believe market participants would use, although the valuation process requires significant judgment and often involves the use of significant estimates and assumptions. The methodologies we utilize in estimating the fair value of reporting units include market valuation methods that incorporate price-to-earnings and price-to-book multiples of comparable exchange traded companies and multiples of merger and acquisitions of similar businesses. The estimates and assumptions used in determining fair value could have a significant effect on whether or not an impairment charge is recorded and the magnitude of such a charge. Adverse market or economic events could result in impairment charges in future periods.

Intangible Assets. Intangible assets deemed to have finite lives are amortized on a straight line basis over their estimated useful lives, where the useful life is the period over which the asset is expected to contribute directly, or indirectly, to our future cash flows. Intangible assets are reviewed for impairment on an interim basis when certain events or circumstances exist. For amortizable intangible assets, impairment exists when the carrying amount of the intangible asset exceeds its fair value. At least annually, the remaining useful life is evaluated.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment, we have the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If we conclude otherwise, we are required to perform a quantitative impairment test. Our annual indefinite-lived intangible asset impairment testing date is August 1.

To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset that is amortized over the remaining useful life of that asset, if any. Subsequent reversal of impairment losses is not permitted.

Refer to Note 11, Goodwill and Other Intangible Assets, for further information.

Income Taxes

Prior to the Leucadia Transaction, we filed a consolidated U.S. federal income tax return, which included all of our qualifying subsidiaries. Subsequently, our results of operations are included in the consolidated federal and applicable state income tax returns filed by Leucadia. In states that neither accept nor require combined or unitary tax returns, certain subsidiaries file separate state income tax returns. We also are subject to income tax in various foreign jurisdictions in which we operate. We account for our provision for income taxes using a “separate return” method. Amounts provided for income taxes are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable. Pursuant to a tax sharing agreement entered into between us and Leucadia, payments are made between us and Leucadia to settle current tax assets and liabilities.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Under acquisition accounting, the recognition of certain assets and liabilities at fair value created a change in the financial reporting basis for our assets and liabilities, while the tax basis of our assets and liabilities remained the same. As a result, deferred tax assets and liabilities were recognized for the change in the basis differences. We provide deferred taxes on our temporary differences and on any carryforwards that we could claim on our hypothetical tax return. The realization of deferred tax assets is assessed and a valuation allowance is recorded to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized on the basis of its projected separate return results.

The tax benefit related to Leucadia dividends and dividend equivalents paid on non-vested share-based awards are recognized as an increase to Additional paid-in capital. These amounts, and other windfall tax effects, are included in “Tax benefit (detriment) for issuance of share-based awards” on the Consolidated Statements of Changes in Equity. In the event tax benefits associated with share-based awards are less than the cumulative compensation cost recognized for financial reporting purposes, we look to Leucadia’s consolidated pool of windfall tax benefits in the calculation of our income tax provision. Once Leucadia's consolidated pool of windfall tax benefits has been depleted, these tax benefits will be recognized in our Consolidated Statements of Earnings.

We record uncertain tax positions using a two-step process: (i) we determine whether it is more likely than not that each tax position will be sustained on the basis of the technical merits of the position; and (ii) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Legal Reserves

In the normal course of business, we have been named, from time to time, as a defendant in legal and regulatory proceedings. We are also involved, from time to time, in other exams, investigations and similar reviews (both formal and informal) by governmental and self-regulatory agencies regarding our businesses, certain of which may result in judgments, settlements, fines, penalties or other injunctions.

We recognize a liability for a contingency in Accrued expenses and other liabilities when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If the reasonable estimate of a probable loss is a range, we accrue the most likely amount of such loss, and if such amount is not determinable, then we accrue the minimum in the range as the loss accrual. The determination of the outcome and loss estimates requires significant judgment on the part of management. At November 30, 2015, we have reserved approximately $0.5 million for remaining payments under a non-prosecution agreement with the United States Attorney for the District of Connecticut and a settlement agreement with the SEC, both with respect to an investigation of certain purchases and sales of mortgage-backed securities. We believe that any other matters for which we have determined a loss to be probable and reasonably estimable are not material to the consolidated financial statements.

In many instances, it is not possible to determine whether any loss is probable or even possible or to estimate the amount of any loss or the size of any range of loss. We believe that, in the aggregate, the pending legal actions or regulatory proceedings and any other exams, investigations or similar reviews (both formal and informal) should not have a material adverse effect on our consolidated results of operations, cash flows or financial condition. In addition, we believe that any amount that could be reasonably estimated of potential loss or range of potential loss in excess of what has been provided in the consolidated financial statements is not material.

Share-based Compensation

Share-based awards are measured based on the grant-date fair value of the award and recognized over the period from the service inception date through the date the employee is no longer required to provide service to earn the award. Expected forfeitures are included in determining share-based compensation expense.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries having non-U.S. dollar functional currencies are translated at exchange rates at the end of a period. Revenues and expenses are translated at average exchange rates during the period. The gains or losses resulting from translating foreign currency financial statements into U.S. dollars, net of hedging gains or losses and taxes, if any, are included in Other comprehensive income. Gains or losses resulting from foreign currency transactions are included in Principal transaction revenues in the Consolidated Statements of Earnings.

Securitization Activities

We engage in securitization activities related to corporate loans, consumer loans, commercial mortgage loans and mortgage-backed and other asset-backed securities. Such transfers of financial assets are accounted for as sales when we have relinquished control over the transferred assets. The gain or loss on sale of such financial assets depends, in part, on the previous carrying amount of the assets involved in the transfer allocated between the assets sold and the retained interests, if any, based upon their respective fair values at the date of sale. We may retain interests in the securitized financial assets as one or more tranches of the securitization. These retained interests are included within Financial instruments owned in the Consolidated Statements of Financial Condition at fair value. Any changes in the fair value of such retained interests are recognized within Principal transactions revenues in the Consolidated Statements of Earnings.

When a transfer of assets does not meet the criteria of a sale, we account for the transfer as a secured borrowing and continue to recognize the assets of a secured borrowing in Financial instruments owned and recognize the associated financing in Other secured financings in the Consolidated Statements of Financial Condition.

Earnings per Common Share

As a single member limited liability company, earnings per share is not calculated for Jefferies Group LLC (the Successor company).

Prior to the Leucadia Transaction, Jefferies Group, Inc. (the Predecessor company) had common shares and other common share equivalents outstanding. For the Predecessor period, basic earnings per share (“EPS”) was computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding and certain other shares committed to be, but not yet issued. Net earnings available to common shareholders represent net earnings to common shareholders reduced by the allocation of earnings to participating securities. Losses are not allocated to participating securities. For Predecessor periods, diluted EPS was computed by dividing net earnings available to common shareholders plus dividends on dilutive mandatorily redeemable convertible preferred stock by the weighted average number of common shares outstanding and certain other shares committed to be, but not yet issued, plus all dilutive common stock equivalents outstanding during the period. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and, therefore, are included in the earnings allocation in computing earnings per share under the two-class method of earning per share. Restricted stock and Restricted stock units (“RSUs”) granted as part of our share-based compensation contain nonforfeitable rights to dividends and dividend equivalents, respectively, and therefore, prior to the requisite service being rendered for the right to retain the award, restricted stock and RSUs meet the definition of a participating security. As such, Basic and Diluted earnings per share were calculated under the two-class method.

Note 3. Accounting Developments

Accounting Standards to be Adopted in Future Periods

Financial Instruments. In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-01, Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. The guidance affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements of financial instruments. The guidance is effective in the first quarter of fiscal 2019. Early adoption is permitted for the accounting guidance on financial liabilities under the fair value option. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Debt Issuance Costs. In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. The accounting guidance requires that debt issuance costs related to a recognized debt liability be reported in the Consolidated Statements of Financial Condition as a direct deduction from the carrying amount of that debt liability. The guidance is effective retrospectively beginning in the first quarter of fiscal 2017 and early adoption is permitted. The adoption of this accounting guidance is not expected to have a material impact on our Consolidated Statements of Financial Condition.

Consolidation. In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendment eliminates the deferral of certain consolidation standards for entities considered to be investment companies and modifies the consolidation analysis performed on certain types of legal entities. We adopted this guidance in the first quarter of fiscal 2016. The adoption of this amendment did not have a material impact on our consolidated financial statements.

Revenue Recognition. In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (“ASU No. 2014-09”) and in August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers - Deferral of Effective Date. The accounting guidance defines how companies report revenues from contracts with customers, and also requires enhanced disclosures. We intend to adopt the new guidance on December 1, 2017 and are currently evaluating the impact of the new guidance on our consolidated financial statements.

Adopted Accounting Standards

Repurchase Agreements. In June 2014, the FASB issued ASU No. 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The accounting guidance changed the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. This accounting change was effective in the second quarter of fiscal 2015. The guidance also required new disclosures about certain transfers of financial assets accounted for as sales as well as increased transparency about the types of collateral pledged and remaining maturity of repurchase and securities lending agreements. The disclosure guidance related to certain transactions accounted for as sales was effective prospectively in the second quarter of fiscal 2015. The disclosure guidance related to the types of collateral pledged and remaining maturity of repurchase and securities lending agreements was effective prospectively in the third quarter of fiscal 2015. This guidance did not have a material effect on our consolidated financial statements and we have provided the additional disclosures in our consolidated financial statements.

Investments in Certain Entities That Calculate Net Asset Value. In May 2015, the FASB issued ASU No. 2015-07, “Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)” ("ASU No. 2015-07"). The guidance removed the requirement to include investments in the fair value hierarchy for which the fair value is measured at NAV using the practical expedient under “Fair Value Measurements and Disclosures (Topic 820).” The guidance also removed the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value practical expedient. Rather, those disclosures are limited to investments for which we have elected to measure the fair value using that practical expedient. The guidance is effective retrospectively and we early adopted this guidance during the second quarter of fiscal 2015. Since the guidance only impacts our disclosures, adoption did not affect our consolidated financial statements. The adjustments had the impact of reducing Level 3 assets by $97.1 million at November 30, 2014 and $91.6 million at November 30, 2013. For further information on the adoption of ASU No. 2015-07, refer to Note 5, Fair Value Disclosures.

Discontinued Operations. In April 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The guidance changes the criteria for disposals to qualify as discontinued operations and requires new disclosures about disposals of both discontinued operations and certain other disposals that do not meet the new definition. The guidance was effective beginning in the first quarter of 2015. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

Income Taxes. In July 2013, the FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The guidance requires an entity to net their unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements against a deferred tax asset for a net operating loss carryforward, a similar tax loss or tax credit carryforward, unless such tax loss or credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes resulting from the disallowance of a tax position. In the event that the tax position is disallowed or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit shall be presented in the financial statements as a liability and shall not be combined with deferred tax assets. The guidance was effective for fiscal years and interim periods within those years, beginning after December 15, 2013, and is applied prospectively to all unrecognized tax benefits that exist at the effective date. The adoption of this update, effective December 1, 2014, did not have a material effect on our consolidated financial statements.

Note 4. Leucadia and Related Transactions

Leucadia Transaction

On March 1, 2013, Jefferies Group LLC completed a business combination with Leucadia and became a wholly-owned subsidiary of Leucadia as described in Note 1, Organization and Basis of Presentation. Each share of Jefferies Group Inc.’s common stock outstanding was converted into common shares of Leucadia at an Exchange Ratio of 0.81 of a Leucadia common share for each share of Jefferies Group, Inc. (the “Exchange Ratio”). Leucadia exchanged Jefferies Group, Inc.’s $125.0 million 3.25% Series A-1 Convertible Cumulative Preferred Stock for a new series of Leucadia $125.0 million 3.25% Cumulative Convertible Preferred Shares. In addition, each restricted share and restricted stock unit of Jefferies Group, Inc. common stock was converted at the

Exchange Ratio, into an equivalent award of shares of Leucadia, with all such awards for Leucadia shares subject to the same terms and conditions, including, without limitation, vesting and, in the case of performance-based restricted stock units, performance being measured at existing targets.

Leucadia did not assume or guarantee any of our outstanding debt securities, but our 3.875% Convertible senior Debentures due 2029 with an aggregate principal amount of $345.0 million became convertible into common shares of Leucadia. Other than the conversion into Leucadia common shares, the terms of the debenture remain the same.

The Leucadia Transaction resulted in a change in our ownership and was recorded under the acquisition method of accounting by Leucadia and pushed-down to us by allocating the total purchase consideration of $4.8 billion to the cost of the assets acquired, including intangible assets, and liabilities assumed based on their estimated fair values. The excess of the total purchase price over the fair value of assets acquired and the liabilities assumed is recorded as goodwill. The goodwill arising from the Leucadia Transaction consists largely of our commercial potential and the value of our assembled workforce.

In connection with the Leucadia Transaction, we recognized $11.5 million and $2.1 million in transaction costs during the nine months ended November 30, 2013 and three months ended February 28, 2013, respectively.

The summary computation of the purchase price and the fair values assigned to the assets and liabilities are presented as follows (in thousands, except share amounts):

Purchase Price:		
Jefferies common stock outstanding		205,368,031
Less: Jefferies common stock owned by Leucadia		(58,006,024)
Jefferies common stock acquired by Leucadia		147,362,007
Exchange ratio		0.81
Leucadia's shares issued (excluding for Jefferies shares held by Leucadia)		119,363,226
Less: restricted shares issued for share-based payment awards (1)		(6,894,856)
Leucadia's shares issued, excluding share-based payment awards		112,468,370
Closing price of Leucadia's common stock (2)	$	26.90
Fair value of common shares acquired by Leucadia	$	3,025,399
Fair value of 3.25% cumulative convertible preferred shares (3)		125,000
Fair value of shares-based payment awards (4)		343,811
Fair value of Jefferies shares owned by Leucadia (5)		1,259,891
Total purchase price	**$**	**4,754,101**

(1) Represents shares of restricted stock included in Jefferies common stock outstanding that contained a future service requirement at March 1, 2013.

(2) The value of the shares of common stock exchanged with Jefferies shareholders was based upon the closing price of Leucadia's common stock at February 28, 2013, the last trading day prior to the date of acquisition.

(3) Represents Leucadia's 3.25% Cumulative Convertible Preferred Shares issued in exchange for Jefferies Group, Inc.'s 3.25% Series A-1 Convertible Cumulative Preferred Stock.

(4) The fair value of share-based payment awards is calculated in accordance with Accounting Standards Codification 718, Compensation – Stock Compensation. Share-based payment awards attributable to pre-combination service are included as part of the total purchase price. Share-based payment awards attributable to pre-combination service is estimated based on the ratio of the pre-combination service performed to the original service period of the award.

(5) The fair value of Jefferies shares owned by Leucadia was based upon a price of $21.72, the closing price of Jefferies common stock at February 28, 2013.

Assets acquired:		
Cash and cash equivalents	$	3,017,958
Cash and securities segregated		3,728,742
Financial instruments owned, at fair value		16,413,535
Investments in managed funds		59,976
Loans to and investments in related parties		766,893
Securities borrowed		5,315,488
Securities purchased under agreements to resell		3,578,366
Securities received as collateral		25,338
Receivables:		
Brokers, dealers and clearing organizations		2,444,085
Customers		1,045,251
Fees, interest and other		225,555
Premises and equipment		192,603
Indefinite-lived intangible exchange memberships and licenses (1)		15,551
Finite-lived intangible customer relationships (1)		136,002
Finite-lived trade name (1)		131,299
Other assets		939,600
Total assets	$	38,036,242
Liabilities assumed:		
Short-term borrowings	$	100,000
Financial instruments sold, not yet purchased, at fair value		9,766,876
Securities loaned		1,902,687
Securities sold under agreements to repurchase		7,976,492
Other secured financings		122,294
Obligation to return securities received as collateral		25,338
Payables:		
Brokers, dealers and clearing organizations		1,787,055
Customers		5,450,781
Accrued expenses and other liabilities		793,843
Long-term debt		6,362,024
Mandatorily redeemable preferred interests		358,951
Total liabilities	$	34,646,341
Noncontrolling interests	$	356,180
Fair value of net assets acquired, excluding goodwill	$	3,033,721
Goodwill	$	1,720,380

(1) Intangible assets are recorded within Other assets on the Consolidated Statements of Financial Condition.

The goodwill of $1.7 billion is not deductible for tax purposes.

Reorganization of Jefferies High Yield Holdings, LLC

On March 1, 2013, we commenced a reorganization of our high yield joint venture with Leucadia, conducted through Jefferies High Yield Holdings, LLC (“JHYH”) (the parent of Jefferies High Yield Trading, LLC (our high yield trading broker-dealer)). On March 1, 2013, we redeemed the outstanding third party noncontrolling interests in JHYH of $347.6 million. On March 31, 2013, Leucadia contributed its mandatorily redeemable preferred interests in JHYH of $362.3 million to Jefferies Group LLC as member’s equity. On April 1, 2013, we redeemed the mandatorily redeemable preferred interests in JHYH received from Leucadia. In addition, on April 1, 2013, our high yield trading broker-dealer was merged into Jefferies LLC (our U.S. securities broker-dealer).

Note 5. Fair Value Disclosures

The following is a summary of our financial assets and liabilities that are accounted for at fair value on a recurring basis, excluding Investments at fair value based on NAV of $36.7 million and $42.2 million at November 30, 2015 and November 30, 2014, respectively, by level within the fair value hierarchy (in thousands):

	November 30, 2015				
	Level 1(1)	Level 2(1)	Level 3	Counterparty and Cash Collateral Netting (2)	Total
Assets:					
Financial instruments owned:					
Corporate equity securities	$ 1,853,351	$ 133,732	$ 40,906	$ —	$ 2,027,989
Corporate debt securities	—	2,867,165	25,876	—	2,893,041
Collateralized debt obligations	—	89,144	85,092	—	174,236
U.S. government and federal agency securities	2,555,018	90,633	—	—	2,645,651
Municipal securities	—	487,141	—	—	487,141
Sovereign obligations	1,251,366	1,407,955	120	—	2,659,441
Residential mortgage-backed securities	—	2,731,070	70,263	—	2,801,333
Commercial mortgage-backed securities	—	1,014,913	14,326	—	1,029,239
Other asset-backed securities	—	118,629	42,925	—	161,554
Loans and other receivables	—	1,123,044	189,289	—	1,312,333
Derivatives	1,037	4,395,704	19,785	(4,165,446)	251,080
Investments at fair value	—	26,224	53,120	—	79,344
Total financial instruments owned, excluding Investments at fair value based on NAV	$ 5,660,772	$ 14,485,354	$ 541,702	$ (4,165,446)	$ 16,522,382
Cash and cash equivalents	$ 3,510,163	$ —	$ —	$ —	$ 3,510,163
Cash and securities segregated and on deposit for regulatory purposes	$ 751,084	$ —	$ —	$ —	$ 751,084
Liabilities:					
Financial instruments sold, not yet purchased:					
Corporate equity securities	$ 1,382,377	$ 36,518	$ 38	$ —	$ 1,418,933
Corporate debt securities	—	1,556,941	—	—	1,556,941
U.S. government and federal agency securities	1,488,121	—	—	—	1,488,121
Sovereign obligations	837,614	505,382	—	—	1,342,996
Residential mortgage-backed securities	—	117	—	—	117
Loans	—	758,939	10,469	—	769,408
Derivatives	364	4,446,639	19,543	(4,257,998)	208,548
Total financial instruments sold, not yet purchased	$ 3,708,476	$ 7,304,536	$ 30,050	$ (4,257,998)	$ 6,785,064
Other secured financings	$ —	$ —	$ 544	$ —	$ 544

(1) There were no material transfers between Level 1 and Level 2 for the year ended November 30, 2015.
(2) Represents counterparty and cash collateral netting across the levels of the fair value hierarchy for positions with the same counterparty.

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

	November 30, 2014				
	Level 1 (1)	Level 2 (1)	Level 3	Counterparty and Cash Collateral Netting (2)	Total
Assets:					
Financial instruments owned:					
Corporate equity securities	$ 2,178,837	$ 226,441	$ 20,964	$ —	$ 2,426,242
Corporate debt securities	—	3,342,276	22,766 (4)	—	3,365,042
Collateralized debt obligations	—	306,218	124,650 (4)	—	430,868
U.S. government and federal agency securities	2,694,268	81,273	—	—	2,775,541
Municipal securities	—	590,849	—	—	590,849
Sovereign obligations	1,968,747	790,764	—	—	2,759,511
Residential mortgage-backed securities	—	2,879,954	82,557	—	2,962,511
Commercial mortgage-backed securities	—	966,651	26,655	—	993,306
Other asset-backed securities	—	137,387	2,294	—	139,681
Loans and other receivables	—	1,458,760	97,258	—	1,556,018
Derivatives	65,145	5,046,278	54,190	(4,759,345)	406,268
Investments at fair value	—	73,148	53,224	—	126,372
Physical commodities	—	62,234	—	—	62,234
Total financial instruments owned, excluding Investments at fair value based on NAV	$ 6,906,997	$ 15,962,233	$ 484,558	$ (4,759,345)	$ 18,594,443
Cash and cash equivalents	$ 4,079,968	$ —	$ —	$ —	$ 4,079,968
Cash and securities segregated and on deposit for regulatory purposes (3)	$ 3,444,674	$ —	$ —	$ —	$ 3,444,674
Securities received as collateral	$ 5,418	$ —	$ —	$ —	$ 5,418
Liabilities:					
Financial instruments sold, not yet purchased:					
Corporate equity securities	$ 1,911,145	$ 74,681	$ 38	$ —	$ 1,985,864
Corporate debt securities	—	1,611,994	223	—	1,612,217
Collateralized debt obligations	—	4,557	—	—	4,557
U.S. government and federal agency securities	2,253,055	—	—	—	2,253,055
Sovereign obligations	1,217,075	574,010	—	—	1,791,085
Loans	—	856,525	14,450	—	870,975
Derivatives	52,778	5,117,803	49,552	(4,856,618)	363,515
Total financial instruments sold, not yet purchased	$ 5,434,053	$ 8,239,570	$ 64,263	$ (4,856,618)	$ 8,881,268
Obligation to return securities received as collateral	$ 5,418	$ —	$ —	$ —	$ 5,418
Other secured financings	$ —	$ —	$ 30,825	$ —	$ 30,825
Embedded conversion option	$ —	$ —	$ 693	$ —	$ 693

(1) At December 1, 2013, equity options presented within Financial instruments owned and Financial instruments sold, not yet purchased of $6.1 million and $6.6 million, respectively, were transferred from Level 1 to Level 2 as adjustments were incorporated into the valuation approach for such contracts to estimate the point within the bid-ask range that meets the best estimate of fair value.

(2) Represents counterparty and cash collateral netting across the levels of the fair value hierarchy for positions with the same counterparty.

(3) Cash and securities segregated and on deposit for regulatory purposes include U.S. government securities with a fair value of $453.7 million and CFTC approved money market funds with a fair value of $545.0 million.

(4) Level 3 Collateralized debt obligations increased by $33.2 million with a corresponding decrease in Level 3 Corporate debt securities from those previously reported to correct for the classification of certain positions. The total amount of Level 3 assets remained unchanged.

The following is a description of the valuation basis, including valuation techniques and inputs, used in measuring our financial assets and liabilities that are accounted for at fair value on a recurring basis:

Corporate Equity Securities

- Exchange Traded Equity Securities: Exchange-traded equity securities are measured based on quoted closing exchange prices, which are generally obtained from external pricing services, and are categorized within Level 1 of the fair value hierarchy, otherwise they are categorized within Level 2 or Level 3 of the fair value hierarchy.
- Non-exchange Traded Equity Securities: Non-exchange traded equity securities are measured primarily using broker quotations, pricing data from external pricing services and prices observed for recently executed market transactions and are categorized within Level 2 of the fair value hierarchy. Where such information is not available, non-exchange traded equity securities are categorized within Level 3 of the fair value hierarchy and measured using valuation techniques involving quoted prices of or market data for comparable companies, similar company ratios and multiples (*e.g.*, price/EBITDA, price/book value), discounted cash flow analyses and transaction prices observed for subsequent financing or capital issuance by the company. When using pricing data of comparable companies, judgment must be applied to adjust the pricing data to account for differences between the measured security and the comparable security (*e.g.*, issuer market capitalization, yield, dividend rate, geographical concentration).
- Equity warrants: Non-exchange traded equity warrants are generally categorized within Level 3 of the fair value hierarchy and are measured using the Black-Scholes model with key inputs impacting the valuation including the underlying security price, implied volatility, dividend yield, interest rate curve, strike price and maturity date.

Corporate Debt Securities

- Corporate Bonds: Corporate bonds are measured primarily using pricing data from external pricing services and broker quotations, where available, prices observed for recently executed market transactions and bond spreads or credit default swap spreads of the issuer adjusted for basis differences between the swap curve and the bond curve. Corporate bonds measured using these valuation methods are categorized within Level 2 of the fair value hierarchy. If broker quotes, pricing data or spread data is not available, alternative valuation techniques are used including cash flow models incorporating interest rate curves, single name or index credit default swap curves for comparable issuers and recovery rate assumptions. Corporate bonds measured using alternative valuation techniques are categorized within Level 3 of the fair value hierarchy and comprise a limited portion of our corporate bonds.
- High Yield Corporate and Convertible Bonds: A significant portion of our high yield corporate and convertible bonds are categorized within Level 2 of the fair value hierarchy and are measured primarily using broker quotations and pricing data from external pricing services, where available, and prices observed for recently executed market transactions of comparable size. Where pricing data is less observable, valuations are categorized within Level 3 and are based on pending transactions involving the issuer or comparable issuers, prices implied from an issuer's subsequent financings or recapitalizations, models incorporating financial ratios and projected cash flows of the issuer and market prices for comparable issuers.

Collateralized Debt Obligations

Collateralized debt obligations are measured based on prices observed for recently executed market transactions of the same or similar security or based on valuations received from third party brokers or data providers and are categorized within Level 2 or Level 3 of the fair value hierarchy depending on the observability and significance of the pricing inputs. Valuation that is based on recently executed market transactions of similar securities incorporates additional review and analysis of pricing inputs and comparability criteria including but not limited to collateral type, tranche type, rating, origination year, prepayment rates, default rates, and severities.

U.S. Government and Federal Agency Securities

- U.S. Treasury Securities: U.S. Treasury securities are measured based on quoted market prices and categorized within Level 1 of the fair value hierarchy.
- U.S. Agency Issued Debt Securities: Callable and non-callable U.S. agency issued debt securities are measured primarily based on quoted market prices obtained from external pricing services and are generally categorized within Level 1 or Level 2 of the fair value hierarchy.

Municipal Securities

Municipal securities are measured based on quoted prices obtained from external pricing services and are generally categorized within Level 2 of the fair value hierarchy.

Sovereign Obligations

Foreign sovereign government obligations are measured based on quoted market prices obtained from external pricing services, where available, or recently executed independent transactions of comparable size. To the extent external price quotations are not available or recent transactions have not been observed, valuation techniques incorporating interest rate yield curves and country spreads for bonds of similar issuers, seniority and maturity are used to determine fair value of sovereign bonds or obligations. Foreign sovereign government obligations are classified in Level 1, Level 2 or Level 3 of the fair value hierarchy, primarily based on the country of issuance.

Residential Mortgage-Backed Securities

- Agency Residential Mortgage-Backed Securities: Agency residential mortgage-backed securities include mortgage pass-through securities (fixed and adjustable rate), collateralized mortgage obligations and interest-only and principal-only securities and are generally measured using market price quotations from external pricing services and categorized within Level 2 of the fair value hierarchy.
- Agency Residential Interest-Only and Inverse Interest-Only Securities ("Agency Inverse IOs"): The fair value of agency inverse IOs is estimated using expected future cash flow techniques that incorporate prepayment models and other prepayment assumptions to amortize the underlying mortgage loan collateral. We use prices observed for recently executed transactions to develop market-clearing spread and yield curve assumptions. Valuation inputs with regard to the underlying collateral incorporate weighted average coupon, loan-to-value, credit scores, geographic location, maximum and average loan size, originator, servicer, and weighted average loan age. Agency inverse IOs are categorized within Level 2 or Level 3 of the fair value hierarchy. We also use vendor data in developing our assumptions, as appropriate.
- Non-Agency Residential Mortgage-Backed Securities: Fair values are determined primarily using discounted cash flow methodologies and securities are categorized within Level 2 or Level 3 of the fair value hierarchy based on the observability and significance of the pricing inputs used. Performance attributes of the underlying mortgage loans are evaluated to estimate pricing inputs, such as prepayment rates, default rates and the severity of credit losses. Attributes of the underlying mortgage loans that affect the pricing inputs include, but are not limited to, weighted average coupon; average and maximum loan size; loan-to-value; credit scores; documentation type; geographic location; weighted average loan age; originator; servicer; historical prepayment, default and loss severity experience of the mortgage loan pool; and delinquency rate. Yield curves used in the discounted cash flow models are based on observed market prices for comparable securities and published interest rate data to estimate market yields.

Commercial Mortgage-Backed Securities

- Agency Commercial Mortgage-Backed Securities: Government National Mortgage Association ("GNMA") project loans are measured based on inputs corroborated from and benchmarked to observed prices of recent securitization transactions of similar securities with adjustments incorporating an evaluation for various factors, including prepayment speeds, default rates, and cash flow structures as well as the likelihood of pricing levels in the current market environment. Federal National Mortgage Association ("FNMA") Delegated Underwriting and Servicing ("DUS") mortgage-backed securities are generally measured by using prices observed for recently executed market transactions to estimate market-clearing spread levels for purposes of estimating fair value. GNMA project loan bonds and FNMA DUS mortgage-backed securities are categorized within Level 2 of the fair value hierarchy.
- Non-Agency Commercial Mortgage-Backed Securities: Non-agency commercial mortgage-backed securities are measured using pricing data obtained from external pricing services and prices observed for recently executed market transactions and are categorized within Level 2 and Level 3 of the fair value hierarchy.

Other Asset-Backed Securities

Other asset-backed securities include, but are not limited to, securities backed by auto loans, credit card receivables, student loans and other consumer loans and are categorized within Level 2 and Level 3 of the fair value hierarchy. Valuations are primarily determined using pricing data obtained from external pricing services and broker quotes and prices observed for recently executed market transactions.

Loans and Other Receivables

- Corporate Loans: Corporate loans categorized within Level 2 of the fair value hierarchy are measured based on market price quotations where market price quotations from external pricing services are supported by market transaction data. Corporate loans categorized within Level 3 of the fair value hierarchy are measured based on market price quotations that are considered to be less transparent, market prices for debt securities of the same creditor, and estimates of future cash flow incorporating assumptions regarding creditor default and recovery rates and consideration of the issuer's capital structure.
- Participation Certificates in Agency Residential Loans: Valuations of participation certificates in agency residential loans are based on observed market prices of recently executed purchases and sales of similar loans. The loan participation certificates are categorized within Level 2 of the fair value hierarchy given the observability and volume of recently executed transactions and availability of data provider pricing.
- Project Loans and Participation Certificates in GNMA Project and Construction Loans: Valuations of participation certificates in GNMA project and construction loans are based on inputs corroborated from and benchmarked to observed prices of recent securitizations of assets with similar underlying loan collateral to derive an implied spread. Securitization prices are adjusted to estimate the fair value of the loans incorporating an evaluation for various factors, including prepayment speeds, default rates, and cash flow structures as well as the likelihood of pricing levels in the current market environment. The measurements are categorized within Level 2 of the fair value hierarchy given the observability and volume of recently executed transactions.
- Consumer Loans and Funding Facilities: Consumer and small business whole loans and related funding facilities are valued based on observed market transactions incorporating additional valuation inputs including, but not limited to, delinquency and default rates, prepayment rates, borrower characteristics, loan risk grades and loan age. These assets are categorized within Level 2 or Level 3 of the fair value hierarchy.
- Escrow and Trade Claim Receivables: Escrow and trade claim receivables are categorized within Level 3 of the fair value hierarchy where fair value is estimated based on reference to market prices and implied yields of debt securities of the same or similar issuers. Escrow and trade claim receivables are categorized within Level 2 of the fair value hierarchy where fair value is based on recent trade activity in the same security.

Derivatives

- Listed Derivative Contracts: Listed derivative contracts that are actively traded are measured based on quoted exchange prices, which are generally obtained from external pricing services, and are categorized within Level 1 of the fair value hierarchy. Listed derivatives for which there is limited trading activity are measured based on incorporating the closing auction price of the underlying equity security, use similar valuation approaches as those applied to over-the-counter derivative contracts and are categorized within Level 2 of the fair value hierarchy.
- OTC Derivative Contracts: Over-the-counter ("OTC") derivative contracts are generally valued using models, whose inputs reflect assumptions that we believe market participants would use in valuing the derivative in a current period transaction. Inputs to valuation models are appropriately calibrated to market data. For many OTC derivative contracts, the valuation models do not involve material subjectivity as the methodologies do not entail significant judgment and the inputs to valuation models do not involve a high degree of subjectivity as the valuation model inputs are readily observable or can be derived from actively quoted markets. OTC derivative contracts are primarily categorized within Level 2 of the fair value hierarchy given the observability and significance of the inputs to the valuation models. Where significant inputs to the valuation are unobservable, derivative instruments are categorized within Level 3 of the fair value hierarchy.

  OTC options include OTC equity, foreign exchange, interest rate and commodity options measured using various valuation models, such as the Black-Scholes, with key inputs impacting the valuation including the underlying security, foreign exchange spot rate or commodity price, implied volatility, dividend yield, interest rate curve, strike price and maturity date. Discounted cash flow models are utilized to measure certain OTC derivative contracts including the valuations of our interest rate swaps, which incorporate observable inputs related to interest rate curves, valuations of our foreign exchange forwards and swaps, which incorporate observable inputs related to foreign currency spot rates and forward curves and valuations of our commodity swaps and forwards, which incorporate observable inputs related to commodity spot prices and forward curves. Credit default swaps include both index and single-name credit default swaps. External prices are available as inputs in measuring index credit default swaps and single-name credit default swaps. For commodity and equity total return swaps, market prices are observable for the underlying asset and used as the basis for measuring the fair value of the derivative contracts. Total return swaps executed on other underlyings are measured based on valuations received from external pricing services.

Physical Commodities

Physical commodities include base and precious metals and are measured using observable inputs including spot prices and published indices. Physical commodities are categorized within Level 2 of the fair value hierarchy. To facilitate the trading in precious metals we undertake leasing of such precious metals. The fees earned or paid for such leases are recorded as Principal transaction revenues in the Consolidated Statements of Earnings.

Investments at Fair Value and Investments in Managed Funds

Investments at fair value based on NAV and Investments in Managed Funds include investments in hedge funds, fund of funds, private equity funds, convertible bond funds and commodity funds, which are measured at the net asset value of the funds provided by the fund managers and are excluded from the fair value hierarchy. Investments at fair value also include direct equity investments in private companies, which are measured at fair value using valuation techniques involving quoted prices of or market data for comparable companies, similar company ratios and multiples (*e.g.*, price/EBITDA, price/book value), discounted cash flow analyses and transaction prices observed for subsequent financing or capital issuance by the company. Direct equity investments in private companies are categorized within Level 2 or Level 3 of the fair value hierarchy. Additionally, investments at fair value include investments in insurance contracts relating to our defined benefit plan in Germany. Fair value for the insurance contracts is determined using a third party and is categorized within Level 3 of the fair value hierarchy.

The following tables present information about our investments in entities that have the characteristics of an investment company (in thousands):

	November 30, 2015		
	Fair Value (1)	Unfunded Commitments	Redemption Frequency (if currently eligible)
Equity Long/Short Hedge Funds (2)	$ 78,083	$ —	Monthly, Quarterly
Fixed Income and High Yield Hedge Funds (3)	1,703	—	—
Fund of Funds (4)	287	94	—
Equity Funds (5)	42,111	20,791	—
Convertible Bond Funds (6)	326	—	At Will
Total	$ 122,510	$ 20,885	

	November 30, 2014		
	Fair Value (1)	Unfunded Commitments	Redemption Frequency (if currently eligible)
Equity Long/Short Hedge Funds (2)	$ 44,983	$ —	Monthly, Quarterly
Fixed Income and High Yield Hedge Funds (3)(7)	2,704	—	—
Fund of Funds (4)	323	94	—
Equity Funds (5)	65,216	26,023	—
Convertible Bond Funds (6)	3,355	—	At Will
Total	$ 116,581	$ 26,117	

(1) Where fair value is calculated based on NAV, fair value has been derived from each of the funds' capital statements.

(2) This category includes investments in hedge funds that invest, long and short, in primarily equity securities in domestic and international markets in both the public and private sectors. At November 30, 2015 and November 30, 2014, investments representing approximately 100% and 99%, respectively, of the fair value of investments in this category are redeemable with 30-90 days prior written notice.

(3) Includes investments in funds that invest in loans secured by a first trust deed on property, domestic and international public high yield debt, private high yield investments, senior bank loans, public leveraged equities, distressed debt, and private equity investments. There are no redemption provisions. At November 30, 2015 and November 30, 2014, the underlying assets of 8% and 8%, respectively, of these funds are being liquidated and we are unable to estimate when the underlying assets will be fully liquidated.

(4) Includes investments in fund of funds that invest in various private equity funds. At November 30, 2015 and November 30, 2014, approximately 95% and 95%, respectively, of the fair value of investments in this category are managed by us and have no redemption provisions, instead distributions are received through the liquidation of the underlying assets of the fund of funds, which are estimated to be liquidated in the next twelve months. For the remaining investments, we have requested redemption; however, we are unable to estimate when these funds will be received.

(5) At November 30, 2015 and November 30, 2014, approximately 100% and 99%, respectively, of the fair value of investments in this category include investments in equity funds that invest in the equity of various U.S. and foreign private companies in the energy, technology, internet service and telecommunication service industries. These investments cannot be redeemed, instead distributions are received through the liquidation of the underlying assets of the funds which are expected to liquidate in one to eight years.

(6) This category represents an investment in the Jefferies Umbrella Fund, an open-ended investment company managed by us that invests primarily in convertible bonds. The remaining investments are in liquidation and we are unable to estimate when the underlying assets will be fully liquidated.

(7) Fixed income and high yield hedge funds was revised by $2.5 million from that previously reported due to the inclusion of a fixed income fund, which has the characteristics of an investment company that is included in Investments at fair value within Financial instruments owned in the Consolidated Statement of Financial Condition. The total amount of Investments at fair value remained unchanged.

Other Secured Financings

Other secured financings that are accounted for at fair value include notes issued by consolidated VIEs, which are classified as Level 2 or Level 3 within the fair value hierarchy. Fair value is based on recent transaction prices for similar assets. In addition, at November 30, 2015 and November 30, 2014, Other secured financings includes $0.0 and $7.8 million, respectively, related to transfers of loans accounted for as secured financings rather than as sales and classified as Level 3 within the fair value hierarchy.

Embedded Conversion Option

The embedded conversion option presented within long-term debt represents the fair value of the conversion option on Leucadia shares within our 3.875% Convertible Senior Debentures, due November 1, 2029 and categorized as Level 3 within the fair value hierarchy. The conversion option was valued using a convertible bond model using as inputs the price of Leucadia's common stock, the conversion strike price, 252-day historical volatility, a maturity date of November 1, 2017 (the first put date), dividend yield and the risk-free interest rate curve.

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the year ended November 30, 2015 (in thousands):

	Successor Year Ended November 30, 2015								
	Balance at November 30, 2014	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into/ (out of) Level 3	Balance at November 30, 2015	Change in unrealized gains/ (losses) relating to instruments still held at November 30, 2015 (1)
Assets:									
Financial instruments owned:									
Corporate equity securities	$ 20,964	$ 11,154	$ 21,385	$ (6,391)	$ —	$ —	$ (6,206)	$ 40,906	$ 11,424
Corporate debt securities	22,766	(11,013)	21,534	(14,636)	—	—	7,225	25,876	(9,443)
Collateralized debt obligations	124,650	(66,332)	104,998	(107,381)	(5,754)	—	34,911	85,092	(48,514)
Municipal securities	—	10	—	—	(21,551)	—	21,541	—	—
Sovereign obligations	—	47	1,032	(1,031)	—	—	72	120	39
Residential mortgage-backed securities	82,557	(12,951)	18,961	(31,762)	(597)	—	14,055	70,263	(4,498)
Commercial mortgage-backed securities	26,655	(3,813)	3,480	(10,146)	(6,861)	—	5,011	14,326	(3,205)
Other asset-backed securities	2,294	(990)	42,922	(1,299)	(2)	—	—	42,925	(254)
Loans and other receivables	97,258	(14,755)	792,345	(576,536)	(124,365)	—	15,342	189,289	(16,802)
Investments, at fair value	53,224	64,380	5,510	(124,852)	(4,093)	—	58,951	53,120	(388)
Liabilities:									
Financial instruments sold, not yet purchased:									
Corporate equity securities	$ 38	$ —	$ —	$ —	$ —	$ —	$ —	$ 38	$ —
Corporate debt securities	223	(110)	(6,804)	6,691	—	—	—	—	—
Net derivatives (2)	(4,638)	(7,310)	(6,705)	13,522	37	2,437	2,415	(242)	4,754
Loans	14,450	(163)	(2,059)	229	—	—	(1,988)	10,469	104
Other secured financings	30,825	—	—	—	(15,704)	36,995	(51,572)	544	—
Embedded conversion option	693	(693)	—	—	—	—	—	—	693

(1) Realized and unrealized gains/losses are reported in Principal transaction revenues in the Consolidated Statements of Earnings.

(2) Net derivatives represent Financial instruments owned—Derivatives and Financial instruments sold, not yet purchased —Derivatives.

Analysis of Level 3 Assets and Liabilities for the Year Ended November 30, 2015

During the year ended November 30, 2015, transfers of assets of $236.7 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

- Collateralized debt obligations of $69.8 million, non-agency residential mortgage-backed securities of $30.4 million, commercial mortgage-backed securities of $11.3 million for which no recent trade activity was observed for purposes of determining observable inputs;
- Municipal securities of $21.5 million and loans and other receivables of $20.1 million due to a lower number of contributors comprising vendor quotes to support classification within Level 2;
- Investments at fair value of $74.7 million and corporate debt securities of $7.4 million due to a lack of observable market transactions.

During the year ended November 30, 2015, transfers of assets of $85.8 million from Level 3 to Level 2 are primarily attributed to:

- Non-agency residential mortgage-backed securities of $16.3 million and commercial mortgage-backed securities of $6.3 million for which market trades were observed in the period for either identical or similar securities;
- Collateralized debt obligations of $34.9 million and loans and other receivables of $4.7 million due to a greater number of contributors for certain vendor quotes supporting classification into Level 2;
- Investments at fair value of $15.8 million due to an increase in observable market transactions;
- Corporate equity securities of $7.7 million due to an increase in observable market transactions.

During the year ended November 30, 2015, there were $51.6 million transfers of other secured financings from Level 3 to Level 2 due to an increase in observable inputs in the valuation.

Net losses on Level 3 assets were $34.3 million and net gains on Level 3 net liabilities were $8.3 million for the year ended November 30, 2015. Net losses on Level 3 assets were primarily due to a decrease in valuation of certain collateralized debt obligations, certain loans and other receivables and residential and commercial mortgage-backed securities, partially offset by increased valuations of certain investments at fair value and corporate equity securities. Net gains on Level 3 net liabilities were primarily due to decreased valuations of certain derivative instruments.

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the year ended November 30, 2014 (in thousands):

	Successor								
	Year Ended November 30, 2014								
	Balance at November 30, 2013	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into/ (out of) Level 3	Balance at November 30, 2014	Change in unrealized gains/ (losses) relating to instruments still held at November 30, 2014 (1)
Assets:									
Financial instruments owned:									
Corporate equity securities	$ 9,884	$ 957	$ 18,138	$ (12,826)	$ —	$ —	$ 4,811	$ 20,964	$ 2,324
Corporate debt securities	25,666	6,629	38,316	(40,328)	—	—	(7,517)	22,766	8,982
Collateralized debt obligations	37,216	(6,386)	204,337	(181,757)	(1,297)	—	72,537	124,650	(1,141)
U.S. government and federal agency securities	—	13	2,505	(2,518)	—	—	—	—	—
Residential mortgage-backed securities	105,492	(9,870)	42,632	(61,689)	(1,847)	—	7,839	82,557	(4,679)
Commercial mortgage-backed securities	17,568	(4,237)	49,159	(51,360)	(782)	—	16,307	26,655	(2,384)
Other asset-backed securities	12,611	1,784	4,987	(18,002)	—	—	914	2,294	1,484
Loans and other receivables	145,890	(31,311)	130,169	(92,140)	(60,390)	—	5,040	97,258	(26,864)
Investments at fair value	66,931	13,781	32,493	(43,286)	(1,243)	—	(15,452)	53,224	(1,876)
Liabilities:									
Financial instruments sold, not yet purchased:									
Corporate equity securities	$ 38	$ —	$ —	$ —	$ —	$ —	$ —	$ 38	$ —
Corporate debt securities	—	(149)	(565)	960	—	—	(23)	223	(8)
Net derivatives (2)	6,905	15,055	(24,682)	1,094	322	—	(3,332)	(4,638)	(15,615)
Loans	22,462	—	(18,332)	11,338	—	—	(1,018)	14,450	—
Other secured financings	8,711	—	—	—	(17,525)	39,639	—	30,825	—
Embedded conversion option	9,574	(8,881)	—	—	—	—	—	693	8,881

(1) Realized and unrealized gains/losses are reported in Principal transaction revenues in the Consolidated Statements of Earnings.
(2) Net derivatives represent Financial instruments owned—Derivatives and Financial instruments sold, not yet purchased —Derivatives.

Analysis of Level 3 Assets and Liabilities for the Year Ended November 30, 2014

During the year ended November 30, 2014, transfers of assets of $139.0 million from Level 2 to Level 3 of the fair value hierarchy are attributed to:

- Non-agency residential mortgage-backed securities of $30.3 million and commercial mortgage-backed securities of $16.6 million for which no recent trade activity was observed for purposes of determining observable inputs;
- Loans and other receivables of $8.5 million due to a lower number of contributors comprising vendor quotes to support classification within Level 2;

- Collateralized debt obligations of $73.0 million which have little to no transparency related to trade activity.
- Corporate equity securities of $9.7 million due to a lack of observable market transactions.

During the year ended November 30, 2014, transfers of assets of $54.6 million from Level 3 to Level 2 are attributed to:

- Non-agency residential mortgage-backed securities of $22.4 million for which market trades were observed in the period for either identical or similar securities;
- Loans and other receivables of $3.5 million and investments at fair value of $15.5 million due to a greater number of contributors for certain vendor quotes supporting classification into Level 2;
- Corporate equity securities of $4.9 million and corporate debt securities of $7.5 million due to an increase in observable market transactions.

During the year ended November 30, 2014, there were transfers of loan liabilities of $1.0 million from Level 3 to Level 2 and $3.3 million of net derivative liabilities from Level 3 to Level 2 due to an increase in observable inputs in the valuation and an increase in observable inputs used in valuing of derivative contracts, respectively.

Net losses on Level 3 assets were $28.6 million and net losses on Level 3 liabilities were $6.0 million for the year ended November 30, 2014. Net losses on Level 3 assets were primarily due to a decrease in valuation of certain loans and other receivables and residential and commercial mortgage-backed securities, partially offset by increased valuations of certain investments at fair value, certain corporate debt securities and other asset-backed securities. Net losses on Level 3 liabilities were primarily due to increased valuations of certain derivatives, partially offset by decreased valuations of the embedded conversion option.

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the nine months ended November 30, 2013 (in thousands):

	Successor								
	Nine Months Ended November 30, 2013								
	Balance at February 28, 2013	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into/ (out of) Level 3	Balance at November 30, 2013	Change in unrealized gains/ (losses) relating to instruments still held at November 30, 2013 (1)
Assets:									
Financial instruments owned:									
Corporate equity securities	$ 13,234	$ 1,551	$ 3,583	$ (7,141)	$ —	$ —	$ (1,343)	$ 9,884	$ (419)
Corporate debt securities	31,820	(2,454)	31,014	(34,125)	—	—	(589)	25,666	(2,749)
Collateralized debt obligations	24,736	(2,309)	45,437	(32,874)	—	—	2,226	37,216	(8,384)
Residential mortgage-backed securities	169,426	(4,897)	89,792	(150,807)	(11,007)	—	12,985	105,492	(6,932)
Commercial mortgage-backed securities	17,794	(4,469)	20,130	(13,538)	(100)	—	(2,249)	17,568	(3,794)
Other asset-backed securities	1,292	(4,535)	105,291	(104,711)	—	—	15,274	12,611	(3,497)
Loans and other receivables	170,986	15,008	287,757	(115,231)	(211,805)	—	(825)	145,890	13,402
Investments, at fair value	39,693	(1,317)	28,515	(102)	(875)	—	1,017	66,931	(1,290)
Liabilities:									
Financial instruments sold, not yet purchased:									
Corporate equity securities	$ 38	$ —	$ —	$ —	$ —	$ —	$ —	$ 38	$ —
Residential mortgage-backed securities	1,542	(1,542)	—	—	—	—	—	—	—
Net derivatives (2)	11,185	4,408	—	(300)	(8,515)	—	127	6,905	1,609
Loans	7,398	2,959	(16,027)	28,065	67	—	—	22,462	(2,970)
Other secured financings	—	—	—	—	—	8,711	—	8,711	—
Embedded conversion option (3)	16,488	(6,914)	—	—	—	—	—	9,574	6,914

(1) Realized and unrealized gains/losses are reported in Principal transaction revenues in the Consolidated Statements of Earnings.
(2) Net derivatives represent Financial instruments owned—Derivatives and Financial instruments sold, not yet purchased —Derivatives.
(3) The embedded conversion option of $16.5 million is at March 1, 2013, upon completion of the Leucadia Transaction (See Note 13.)

Analysis of Level 3 Assets and Liabilities for the Nine Months Ended November 30, 2013

During the nine months ended November 30, 2013, transfers of assets of $82.4 million from Level 2 to Level 3 of the fair value hierarchy are attributed to:

- Non-agency residential mortgage-backed securities of $58.8 million, and other asset-backed securities of $16.4 million for which no recent trade activity was observed for purposes of determining observable inputs;

- Loans and other receivables of $0.8 million due to a lower number of contributors comprising vendor quotes to support classification within Level 2;
- Corporate equity securities of $2.3 million, corporate debt securities of $0.2 million and investments at fair value of $1.0 million due to a lack of observable market transactions.

- Collateralized debt obligations of $2.8 million which have little to no transparency in trade activity;

During the nine months ended November 30, 2013, transfers of assets of $55.9 million from Level 3 to Level 2 are attributed to:

- Non-agency residential mortgage-backed securities of $45.9 million, commercial mortgage-backed securities of $2.2 million and other asset-backed securities of $1.1 million for which market trades were observed in the period for either identical or similar securities;

- Collateralized debt obligations of $0.6 million, loans and other receivables of $1.7 million due to a greater number of contributors for certain vendor quotes supporting classification into Level 2;

- Corporate equity securities of $3.6 million and corporate debt securities of $0.8 million due to an increase in observable market transactions.

During the nine months ended November 30, 2013, there were no transfers liabilities from Level 2 to Level 3 and $0.1 million transfers of net derivative liabilities from Level 3 to Level 2 due to an increase in observable inputs used in the valuation of certain derivatives contracts.

Net losses on Level 3 assets were $3.4 million and net gains on Level 3 liabilities were $1.1 million for the nine months ended November 30, 2013, respectively. Net losses on Level 3 assets were primarily due to a decrease in valuation of certain corporate debt securities, collateralized debt obligations, residential and commercial mortgage-backed securities and other asset-backed securities, partially offset by increased valuations of certain corporate equity securities and loans and other receivables. Net gains on Level 3 liabilities were primarily due to decreased valuation of the embedded conversion option, partially offset by increased valuations of certain derivative instruments and loan positions.

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the three months ended February 28, 2013 (in thousands):

	Predecessor							
	Three Months Ended February 28, 2013 (1)							
	Balance at November 30, 2012	Total gains/ losses (realized and unrealized) (2)	Purchases	Sales	Settlements	Net transfers into/ (out of) Level 3	Balance at February 28, 2013	Change in unrealized gains/ (losses) relating to instruments still held at February 28, 2013 (2)
Assets:								
Financial instruments owned:								
Corporate equity securities	$ 16,815	$ 200	$ 707	$ 109	$ —	$ (4,597)	$ 13,234	$ 172
Corporate debt securities	3,631	7,836	11,510	(1,918)	—	10,761	31,820	7,833
Collateralized debt obligations	31,255	3,584	4,406	(17,374)	—	2,865	24,736	(1,165)
Residential mortgage-backed securities	156,069	11,906	132,773	(130,143)	(6,057)	4,878	169,426	4,511
Commercial mortgage-backed securities	30,202	(995)	2,280	(2,866)	(1,188)	(9,639)	17,794	(2,059)
Other asset-backed securities	1,114	90	1,627	(1,342)	(19)	(178)	1,292	39
Loans and other receivables	180,393	(8,682)	105,650	(29,828)	(61,407)	(15,140)	170,986	(12,374)
Investments, at fair value	48,879	(756)	5,000	(4,656)	(7,676)	(1,098)	39,693	(473)
Liabilities:								
Financial instruments sold, not yet purchased:								
Corporate equity securities	$ 38	$ —	$ —	$ —	$ —	$ —	$ 38	$ —
Residential mortgage-backed securities	—	25	(73,846)	75,363	—	—	1,542	(19)
Net derivatives (3)	9,188	2,648	—	—	—	(651)	11,185	(2,648)
Loans	1,711	—	(1,711)	7,398	—	—	7,398	—

(1) There were no issuances during the three months ended February 28, 2013.
(2) Realized and unrealized gains/losses are reported in Principal transaction revenues in the Consolidated Statements of Earnings.
(3) Net derivatives represent Financial instruments owned—Derivatives and Financial instruments sold, not yet purchased —Derivatives.

Analysis of Level 3 Assets and Liabilities for the Three Months Ended February 28, 2013

During the three months ended February 28, 2013, transfers of assets of $100.5 million from Level 2 to Level 3 of the fair value hierarchy are attributed to:

- Non-agency residential mortgage-backed securities of $78.4 million and commercial mortgage-backed securities of $1.3 million for which no recent trade activity was observed for purposes of determining observable inputs;

- Corporate debt securities of $10.8 million and corporate equity securities of $0.1 million due to lack of observable market transactions;
- Collateralized debt obligations of $5.3 million which have little to no transparency in trade activity;
- Loans and other receivables of $4.8 million due to a lower number of contributors comprising vendor quotes to support classification within Level 2.

During the three months ended February 28, 2013, transfers of assets of $112.7 million from Level 3 to Level 2 are attributed to:

- Non-agency residential mortgage-backed securities of $73.5 million, commercial mortgage-backed securities of $10.9 million and $0.2 million of other asset-backed securities for which market trades were observed in the period for either identical or similar securities;
- Loans and other receivables of $19.9 million and collateralized debt obligations of $2.4 million due to a greater number of contributors for certain vendor quotes supporting classification into Level 2;
- Corporate equity securities of $4.7 million due to an increase in observable market transactions.

During the three months ended February 28, 2013, there were no transfers of liabilities from Level 2 to Level 3 and there were $0.7 million transfers of net derivative liabilities from Level 3 to Level 2 due to an increase in observable significant inputs used in valuing the derivative contracts.

Net gains on Level 3 assets were $13.2 million and net losses on Level 3 liabilities were $2.7 million for the three months ended February 28, 2013. Net gains on Level 3 assets were primarily due to increased valuations of certain residential mortgage-backed securities, corporate debt securities, collateralized debt obligations and investments at fair value, partially offset by a decrease in valuation of certain loans and other receivables, commercial mortgage-backed securities and investments in managed funds. Net losses on Level 3 liabilities were primarily due to increased valuations of certain derivative instruments.

Quantitative Information about Significant Unobservable Inputs used in Level 3 Fair Value Measurements at November 30, 2015 and November 30, 2014

The tables below present information on the valuation techniques, significant unobservable inputs and their ranges for our financial assets and liabilities, subject to threshold levels related to the market value of the positions held, measured at fair value on a recurring basis with a significant Level 3 balance. The range of unobservable inputs could differ significantly across different firms given the range of products across different firms in the financial services sector. The inputs are not representative of the inputs that could have been used in the valuation of any one financial instrument (*i.e.,* the input used for valuing one financial instrument within a particular class of financial instruments may not be appropriate for valuing other financial instruments within that given class). Additionally, the ranges of inputs presented below should not be construed to represent uncertainty regarding the fair values of our financial instruments; rather the range of inputs is reflective of the differences in the underlying characteristics of the financial instruments in each category.

For certain categories, we have provided a weighted average of the inputs allocated based on the fair values of the financial instruments comprising the category. We do not believe that the range or weighted average of the inputs is indicative of the reasonableness of uncertainty of our Level 3 fair values. The range and weighted average are driven by the individual financial instruments within each category and their relative distribution in the population. The disclosed inputs when compared with the inputs as disclosed in other periods should not be expected to necessarily be indicative of changes in our estimates of unobservable inputs for a particular financial instrument as the population of financial instruments comprising the category will vary from period to period based on purchases and sales of financial instruments during the period as well as transfers into and out of Level 3 each period.

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

	November 30, 2015						
Financial Instruments Owned		**Fair Value (in thousands)**	**Valuation Technique**	**Significant Unobservable Input(s)**	**Input / Range**		**Weighted Average**
Corporate equity securities	$	20,285					
Non-exchange traded securities			Market approach	EBITDA (a) multiple	4.4		—
				Transaction level	$1		—
				Underlying stock price	$5-$102	$	19
Corporate debt securities	$	20,257					
			Convertible bond model	Discount rate/yield	86%		—
			Market approach	Transaction level	$59		—
Collateralized debt obligations	$	49,923	Discounted cash flows				
				Constant prepayment rate	5%-20%		13%
				Constant default rate	2%-8%		2%
				Loss severity	25%-90%		52%
				Yield	6%-13%		10%
Residential mortgage-backed securities	$	70,263	Discounted cash flows	Constant prepayment rate	0%-50%		13%
				Constant default rate	1%-9%		3%
				Loss severity	25%-70%		39%
				Yield	1%-9%		6%
Commercial mortgage-backed securities	$	14,326	Discounted cash flows	Yield	7%-30%		16%
				Cumulative loss rate	2%-63%		23%
Other asset-backed securities	$	21,463	Discounted cash flows	Constant prepayment rate	6%-8%		7%
				Constant default rate	3%-5%		4%
				Loss severity	55%-75%		62%
				Yield	7%-22%		18%
			Over-collateralization	Over-collateralization percentage	117%-125%		118%
Loans and other receivables	$	161,470	Comparable pricing	Comparable loan price	$99-$100	$	99.7
			Market approach	Discount rate/yield	2%-17%		12%
				EBITDA (a) multiple	10		—
			Scenario analysis	Estimated recovery percentage	6%-100%		83%
Derivatives		19,785					
Commodity forwards			Market approach	Discount rate/yield	47%		—
				Transaction level	$9,500,000		—
Unfunded commitments			Comparable pricing	Comparable loan price	$100		—
			Market approach	Credit spread	298 bps		—
Total return swaps			Comparable pricing	Comparable loan price	$91.7-$92.4	$	92.1
Investments at fair value							
Private equity securities	$	7,693	Market approach	Transaction level	$64		—
				Enterprise value	$5,200,000		—
Liabilities							
Financial Instruments Sold, Not Yet Purchased:							
Derivatives	$	19,543					
Equity options			Option model	Volatility	45%		—
			Default rate	Default probability	0%		—
Unfunded commitments			Comparable pricing	Comparable loan price	$79-$100	$	82.6
			Market approach	Discount rate/yield	3%-10%		10%
			Discounted cash flows	Constant prepayment rate	20%		—
				Constant default rate	2%		—
				Loss severity	25%		—
				Yield	11%		—
Total return swaps			Comparable pricing	Comparable loan price	$91.7-92.4	$	92.1
Loans and other receivables	$	10,469	Comparable pricing	Comparable loan price	$100		—

(a) Earnings before interest, taxes, depreciation and amortization ("EBITDA").

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

November 30, 2014							
Financial Instruments Owned	**Fair Value (in thousands)**		**Valuation Technique**	**Significant Unobservable Input(s)**	**Input / Range**	**Weighted Average**	
Corporate equity securities	$	19,814					
Non-exchange traded securities			Market approach	EBITDA multiple	3.4 to 4.7		3.6
			Scenario analysis	Estimated recovery percentage	24%		—
Corporate debt securities	$	22,766	Convertible bond model	Discount rate/yield	32%		—
Collateralized debt obligations	$	41,784	Discounted cash flows	Constant prepayment rate	0% to 20%		13%
				Constant default rate	0% to 2%		2%
				Loss severity	0% to 70%		39%
				Yield	2% to 51%		16%
Residential mortgage-backed securities	$	82,557	Discounted cash flows	Constant prepayment rate	1% to 50%		13%
				Constant default rate	1% to 100%		14%
				Loss severity	20% to 80%		50%
				Yield	3% to 13%		7%
Commercial mortgage-backed securities	$	26,655	Discounted cash flows	Yield	8% to 12%		11%
				Cumulative loss rate	4% to 72%		15%
			Scenario analysis	Estimated recovery percentage	90%		—
Other asset-backed securities	$	2,294	Discounted cash flows	Constant prepayment rate	8%		—
				Constant default rate	3%		—
				Loss severity	70%		—
				Yield	7%		—
Loans and other receivables	$	88,154	Comparable pricing	Comparable loan price	$100 to $101	$	100.3
			Market approach	Yield	3% to 5%		4%
				EBITDA multiple	3.4 to 8.2		7.6
			Scenario analysis	Estimated recovery percentage	10% to 41%		36%
Derivatives	$	54,190					
Foreign exchange options			Option Model	Volatility	13% to 23%		17%
Commodity forwards			Discounted cash flows	Discount rate	17%		—
Loan commitments			Comparable pricing	Comparable loan price	$100		—
Investments at fair value	$	8,500					
Private equity securities			Market approach	Transaction level	$50		—
Liabilities							
Financial Instruments Sold, Not Yet Purchased:							
Derivatives	$	49,552					
FX options			Option model	Volatility	13% to 23%		17%
Unfunded commitments			Comparable pricing	Comparable loan price	$89 to $100	$	92.0
				Credit spread	45bps		—
			Market approach	Yield	5%		—
Loans and other receivables	$	14,450	Comparable pricing	Comparable loan price	$100		—
Other secured financings	$	30,825	Comparable pricing	Comparable loan price	$81 to $100	$	98.7
Embedded conversion option	$	693	Option valuation model	Historical volatility	19%		—

The fair values of certain Level 3 assets and liabilities that were determined based on third-party pricing information, unadjusted past transaction prices, reported net asset value or a percentage of the reported enterprise fair value are excluded from the above tables. At November 30, 2015 and November 30, 2014, asset exclusions consisted of $156.2 million and $137.8 million, respectively, primarily comprised of certain corporate debt and equity securities, investments at fair value, private equity securities, derivative contracts, collateralized debt obligations, sovereign obligations and certain loans and other receivables. At November 30, 2015 and November 30, 2014, liability exclusions consisted of $0.6 million and $0.3 million, respectively of certain corporate debt and equity securities and other secured financings.

Sensitivity of Fair Values to Changes in Significant Unobservable Inputs

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the sensitivity of the fair value measurement to changes in significant unobservable inputs and interrelationships between those unobservable inputs (if any) are described below:

- Loans and other receivables, loan and unfunded commitments, total return swaps and other secured financings using comparable pricing valuation techniques. A significant increase (decrease) in the comparable loan price in isolation would result in a significantly higher (lower) fair value measurement.
- Corporate debt securities using a convertible bond model. A significant increase (decrease) in the bond discount rate/yield would result in a significantly lower (higher) fair value measurement.
- Non-exchange traded securities, corporate debt securities, loans and other receivables, unfunded commitments, commodity forwards and private equity securities using a market approach valuation technique. A significant increase (decrease) in the EBITDA or other multiples in isolation would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the yield of a corporate debt security, loan and other receivable or unfunded commitment would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the transaction level of a private equity security would result in a significantly higher (lower) fair value measurement.
- Non-exchange traded securities, commercial mortgage-backed securities and loans and other receivables using scenario analysis. A significant increase (decrease) in the possible recovery rates of the cash flow outcomes underlying the investment would result in a significantly higher (lower) fair value measurement for the financial instrument.
- Collateralized debt obligations, corporate debt securities, residential and commercial mortgage-backed securities and other asset-backed securities, commodity forwards and unfunded commitments using a discounted cash flow valuation technique. A significant increase (decrease) in isolation in the constant default rate, and loss severities or cumulative loss rate would result in a significantly lower (higher) fair value measurement. The impact of changes in the constant prepayment rate would have differing impacts depending on the capital structure of the security. A significant increase (decrease) in the loan or bond yield would result in a significantly lower (higher) fair value measurement.
- Certain other asset-backed securities using an over-collateralization model. A significant increase (decrease) in the over-collateralization percentage would result in a significantly higher (lower) fair value measurement.
- Derivative foreign exchange and equity options using an option model. A significant increase (decrease) in volatility would result in a significantly higher (lower) fair value measurement.
- Derivative equity options using a default rate model. A significant increase (decrease) in default probability would result in a significantly lower (higher) fair value measurement.
- Embedded conversion option using an option valuation model. A significant increase (decrease) in historical volatility would result in a significantly higher (lower) fair value measurement.

Fair Value Option Election

We have elected the fair value option for all loans and loan commitments made by our capital markets businesses. These loans and loan commitments include loans entered into by our investment banking division in connection with client bridge financing and loan syndications, loans purchased by our leveraged credit trading desk as part of its bank loan trading activities and mortgage loan commitments and fundings in connection with mortgage- and other asset-backed securitization activities. Loans and loan commitments originated or purchased by our leveraged credit and mortgage-backed businesses are managed on a fair value basis. Loans are included in Financial instruments owned and loan commitments are included in Financial instruments owned and Financial instruments sold, not yet purchased on the Consolidated Statements of Financial Condition. The fair value option election is not applied to loans made to affiliate entities as such loans are entered into as part of ongoing, strategic business ventures. Loans to affiliate entities are included within Loans to and investments in related parties on the Consolidated Statements of Financial Condition and are accounted for on an amortized cost basis. We have elected the fair value option for certain financial instruments held by subsidiaries as the investments are risk managed by us on a fair value basis. The fair value option has also been elected for certain secured financings that arise in connection with our securitization activities and other structured financings. Other secured financings, Receivables – Brokers, dealers and clearing organizations, Receivables – Customers, Receivables – Fees, interest and other, Payables – Brokers, dealers and clearing organizations and Payables – Customers, are accounted for at cost plus accrued interest rather than at fair value; however, the recorded amounts approximate fair value due to their liquid or short-term nature.

The following is a summary of gains (losses) due to changes in instrument specific credit risk on loans and other receivables and loan commitments measured at fair value under the fair value option (in thousands):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Financial Instruments Owned:				
Loans and other receivables	$ (17,389)	$ (24,785)	$ 15,327	$ 3,924
Financial Instruments Sold:				
Loans	$ (162)	$ (585)	$ (32)	$ —
Loan commitments	7,502	(15,459)	(1,007)	(2,746)

The following is a summary of the amount by which contractual principal exceeds fair value for loans and other receivables measured at fair value under the fair value option (in thousands):

	November 30, 2015	November 30, 2014
Financial Instruments Owned:		
Loans and other receivables (1)	$ 408,369	$ 403,119
Loans and other receivables greater than 90 days past due (1)	29,720	5,594
Loans and other receivables on nonaccrual status (1) (2)	54,652	(22,360)

(1) Interest income is recognized separately from other changes in fair value and is included within Interest revenues on the Consolidated Statements of Earnings.

(2) Amounts include all loans and other receivables greater than 90 days past due.

The aggregate fair value of loans and other receivables that were greater than 90 days past due was $11.3 million and $0.0 at November 30, 2015 and November 30, 2014, respectively.

The aggregate fair value of loans and other receivables on nonaccrual status, which includes all loans and other receivables greater than 90 days past due, was $307.5 million and $274.6 million at November 30, 2015 and November 30, 2014, respectively.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Certain assets were measured at fair value on a non-recurring basis and are not included in the tables above. These assets include goodwill and intangible assets. The following table presents those assets measured at fair value on a non-recurring basis for which the Company recognized a non-recurring fair value adjustment during the years ended November 30, 2015 and November 30, 2014 (in thousands):

	Carrying Value at November 30, 2015	Level 2	Level 3	Impairment Losses for the Year Ended November 30, 2015
Futures Reporting Unit (1):				
Exchange ownership interests (2)	$ 4,178	$ 4,178	$ —	$ 1,289

	Carrying Value at November 30, 2014	Level 2	Level 3	Impairment Losses for the Year Ended November 30, 2014
Futures Reporting Unit (1):				
Exchange ownership interests (2)	$ 5,608	$ 5,608	$ —	$ 178
Goodwill (3)	—	—	—	51,900
Intangible assets (4)	—	—	—	7,534
International Asset Management Reporting Unit (5):				
Goodwill (6)	$ —	$ —	$ —	$ 2,100
Intangible assets (7)	—	—	—	60

(1) Given management's decision to pursue strategic alternatives for our Futures business, including possible disposal, as a result of recent operating performance and margin challenges experienced by the business, an impairment analysis of the carrying amounts of goodwill, intangible assets and certain other assets employed directly by the business was performed at November 30, 2015 and November 30, 2014, respectively. (See Note 11, Goodwill and Other Intangible Assets.)
(2) Exchange memberships, which represent ownership interests in market exchanges on which trading business is conducted, were written down to their fair value during the year ended November 30, 2015 and the year ended November 30, 2014 resulting in impairment losses of $1.3 million and $0.2 million, respectively, recognized in Other expenses. The fair value of these exchange memberships is based on observed quoted sales prices for each individual membership.
(3) An impairment loss for goodwill allocated to our Futures business with a carrying amount of $51.9 million was recognized for the year ended November 30, 2014. The fair value of the Futures business was estimated 1) by comparison to similar companies using publicly traded price-to-tangible book multiples as the basis for valuation and 2) by utilizing a discounted cash flow methodology based on internally developed forecasts of profitability and an appropriate risk-adjusted discount rate.
(4) Intangible assets relate primarily to customer relationship intangibles. An impairment loss for customer relationships within our Futures business with a carrying amount of $7.5 million was recognized in Other expenses for the year ended November 30, 2014. Fair value was estimated utilizing a discounted cash flow methodology based on projected future cash flows and operating margins and an appropriate risk-adjusted discount rate.
(5) Given management's decision to liquidate our International Asset Management business, an impairment analysis of the carrying amounts of goodwill, intangible assets and certain other assets employed directly by the business was performed at November 30, 2014. (See Note 11, Goodwill and Other Intangible Assets.)
(6) An impairment loss for goodwill allocated to our International Asset Management business with a carrying amount of $2.1 million was recognized for the year ended November 30, 2014. Fair value was estimated by utilizing a discounted cash flow methodology based on internally developed forecasts of profitability and an appropriate risk-adjusted discount rate.
(7) Intangible assets relate to customer relationship intangibles. Impairment losses of $0.1 million were recognized in Other expenses for the year ended November 30, 2014. Fair values were estimated utilizing a discounted cash flow methodology based on projected future cash flows and operating margins and an appropriate risk-adjusted discount rate.

There were no assets measured at fair value on a non-recurring basis, which utilized Level 1 inputs during the year ended November 30, 2015 and the year ended November 30, 2014. There were no liabilities measured at fair value on a non-recurring basis during the year ended November 30, 2015 and the year ended November 30, 2014. There were no significant assets or liabilities measured at fair value on a non-recurring basis during the nine months ended November 30, 2013, the three months ended February 28, 2013.

Note 6. Derivative Financial Instruments

Off-Balance Sheet Risk

We have contractual commitments arising in the ordinary course of business for securities loaned or purchased under agreements to resell, repurchase agreements, future purchases and sales of foreign currencies, securities transactions on a when-issued basis and underwriting. Each of these financial instruments and activities contains varying degrees of off-balance sheet risk whereby the fair values of the securities underlying the financial instruments may be in excess of, or less than, the contract amount. The settlement of these transactions is not expected to have a material effect upon our consolidated financial statements.

Derivative Financial Instruments

Our derivative activities are recorded at fair value in the Consolidated Statements of Financial Condition in Financial instruments owned and Financial instruments sold, not yet purchased, net of cash paid or received under credit support agreements and on a net counterparty basis when a legally enforceable right to offset exists under a master netting agreement. Net realized and unrealized gains and losses are recognized in Principal transaction revenues in the Consolidated Statements of Earnings on a trade date basis and as a component of cash flows from operating activities in the Consolidated Statements of Cash Flows. Acting in a trading capacity, we may enter into derivative transactions to satisfy the needs of our clients and to manage our own exposure to market and credit risks resulting from our trading activities. (See Note 5, Fair Value Disclosures, and Note 20, Commitments, Contingencies and Guarantees for additional disclosures about derivative financial instruments.)

Derivatives are subject to various risks similar to other financial instruments, including market, credit and operational risk. The risks of derivatives should not be viewed in isolation, but rather should be considered on an aggregate basis along with our other trading-related activities. We manage the risks associated with derivatives on an aggregate basis along with the risks associated with proprietary trading as part of our firm wide risk management policies.

In connection with our derivative activities, we may enter into International Swaps and Derivative Association, Inc. (“ISDA”) master netting agreements or similar agreements with counterparties. A master agreement creates a single contract under which all transactions between two counterparties are executed allowing for trade aggregation and a single net payment obligation. Master agreements provide protection in bankruptcy in certain circumstances and, where legally enforceable, enable receivables and payables with the same counterparty to be settled or otherwise eliminated by applying amounts due against all or a portion of an amount due from the counterparty or a third party. In addition, we enter into customized bilateral trading agreements and other customer agreements that provide for the netting of receivables and payables with a given counterparty as a single net obligation.

Under our ISDA master netting agreements, we typically also execute credit support annexes, which provide for collateral, either in the form of cash or securities, to be posted by or paid to a counterparty based on the fair value of the derivative receivable or payable based on the rates and parameters established in the credit support annex. In the event of the counterparty’s default, provisions of the master agreement permit acceleration and termination of all outstanding transactions covered by the agreement such that a single amount is owed by, or to, the non-defaulting party. In addition, any collateral posted can be applied to the net obligations, with any excess returned; and the collateralized party has a right to liquidate the collateral. Any residual claim after netting is treated along with other unsecured claims in bankruptcy court.

The conditions supporting the legal right of offset may vary from one legal jurisdiction to another and the enforceability of master netting agreements and bankruptcy laws in certain countries or in certain industries is not free from doubt. The right of offset is dependent both on contract law under the governing arrangement and consistency with the bankruptcy laws of the jurisdiction where the counterparty is located. Industry legal opinions with respect to the enforceability of certain standard provisions in respective jurisdictions are relied upon as a part of managing credit risk. In cases where we have not determined an agreement to be enforceable, the related amounts are not offset. Master netting agreements are a critical component of our risk management processes as part of reducing counterparty credit risk and managing liquidity risk.

We are also a party to clearing agreements with various central clearing parties. Under these arrangements, the central clearing counterparty facilitates settlement between counterparties based on the net payable owed or receivable due and, with respect to daily settlement, cash is generally only required to be deposited to the extent of the net amount. In the event of default, a net termination amount is determined based on the market values of all outstanding positions and the clearing organization or clearing member provides for the liquidation and settlement of the net termination amount among all counterparties to the open derivative contracts.

The following tables present the fair value and related number of derivative contracts at November 30, 2015 and November 30, 2014 categorized by type of derivative contract and the platform on which these derivatives are transacted. The fair value of assets/liabilities represents our receivable/payable for derivative financial instruments, gross of counterparty netting and cash collateral received and pledged. The following tables also provide information regarding 1) the extent to which, under enforceable master netting arrangements, such balances are presented net in the Consolidated Statements of Financial Condition as appropriate under U.S. GAAP and 2) the extent to which other rights of setoff associated with these arrangements exist and could have an effect on our financial position (in thousands, except contract amounts).

	November 30, 2015 (1)			
	Assets		Liabilities	
	Fair Value	Number of Contracts	Fair Value	Number of Contracts
Interest rate contracts:				
Exchange-traded	$ 998	52,605	$ 364	70,672
Cleared OTC	2,213,730	2,742	2,202,836	2,869
Bilateral OTC	695,365	1,401	646,758	1,363
Foreign exchange contracts:				
Exchange-traded	—	441	—	112
Bilateral OTC	472,544	7,675	470,649	7,292
Equity contracts:				
Exchange-traded	955,287	3,054,315	1,004,699	2,943,657
Bilateral OTC	61,004	1,039	81,085	1,070
Commodity contracts:				
Exchange-traded	—	1,726	—	1,684
Credit contracts:				
Cleared OTC	621	39	841	44
Bilateral OTC	16,977	100	59,314	135
Total gross derivative assets/ liabilities:				
Exchange-traded	956,285		1,005,063	
Cleared OTC	2,214,351		2,203,677	
Bilateral OTC	1,245,890		1,257,806	
Amounts offset in the Consolidated Statements of Financial Condition (2):				
Exchange-traded	(938,482)		(938,482)	
Cleared OTC	(2,184,438)		(2,184,438)	
Bilateral OTC	(1,042,526)		(1,135,078)	
Net amounts per Consolidated Statements of Financial Condition (3)	$ 251,080		$ 208,548	

(1) Exchange traded derivatives include derivatives executed on an organized exchange. Cleared OTC derivatives include derivatives executed bilaterally and subsequently novated to and cleared through central clearing counterparties. Bilateral OTC derivatives include derivatives executed and settled bilaterally without the use of an organized exchange or central clearing counterparty.

(2) Amounts netted include both netting by counterparty and for cash collateral paid or received.

(3) We have not received or pledged additional collateral under master netting agreements and/or other credit support agreements that is eligible to be offset beyond what has been offset in the Consolidated Statements of Financial Condition.

	November 30, 2014 (1)			
	Assets		Liabilities	
	Fair Value	Number of Contracts	Fair Value	Number of Contracts
Interest rate contracts:				
Exchange-traded	$ 2,450	67,437	$ 1,400	87,008
Cleared OTC	1,425,375	2,160	1,481,329	2,124
Bilateral OTC	871,982	1,908	809,962	729
Foreign exchange contracts:				
Exchange-traded	—	1,562	—	1,821
Bilateral OTC	1,514,881	11,299	1,519,349	10,931
Equity contracts:				
Exchange-traded	1,011,101	2,269,044	987,531	2,049,513
Bilateral OTC	39,889	2,463	70,484	1,956
Commodity contracts:				
Exchange-traded	62,091	1,027,542	51,145	1,015,894
Bilateral OTC	214,635	4,026	252,061	4,524
Credit contracts:				
Cleared OTC	17,831	27	23,264	22
Bilateral OTC	5,378	18	23,608	27
Total gross derivative assets/liabilities:				
Exchange-traded	1,075,642		1,040,076	
Cleared OTC	1,443,206		1,504,593	
Bilateral OTC	2,646,765		2,675,464	
Amounts offset in the Consolidated Statements of Financial Condition (2):				
Exchange-traded	(1,038,992)		(1,038,992)	
Cleared OTC	(1,416,613)		(1,416,613)	
Bilateral OTC	(2,303,740)		(2,401,013)	
Net amounts per Consolidated Statements of Financial Condition (3)	$ 406,268		$ 363,515	

(1) Exchange traded derivatives include derivatives executed on an organized exchange. Cleared OTC derivatives include derivatives executed bilaterally and subsequently novated to and cleared through central clearing counterparties. Bilateral OTC derivatives include derivatives executed and settled bilaterally without the use of an organized exchange or central clearing counterparty.

(2) Amounts netted include both netting by counterparty and for cash collateral paid or received.

(3) We have not received or pledged additional collateral under master netting agreements and/or other credit support agreements that is eligible to be offset beyond what has been offset in the Consolidated Statements of Financial Condition.

The following table presents net unrealized and realized gains (losses) on derivative contracts:

	Successor			Predecessor
Gains (Losses)	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Interest rate contracts	$ (37,601)	$ (149,587)	$ 132,397	$ 45,875
Foreign exchange contracts	36,101	39,872	5,514	12,228
Equity contracts	(137,636)	(327,978)	(21,216)	(20,938)
Commodity contracts	21,409	58,746	45,546	19,585
Credit contracts	(14,397)	(23,934)	(18,098)	(3,886)
Total	$ (132,124)	$ (402,881)	$ 144,143	$ 52,864

OTC Derivatives. The following tables set forth by remaining contract maturity the fair value of OTC derivative assets and liabilities at November 30, 2015 (in thousands):

	OTC Derivative Assets (1) (2) (3)				
	0 – 12 Months	1 – 5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	Total
Commodity swaps, options and forwards	$ 4,628	$ 14,713	$ —	$ —	$ 19,341
Equity swaps and options	26,278	7,112	—	(3,782)	29,608
Credit default swaps	—	6,022	—	(2,839)	3,183
Total return swaps	8,648	252	—	(1)	8,899
Foreign currency forwards, swaps and options	82,382	15,780	—	(7,462)	90,700
Interest rate swaps, options and forwards	57,655	158,874	63,816	(43,881)	236,464
Total	$ 179,591	$ 202,753	$ 63,816	$ (57,965)	388,195
Cross product counterparty netting					(13,063)
Total OTC derivative assets included in Financial instruments owned					$ 375,132

(1) At November 30, 2015, we held exchange traded derivative assets and other credit agreements with a fair value of $20.4 million, which are not included in this table.

(2) OTC derivative assets in the table above are gross of collateral received. OTC derivative assets are recorded net of collateral received on the Consolidated Statements of Financial Condition. At November 30, 2015, cash collateral received was $144.4 million.

(3) Derivative fair values include counterparty netting within product category.

(4) Amounts represent the netting of receivable balances with payable balances for the same counterparty within product category across maturity categories.

	OTC Derivative Liabilities (1) (2) (3)				
	0 – 12 Months	1 – 5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	Total
Commodity swaps, options and forwards	$ 4,628	$ —	$ —	$ —	$ 4,628
Equity swaps and options	4,880	28,516	3,046	(3,782)	32,660
Credit default swaps	—	2,628	31,982	(2,839)	31,771
Total return swaps	22,644	774	2,540	(1)	25,957
Foreign currency forwards, swaps and options	98,726	12,255	—	(7,462)	103,519
Fixed income forwards	2,522	—	—	—	2,522
Interest rate swaps, options and forwards	41,938	91,139	89,934	(43,881)	179,130
Total	$ 175,338	$ 135,312	$ 127,502	$ (57,965)	380,187
Cross product counterparty netting					(13,063)
Total OTC derivative liabilities included in Financial instruments sold, not yet purchased					$ 367,124

(1) At November 30, 2015, we held exchange traded derivative liabilities and other credit agreements with a fair value of $78.4 million, which are not included in this table.

(2) OTC derivative liabilities in the table above are gross of collateral pledged. OTC derivative liabilities are recorded net of collateral pledged on the Consolidated Statements of Financial Condition. At November 30, 2015, cash collateral pledged was $237.0 million.

(3) Derivative fair values include counterparty netting within product category.

(4) Amounts represent the netting of receivable balances with payable balances for the same counterparty within product category across maturity categories.

At November 30, 2015, the counterparty credit quality with respect to the fair value of our OTC derivatives assets was as follows (in thousands):

Counterparty credit quality (1):	
A- or higher	$ 188,146
BBB- to BBB+	76,471
BB+ or lower	50,581
Unrated	59,934
Total	$ 375,132

(1) We utilize internal credit ratings determined by our Risk Management. Credit ratings determined by Risk Management use methodologies that produce ratings generally consistent with those produced by external rating agencies.

Contingent Features

Certain of our derivative instruments contain provisions that require our debt to maintain an investment grade credit rating from each of the major credit rating agencies. If our debt were to fall below investment grade, it would be in violation of these provisions and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on our derivative instruments in liability positions. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a liability position at November 30, 2015 and November 30, 2014 is $114.5 million and $269.0 million, respectively, for which we have posted collateral of $97.2 million and $234.6 million, respectively, in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on November 30, 2015 and November 30, 2014, we would have been required to post an additional $19.7 million and $55.1 million, respectively, of collateral to our counterparties.

Note 7. Collateralized Transactions

We enter into secured borrowing and lending arrangements to obtain collateral necessary to effect settlement, finance inventory positions, meet customer needs or re-lend as part of our dealer operations. We monitor the fair value of the securities loaned and borrowed on a daily basis as compared with the related payable or receivable, and request additional collateral or return excess collateral, as appropriate. We pledge financial instruments as collateral under repurchase agreements, securities lending agreements and other secured arrangements, including clearing arrangements. Our agreements with counterparties generally contain contractual provisions allowing the counterparty the right to sell or repledge the collateral. Pledged securities owned that can be sold or repledged by the counterparty are included within Financial instruments owned and noted parenthetically as Securities pledged on our Consolidated Statements of Financial Condition.

The following tables set forth the carrying value of securities lending arrangements and repurchase agreements by class of collateral pledged and remaining contractual maturity at November 30, 2015 (in thousands):

	Securities Lending Arrangements	Repurchase Agreements	Total
Collateral Pledged:			
Corporate equity securities	$ 2,195,912	$ 275,880	$ 2,471,792
Corporate debt securities	748,405	1,752,222	2,500,627
Mortgage- and asset-backed securities	—	3,537,812	3,537,812
U.S. government and federal agency securities	34,983	12,006,081	12,041,064
Municipal securities	—	357,350	357,350
Sovereign obligations	—	1,804,103	1,804,103
Loans and other receivables	—	462,534	462,534
Total	$ 2,979,300	$ 20,195,982	$ 23,175,282

	Contractual Maturity				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
Securities lending arrangements	$ 1,522,475	$ —	$ 973,201	$ 483,624	$ 2,979,300
Repurchase agreements	7,850,791	5,218,059	5,291,729	1,835,403	20,195,982
Total	$ 9,373,266	$ 5,218,059	$ 6,264,930	$ 2,319,027	$ 23,175,282

We receive securities as collateral under resale agreements, securities borrowing transactions and customer margin loans. We also receive securities as collateral in connection with securities-for-securities transactions in which we are the lender of securities. In many instances, we are permitted by contract or custom to rehypothecate the securities received as collateral. These securities may be used to secure repurchase agreements, enter into securities lending transactions, satisfy margin requirements on derivative transactions or cover short positions. At November 30, 2015 and November 30, 2014, the approximate fair value of securities received as collateral by us that may be sold or repledged was $26.2 billion and $25.8 billion, respectively. At November 30, 2015 and November 30, 2014, a substantial portion of the securities received by us had been sold or repledged.

Offsetting of Securities Financing Agreements

To manage our exposure to credit risk associated with securities financing transactions, we may enter into master netting agreements and collateral arrangements with counterparties. Generally, transactions are executed under standard industry agreements, including, but not limited to, master securities lending agreements (securities lending transactions) and master repurchase agreements (repurchase transactions). A master agreement creates a single contract under which all transactions between two counterparties are executed allowing for trade aggregation and a single net payment obligation. Master agreements provide protection in bankruptcy in certain circumstances and, where legally enforceable, enable receivables and payables with the same counterparty to be settled or otherwise eliminated by applying amounts due against all or a portion of an amount due from the counterparty or a third party. In addition, we enter into customized bilateral trading agreements and other customer agreements that provide for the netting of receivables and payables with a given counterparty as a single net obligation.

In the event of the counterparty's default, provisions of the master agreement permit acceleration and termination of all outstanding transactions covered by the agreement such that a single amount is owed by, or to, the non-defaulting party. In addition, any collateral posted can be applied to the net obligations, with any excess returned; and the collateralized party has a right to liquidate the collateral. Any residual claim after netting is treated along with other unsecured claims in bankruptcy court.

The conditions supporting the legal right of offset may vary from one legal jurisdiction to another and the enforceability of master netting agreements and bankruptcy laws in certain countries or in certain industries is not free from doubt. The right of offset is dependent both on contract law under the governing arrangement and consistency with the bankruptcy laws of the jurisdiction where the counterparty is located. Industry legal opinions with respect to the enforceability of certain standard provisions in respective jurisdictions are relied upon as a part of managing credit risk. Master netting agreements are a critical component of our risk management processes as part of reducing counterparty credit risk and managing liquidity risk.

We are also a party to clearing agreements with various central clearing parties. Under these arrangements, the central clearing counterparty facilitates settlement between counterparties based on the net payable owed or receivable due and, with respect to daily settlement, cash is generally only required to be deposited to the extent of the net amount. In the event of default, a net termination amount is determined based on the market values of all outstanding positions and the clearing organization or clearing member provides for the liquidation and settlement of the net termination amount among all counterparties to the open repurchase and/or securities lending transactions.

The following tables provide information regarding repurchase agreements and securities borrowing and lending arrangements that are recognized in the Consolidated Statements of Financial Condition and 1) the extent to which, under enforceable master netting arrangements, such balances are presented net in the Consolidated Statements of Financial Condition as appropriate under U.S. GAAP and 2) the extent to which other rights of setoff associated with these arrangements exist and could have an effect on our financial position (in thousands).

	November 30, 2015					
	Gross Amounts	Netting in Consolidated Statement of Financial Condition	Net Amounts in Consolidated Statement of Financial Condition	Additional Amounts Available for Setoff (1)	Available Collateral (2)	Net Amount (3)
Assets						
Securities borrowing arrangements	$ 6,975,136	$ —	$ 6,975,136	$ (478,991)	$ (667,099)	$ 5,829,046
Reverse repurchase agreements	14,048,860	(10,191,554)	3,857,306	(83,452)	(3,745,215)	28,639
Liabilities						
Securities lending arrangements	$ 2,979,300	$ —	$ 2,979,300	$ (478,991)	$ (2,464,395)	$ 35,914
Repurchase agreements	20,195,982	(10,191,554)	10,004,428	(83,452)	(8,103,468)	1,817,508

	November 30, 2014					
	Gross Amounts	Netting in Consolidated Statement of Financial Condition	Net Amounts in Consolidated Statement of Financial Condition	Additional Amounts Available for Setoff (1)	Available Collateral (2)	Net Amount (4)
Assets						
Securities borrowing arrangements	$ 6,853,103	$ —	$ 6,853,103	$ (680,222)	$ (1,274,196)	$ 4,898,685
Reverse repurchase agreements	14,059,133	(10,132,275)	3,926,858	(634,568)	(3,248,817)	43,473
Liabilities						
Securities lending arrangements	$ 2,598,487	$ —	$ 2,598,487	$ (680,222)	$ (1,883,140)	$ 35,125
Repurchase agreements	20,804,432	(10,132,275)	10,672,157	(634,568)	(8,810,770)	1,226,819

(1) Under master netting agreements with our counterparties, we have the legal right of offset with a counterparty, which incorporates all of the counterparty's outstanding rights and obligations under the arrangement. These balances reflect additional credit risk mitigation that is available by counterparty in the event of a counterparty's default, but which are not netted in the balance sheet because other netting provisions of U.S. GAAP are not met.

(2) Includes securities received or paid under collateral arrangements with counterparties that could be liquidated in the event of a counterparty default and thus offset against a counterparty's rights and obligations under the respective repurchase agreements or securities borrowing or lending arrangements.

(3) Amounts include $5,796.1 million of securities borrowing arrangements, for which we have received securities collateral of $5,613.3 million, and $1,807.2 million of repurchase agreements, for which we have pledged securities collateral of $1,875.3 million, which are subject to master netting agreements but we have not yet determined the agreements to be legally enforceable.

(4) Amounts include $4,847.4 million of securities borrowing arrangements, for which we have received securities collateral of $4,694.0 million, and $1,201.9 million of repurchase agreements, for which we have pledged securities collateral of $1,238.4 million, which are subject to master netting agreements but we have not yet determined the agreements to be legally enforceable.

Cash and Securities Segregated and on Deposit for Regulatory Purposes or Deposited with Clearing and Depository Organizations

Cash and securities deposited with clearing and depository organizations and segregated in accordance with regulatory regulations totaled $751.1 million and $3,444.7 million at November 30, 2015 and November 30, 2014, respectively. Segregated cash and securities consist of deposits in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, which subjects Jefferies as a broker-dealer carrying customer accounts to requirements related to maintaining cash or qualified securities in segregated special reserve bank accounts for the exclusive benefit of its customers, and with the Commodity Exchange Act, which subjected Jefferies as an FCM to segregation requirements. During October 2015, Jefferies ceased being a full service FCM. As a result, Jefferies no longer carries customer or proprietary accounts or holds any customer monies or funds.

Note 8. Securitization Activities

We engage in securitization activities related to corporate loans, commercial mortgage loans, consumer loans and mortgage-backed and other asset-backed securities. In our securitization transactions, we transfer these assets to special purpose entities ("SPEs") and act as the placement or structuring agent for the beneficial interests sold to investors by the SPE. A significant portion of our securitization transactions are securitization of assets issued or guaranteed by U.S. government agencies. These SPEs generally meet the criteria of variable interest entities; however we generally do not consolidate the SPEs as we are not considered the primary beneficiary for these SPEs. See Note 9, Variable Interest Entities, for further discussion on variable interest entities and our determination of the primary beneficiary.

We account for our securitization transactions as sales provided we have relinquished control over the transferred assets. Transferred assets are carried at fair value with unrealized gains and losses reflected in Principal transactions revenues in the Consolidated Statements of Earnings prior to the identification and isolation for securitization. Subsequently, revenues recognized upon securitization are reflected as net underwriting revenues. We generally receive cash proceeds in connection with the transfer of assets to an SPE. We may, however, have continuing involvement with the transferred assets, which is limited to retaining one or more tranches of the securitization (primarily senior and subordinated debt securities in the form of mortgage- and other-asset backed securities or collateralized loan obligations), which are included within Financial instruments owned and are generally initially categorized as Level 2 within the fair value hierarchy. We apply fair value accounting to the securities.

The following table presents activity related to our securitizations that were accounted for as sales in which we had continuing involvement (in millions):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Transferred assets	$ 5,770.5	$ 6,112.6	$ 4,592.5	$ 2,735.2
Proceeds on new securitizations	5,811.3	6,221.1	4,609.0	2,751.3
Cash flows received on retained interests	31.2	46.3	35.6	32.3

We have no explicit or implicit arrangements to provide additional financial support to these SPEs, have no liabilities related to these SPEs and do not have any outstanding derivative contracts executed in connection with these securitization activities at November 30, 2015 and November 30, 2014.

The following tables summarize our retained interests in SPEs where we transferred assets and have continuing involvement and received sale accounting treatment (in millions):

	November 30, 2015	
Securitization Type	Total Assets	Retained Interests
U.S. government agency residential mortgage-backed securities	$ 10,901.9	$ 203.6
U.S. government agency commercial mortgage-backed securities	2,313.4	87.2
Collateralized loan obligations	4,538.4	51.5
Consumer and other loans	655.0	31.0

	November 30, 2014	
Securitization Type	Total Assets	Retained Interests
U.S. government agency residential mortgage-backed securities	$ 19,196.9	$ 226.9
U.S. government agency commercial mortgage-backed securities	5,848.5	204.7
Collateralized loan obligations	4,511.8	108.4

Total assets represent the unpaid principal amount of assets in the SPEs in which we have continuing involvement and are presented solely to provide information regarding the size of the transaction and the size of the underlying assets supporting our retained interests, and are not considered representative of the risk of potential loss. Assets retained in connection with a securitization transaction represent the fair value of the securities of one or more tranches issued by an SPE, including senior and subordinated tranches. Our risk of loss is limited to this fair value amount which is included within total Financial instruments owned on our Consolidated Statements of Financial Condition.

Although not obligated, in connection with secondary market-making activities we may make a market in the securities issued by these SPEs. In these market-making transactions, we buy these securities from and sell these securities to investors. Securities purchased through these market-making activities are not considered to be continuing involvement in these SPEs, although the securities are included in Financial instruments owned. To the extent we purchased securities through these market-marking activities and we are not deemed to be the primary beneficiary of the variable interest entity, these securities are included in agency and non-agency mortgage- and asset-backed securitizations in the nonconsolidated variable interest entities section presented in Note 9, Variable Interest Entities.

If we have not relinquished control over the transferred assets, the assets continue to be recognized in Financial instruments owned and a corresponding liability is recognized in Other secured financings. The carrying value of assets and liabilities resulting from transfers of financial assets treated as secured financings was $0.0 and $0.0, respectively, at November 30, 2015 and $7.8 million and $7.8 million, respectively, at November 30, 2014. The related liabilities do not have recourse to our general credit.

Note 9. Variable Interest Entities

Variable interest entities ("VIEs") are entities in which equity investors lack the characteristics of a controlling financial interest. VIEs are consolidated by the primary beneficiary. The primary beneficiary is the party who has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (2) an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity.

Our variable interests in VIEs include debt and equity interests, commitments, guarantees and certain fees. Our involvement with VIEs arises primarily from:

- Purchases of securities in connection with our trading and secondary market making activities,
- Retained interests held as a result of securitization activities, including the resecuritization of mortgage- and other asset-backed securities and the securitization of commercial mortgage, corporate and consumer loans,
- Acting as placement agent and/or underwriter in connection with client-sponsored securitizations,
- Financing of agency and non-agency mortgage- and other asset-backed securities,
- Warehousing funding arrangements for client-sponsored consumer loan vehicles and collateralized loan obligations ("CLOs") through participation certificates and revolving loan commitments, and
- Loans to, investments in and fees from various investment fund vehicles.

We determine whether we are the primary beneficiary of a VIE upon our initial involvement with the VIE and we reassess whether we are the primary beneficiary of a VIE on an ongoing basis. Our determination of whether we are the primary beneficiary of a VIE is based upon the facts and circumstances for each VIE and requires significant judgment. Our considerations in determining the VIE's most significant activities and whether we have power to direct those activities include, but are not limited to, the VIE's purpose and design and the risks passed through to investors, the voting interests of the VIE, management, service and/or other agreements of the VIE, involvement in the VIE's initial design and the existence of explicit or implicit financial guarantees. In situations where we have determined that the power over the VIE's most significant activities is shared, we assess whether we are the party with the power over the majority of the significant activities. If we are the party with the power over the majority of the significant activities, we meet the "power" criteria of the primary beneficiary. If we do not have the power over a majority of the significant activities or we determine that decisions require consent of each sharing party, we do not meet the "power" criteria of the primary beneficiary.

We assess our variable interests in a VIE both individually and in aggregate to determine whether we have an obligation to absorb losses of or a right to receive benefits from the VIE that could potentially be significant to the VIE. The determination of whether our variable interest is significant to the VIE requires significant judgment. In determining the significance of our variable interest, we consider the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, our involvement in the VIE and our market-making activities related to the variable interests.

Consolidated VIEs

The following table presents information about our consolidated VIEs at November 30, 2015 and November 30, 2014 (in millions). The assets and liabilities in the tables below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation.

	November 30, 2015		November 30, 2014	
	Securitization Vehicles	Other	Securitization Vehicles	Other
Cash	$ 0.5	$ 0.2	$ —	$ 0.2
Financial instruments owned	68.3	0.3	62.7	0.3
Securities purchased under agreement to resell (1)	717.3	—	575.2	—
Fees, interest and other receivables	0.3	—	0.4	—
	$ 786.4	$ 0.5	$ 638.3	$ 0.5
Other secured financings (2)	$ 785.0	$ —	$ 637.7	$ —
Other liabilities	1.4	0.2	0.6	0.2
	$ 786.4	$ 0.2	$ 638.3	$ 0.2

(1) Securities purchased under agreement to resell represent an amount due under a collateralized transaction on a related consolidated entity, which is eliminated in consolidation.

(2) Approximately $22.1 million and $39.7 million of the secured financing represents an amount held by us in inventory and is eliminated in consolidation at November 30, 2015 and November 30, 2014, respectively.

Securitization Vehicles. We are the primary beneficiary of securitization vehicles associated with our financing of consumer and small business loans. In the creation of the securitization vehicles, we were involved in the decisions made during the establishment and design of the entities and hold variable interests consisting of the securities retained that could potentially be significant. The assets of the VIEs consist of the small business loans and term loans backed by consumer installment receivables, which are available for the benefit of the vehicles' beneficial interest holders. The creditors of the VIEs do not have recourse to our general credit and the assets of the VIEs are not available to satisfy any other debt.

We are also the primary beneficiary of mortgage-backed financing vehicles to which we sell agency and non-agency residential and commercial mortgage loans and mortgage-backed securities pursuant to the terms of a master repurchase agreement. We manage the assets within these vehicles. Our variable interests in these vehicles consist of our collateral margin maintenance obligations under the master repurchase agreement. The assets of these VIEs consist of reverse repurchase agreements, which are available for the benefit of the vehicle's debt holders. The creditors of these VIEs do not have recourse to our general credit and each such VIE's assets are not available to satisfy any other debt.

Other. We are the primary beneficiary of certain investment vehicles set up for the benefit of our employees. We manage and invest alongside our employees in these vehicles. The assets of these VIEs consist of private equity securities, and are available for the benefit of the entities' equity holders. Our variable interests in these vehicles consist of equity securities. The creditors of these VIEs do not have recourse to our general credit and each such VIE's assets are not available to satisfy any other debt.

Nonconsolidated VIEs

The following tables present information about our variable interests in nonconsolidated VIEs (in millions):

	November 30, 2015			
	Carrying Amount		Maximum	
	Assets	Liabilities	Exposure to Loss	VIE Assets
Collateralized loan obligations	$ 73.6	$ 0.2	$ 458.1	$ 6,368.7
Consumer loan vehicles	188.3	—	845.8	1,133.0
Asset management vehicles	0.5	—	0.5	45.5
Private equity vehicles	27.3	—	40.7	80.8
Total	$ 289.7	$ 0.2	$ 1,345.1	$ 7,628.0

	November 30, 2014			
	Carrying Amount		Maximum	
	Assets	Liabilities	Exposure to Loss	VIE Assets
Collateralized loan obligations	$ 134.0	$ —	$ 926.9	$ 7,737.1
Consumer loan vehicles	170.6	—	797.8	485.2
Asset management vehicle	11.3	—	11.3	432.3
Private equity vehicles	44.3	—	59.2	92.8
Total	$ 360.2	$ —	$ 1,795.2	$ 8,747.4

Our maximum exposure to loss often differs from the carrying value of the variable interests. The maximum exposure to loss is dependent on the nature of our variable interests in the VIEs and is limited to the notional amounts of certain loan commitments and guarantees. Our maximum exposure to loss does not include the offsetting benefit of any financial instruments that may be utilized to hedge the risks associated with our variable interests and is not reduced by the amount of collateral held as part of a transaction with a VIE.

Collateralized Loan Obligations. Assets collateralizing the CLOs include bank loans, participation interests and sub-investment grade and senior secured U.S. loans. We underwrite securities issued in CLO transactions on behalf of sponsors and provide advisory services to the sponsors. We may also sell corporate loans to the CLOs. Our variable interests in connection with collateralized loan obligations where we have been involved in providing underwriting and/or advisory services consist of the following:

- Forward sale agreements whereby we commit to sell, at a fixed price, corporate loans and ownership interests in an entity holding such corporate loans to CLOs,
- Warehouse funding arrangements in the form of participation interests in corporate loans held by CLOs and commitments to fund such participation interests,
- Trading positions in securities issued in a CLO transaction,
- Investments in variable funding notes issued by CLOs,
- A guarantee to a CLO managed by Jefferies Finance, LLC ("Jefferies Finance"), whereby we guarantee certain of the obligations of Jefferies Finance to the CLO.

In addition, we own variable interests in CLOs previously managed by us. Our variable interests consist of debt securities and a right to a portion of the CLOs' management and incentive fees. Our exposure to loss from these CLOs is limited to our investments in the debt securities held. Management and incentive fees are accrued as the amounts become realizable. These CLOs represent interests in assets consisting primarily of senior secured loans, unsecured loans and high yield bonds.

Consumer Loan Vehicles. We provide financing and lending related services to certain client-sponsored VIEs in the form of revolving funding note agreements, revolving credit facilities and forward purchase agreements. The underlying assets, which are collateralizing the vehicles, are primarily comprised of unsecured consumer and small business loans. In addition, we may provide structuring and advisory services and act as an underwriter or placement agent for securities issued by the vehicles. We do not control the activities of these entities.

Asset Management Vehicles. We managed the Jefferies Umbrella Fund, an "Umbrella structure" company that invested primarily in convertible bonds and enabled investors to choose between one or more investment objectives by investing in one or more sub-funds within the same structure. Our variable interests in the Jefferies Umbrella Fund consist of equity interests, management fees and performance fees. Effective May 2015, the Jefferies Umbrella Fund was placed into liquidation.

We manage an asset management vehicle that provides investors with exposure to absolute return strategies, primarily including merger arbitrage, relative value and stock loan arbitrage. Our variable interests in this asset management vehicle consist of management and performance fees.

Private Equity Vehicles. On July 26, 2010, we committed to invest equity of up to $75.0 million in Jefferies SBI USA Fund L.P. (the "SBI USA Fund L.P."). At November 30, 2015 and November 30, 2014, we funded approximately $64.6 million and $60.1 million, respectively, of our commitment. The carrying amount of our equity investment was $26.2 million and $43.1 million at November 30, 2015 and November 30, 2014, respectively. Our exposure to loss is limited to our equity commitment. The SBI USA Fund L.P. has assets consisting primarily of private equity and equity related investments.

We have a variable interest in Jefferies Employees Partners IV, LLC ("JEP IV") consisting of an equity investment. The carrying amount of our equity investment was $1.1 million and $1.2 million at November 30, 2015 and November 30, 2014, respectively. Our exposure to loss is limited to our equity investment. JEP IV has assets consisting primarily of private equity and equity related investments.

We have provided a guarantee of a portion of Energy Partners I, LP's obligations under a credit agreement. Energy Partners I, LP, is a private equity fund owned and managed by our employees. At November 30, 2015, the carrying value and maximum exposure to loss of the guarantee was $11,000 and $3.0 million, respectively. Energy Partners I, LP, has assets consisting primarily of debt and equity investments.

Mortgage- and Other Asset-Backed Securitization Vehicles. In connection with our secondary trading and market making activities, we buy and sell agency and nonagency mortgage-backed securities and other asset-backed securities, which are issued by third party securitization SPEs and are generally considered variable interests in VIEs. Securities issued by securitization SPEs are backed by residential mortgage loans, U.S. agency collateralized mortgage obligations, commercial mortgage loans, collateralized debt obligations and CLOs and other consumer loans, such as installment receivables, auto loans and student loans. These securities are accounted for at fair value and included in Financial instruments owned on our Consolidated Statements of Financial Condition. We have no other involvement with the related SPEs and therefore do not consolidate these entities.

We also engage in underwriting, placement and structuring activities for third-party-sponsored securitization trusts generally through agency (Fannie Mae, Freddie Mac and Ginnie Mae) or nonagency sponsored SPEs and may purchase loans or mortgage-backed securities from third parties that are subsequently transferred into the securitization trusts. The securitizations are backed by residential and commercial mortgage, home equity and auto loans. We do not consolidate agency sponsored securitizations as we do not have the power to direct the activities of the SPEs that most significantly impact their economic performance. Further, we are not the servicer of nonagency-sponsored securitizations and therefore do not have power to direct the most significant activities of the SPEs and accordingly, do not consolidate these entities. We may retain unsold senior and/or subordinated interests at the time of securitization in the form of securities issued by the SPEs.

We transfer existing securities, typically mortgage-backed securities, into resecuritization vehicles. These transactions in which debt securities are transferred to a VIE in exchange for new beneficial interests occur in connection with both agency and nonagency sponsored VIEs. Our consolidation analysis is largely dependent on our role and interest in the resecuritization trusts. Most resecuritizations in which we are involved are in connection with investors seeking securities with specific risk and return characteristics. As such, we have concluded that the decision-making power is shared between us and the investor(s), considering the joint efforts involved in structuring the trust and selecting the underlying assets as well as the level of security interests the investor(s) hold in the SPE; therefore, we do not consolidate the resecuritization VIEs.

At November 30, 2015 and November 30, 2014, we held $3,359.1 million and $3,186.9 million of agency mortgage-backed securities, respectively, and $630.5 million and $1,120.0 million of nonagency mortgage- and other asset-backed securities, respectively, as a result of our secondary trading and market making activities, underwriting, placement and structuring activities and resecuritization activities. Our maximum exposure to loss on these securities is limited to the carrying value of our investments in these securities. Mortgage- and other asset-backed securitization vehicles discussed within this section are not included in the above table containing information about our variable interests in nonconsolidated VIEs.

Note 10. Investments

We have investments in Jefferies Finance and Jefferies LoanCore LLC (“Jefferies LoanCore”). Our investments in Jefferies Finance and Jefferies LoanCore are accounted for under the equity method and are included in Loans to and investments in related parties on the Consolidated Statements of Financial Condition with our share of the investees’ earnings recognized in Other revenues in the Consolidated Statements of Earnings. We have limited partnership interests of 11% and 50% in Jefferies Capital Partners V L.P. and the SBI USA Fund L.P. (together, “JCP Fund V”), respectively, which are private equity funds managed by a team led by Brian P. Friedman, one of our directors and our Chairman of the Executive Committee.

Jefferies Finance

On October 7, 2004, we entered into an agreement with Massachusetts Mutual Life Insurance Company (“MassMutual”) and Babson Capital Management LLC to form Jefferies Finance, a joint venture entity. Jefferies Finance is a commercial finance company whose primary focus is the origination and syndication of senior secured debt to middle market and growth companies in the form of term and revolving loans. Loans are originated primarily through the investment banking efforts of Jefferies. Jefferies Finance may also originate other debt products such as second lien term, bridge and mezzanine loans, as well as related equity co-investments. Jefferies Finance also purchases syndicated loans in the secondary market.

At November 30, 2015, we and MassMutual each have equity commitments to Jefferies Finance of $600.0 million for a combined total commitment of $1.2 billion. At November 30, 2015, we have funded $497.4 million of our $600.0 million commitment, leaving $102.6 million unfunded. The investment commitment is scheduled to expire on March 1, 2016 with automatic one year extensions absent a 60 day termination notice by either party.

Jefferies Finance has executed a Secured Revolving Credit Facility with us and MassMutual, to be funded equally, to support loan underwritings by Jefferies Finance. The Secured Revolving Credit Facility bears interest based on the interest rates of the related Jefferies Finance underwritten loans and is secured by the underlying loans funded by the proceeds of the facility. During the year ended November 30, 2015, the Secured Revolving Credit Facility was modified and reduced from a committed and discretionary total of $1.0 billion to a total committed amount of $500.0 million, at November 30, 2015. Advances are shared equally between us and MassMutual. The facility is scheduled to mature on March 1, 2016 with automatic one year extensions absent a 60 day termination notice by either party. At November 30, 2015 and November 30, 2014, we have funded $19.3 million and $0.0, respectively, of each of our $250.0 million and $350.0 million commitments, respectively. During the year ended November 30, 2015, the year ended November 30, 2014, the nine months ended November 30, 2013 and the three months ended February 28, 2013 , we earned interest income of $0.9 million, $2.0 million, $1.5 million and $4.1 million, respectively, and unfunded commitment fees of $1.6 million, $1.9 million, $1.2 million and $0.3 million, respectively, which are included in the Consolidated Statements of Earnings related to the Secured Revolving Credit Facility.

The following is a summary of selected financial information for Jefferies Finance (in millions):

	November 30, 2015	November 30, 2014
Total assets	$ 7,292.1	$ 5,954.0
Total liabilities	6,297.3	4,961.7
Total equity	994.8	992.3
Our total equity balance	497.4	496.0

Separate financial statements for Jefferies Finance are included in this Annual Report on Form 10-K. The net earnings of Jefferies Finance were $83.4 million and $138.6 million and $132.7 million for the year ended November 30, 2015, the year ended November 30, 2014 and the year ended November 30, 2013, respectively.

We engage in debt capital markets transactions with Jefferies Finance related to the originations of loans by Jefferies Finance. In connection with such transactions, we earned net underwriting fees of $122.7 million, $199.5 million, $125.8 million during the year ended November 30, 2015, the year ended November 30, 2014 and the nine months ended November 30, 2013, respectively, and $39.9 million during the three months ended February 28, 2013, which are recognized in Investment banking revenues in the Consolidated Statements of Earnings. In addition, we paid fees to Jefferies Finance in respect of certain loans originated by Jefferies Finance of $5.9 million, $10.6 million, $12.0 million during the year ended November 30, 2015, the year ended November 30, 2014 and the nine months ended November 30, 2013, respectively, and $0.8 million during the three months ended February 28, 2013, which are recognized as Business development expenses in the Consolidated Statements of Earnings.

We acted as placement agent in connection with several CLOs managed by Jefferies Finance for which we recognized fees of $6.2 million, $4.6 million and $1.9 million during the year ended November 30, 2015, the year ended November 30, 2014 and the year ended November 30, 2013, respectively, which are included in Investment banking revenues on the Consolidated Statement of Earnings. At November 30, 2015 and November 30, 2014, we held securities issued by CLOs managed by Jefferies Finance, which are included within Financial instruments owned, and have provided a guarantee whereby we are required to make certain payments to a CLO in the event that Jefferies Finance is unable to meet its obligations to the CLO. Additionally, we have entered into participation agreements and derivative contracts with Jefferies Finance whose underlying is based on certain securities issued by the CLOs. We have recognized revenue of $0.0 and $0.7 million during the year ended November 30, 2015 and the year ended November 30, 2014, respectively, relating to the derivative contracts.

We acted as underwriter in connection with debt issued by Jefferies Finance, for which we recognized underwriting fees of $1.3 million, $7.7 million and $6.0 million during the year ended November 30, 2015, the year ended November 30, 2014, and the year ended November 30, 2013, respectively.

Under a service agreement, we charged Jefferies Finance $51.7 million, $41.6 million and $14.2 million for services provided during the year ended November 30, 2015, the year ended November 30, 2014 and the nine months ended November 30, 2013 respectively, and $15.7 million during the three months ended February 28, 2013. Receivables from Jefferies Finance, included within Other assets on the Consolidated Statements of Financial Condition, were $7.8 million and $41.5 million at November 30, 2015 and November 30, 2014, respectively.

Jefferies LoanCore

On February 23, 2011, we entered into a joint venture agreement with the Government of Singapore Investment Corporation and LoanCore, LLC and formed Jefferies LoanCore, a commercial real estate finance company. Jefferies LoanCore originates and purchases commercial real estate loans throughout the U.S. with the support of the investment banking and securitization capabilities of Jefferies and the real estate and mortgage investment expertise of the Government of Singapore Investment Corporation and LoanCore, LLC. Jefferies LoanCore has aggregate equity commitments of $600.0 million. At November 30, 2015 and November 30, 2014, we had funded $207.4 million and $200.9 million, respectively, of our $291.0 million equity commitment and have a 48.5% voting interest in Jefferies LoanCore.

The following is a summary of selected financial information for Jefferies LoanCore (in millions):

	November 30, 2015	November 30, 2014
Total assets	$ 2,069.1	$ 1,502.8
Total liabilities	1,469.8	964.5
Total equity	599.3	538.3
Our total equity balance	290.7	261.1

Separate financial statements for Jefferies LoanCore are included in this Annual Report on Form 10-K. The net earnings of Jefferies LoanCore were $79.0 million, $38.7 million and $85.1 million for the year ended November 30, 2015, the year ended November 30, 2014, and the year ended November 30, 2013, respectively.

Under a service agreement, we charged Jefferies LoanCore $0.2 million, $0.1 million and $0.5 million for the year ended November 30, 2015, the year ended November 30, 2014 and the nine months ended November 30, 2013, respectively and $0.6 million during . the three months ended February 28, 2013 for administrative services. Receivables from Jefferies LoanCore, included within Other assets on the Consolidated Statements of Financial Condition, were $15,800 and $8,900 at November 30, 2015 and November 30, 2014, respectively.

In connection with the securitization of commercial real estate loans originated by Jefferies LoanCore, we earned placement fees of $1.6 million and $1.6 million during the year ended November 30, 2015 and year ended November 30, 2014, respectively.

On derivative transactions with Jefferies LoanCore, we recognized a net gain of $3.6 million during the nine months ended November 30, 2013 and a net gain of $0.2 million during the three months ended February 28, 2013, which are included in Principal transactions revenue on the Consolidated Statements of Earnings.

JCP Fund V

The amount of our investments in JCP Fund V included within Investments in managed funds on the Consolidated Statements of Financial Condition was $29.7 million and $48.9 million at November 30, 2015 and November 30, 2014, respectively. We account for these investments at fair value based on the NAV of the funds provided by the fund managers (see Note 2, Summary of Significant Accounting Policies). Losses from these investments were $24.3 million and $10.3 million for the year ended November 30, 2015 and the year ended November 30, 2014, respectively and gains of $2.1 million and losses of $3.9 million during the nine months ended November 30, 2013, and the three months ended February 28, 2013, respectively, which are included in Asset management fees and investment income (loss) from managed funds in the Consolidated Statements of Earnings.

At November 30, 2015 and November 30, 2014, we were committed to invest equity of up to $85.0 million in JCP Fund V. At November 30, 2015, our unfunded commitment relating to JCP Fund V was $11.8 million.

The following is a summary of selected financial information for 100.0% of JCP Fund V, in which we own effectively 35.2% of the combined equity interests (in thousands):

	September 30, 2015 (1)	December 31, 2014 (1)
Total assets	$ 84,417	$ 73,261
Total liabilities	75	66
Total partners' capital	84,342	73,195

	Nine Months Ended September 30, 2015 (1)	Three Months Ended December 30, 2014 (1)	Nine Months Ended September 30, 2014 (1)	Three Months Ended December 30, 2013 (1)	Nine Months Ended September 30, 2013 (1)	Three Months Ended December 30, 2012 (1)
Net increase (decrease) in net assets resulting from operations	$ (1,751)	$ (65,700)	$ (24,239)	$ (2,947)	$ 8,416	$ (8,690)

(1) Financial information for JCP Fund V within our consolidated financial statements at November 30, 2015 and November 30, 2014 and for the year ended November 30, 2015, the year ended November 30, 2014, the nine months ended November 30, 2013 and the three months ended February 28, 2013 is included based on the presented periods.

Note 11. Goodwill and Other Intangible Assets

Goodwill

Goodwill attributed to our reportable segments are as follows (in thousands):

	November 30, 2015	November 30, 2014
Capital Markets	$ 1,653,588	$ 1,659,636
Asset Management	3,000	3,000
Total goodwill	$ 1,656,588	$ 1,662,636

The following table is a summary of the changes to goodwill (in thousands):

	Year Ended November 30, 2015	Year Ended November 30, 2014
Balance, at beginning of period	$ 1,662,636	$ 1,722,346
Impairment loss (1)	—	(54,000)
Purchase accounting adjustments (2)	(1,959)	—
Translation adjustments	(4,089)	(5,710)
Balance, at end of period	$ 1,656,588	$ 1,662,636

(1) Activity for the year ended November 30, 2014 represents impairment losses of $51.9 million related to our Futures reporting unit and $2.1 million related to our International Asset Management business.

(2) During the year ended November 30, 2015, we have made correcting adjustments to decrease goodwill by $2.0 million. Goodwill has been overstated in the historical financial statements since the Leucadia Transaction. Financial instruments owned and Accrued expenses and other liabilities have been understated, while the net deferred tax asset and net income tax receivable, both of which are presented within Other assets on the face of the consolidated statements of financial condition, have been overstated. We do not believe this misstatement is material to our financial statements for any previously reported period.

Goodwill Impairment Testing

A reporting unit is an operating segment or one level below an operating segment. The quantitative goodwill impairment test is performed at the level of the reporting unit and consists of two steps. In the first step, the fair value of each reporting unit is compared with its carrying value, including goodwill and allocated intangible assets. If the fair value is in excess of the carrying value, the goodwill for the reporting unit is considered not to be impaired. If the fair value is less than the carrying value, then a second step is performed in order to measure the amount of the impairment loss, if any, which is based on comparing the implied fair value of the reporting unit's goodwill to the fair value of the net assets of the reporting unit.

Allocated equity plus goodwill and allocated intangible assets are used as a proxy for the carrying amount of each reporting unit. The amount of equity allocated to a reporting unit is based on our cash capital model deployed in managing our businesses, which seeks to approximate the capital a business would require if it were operating independently. Intangible assets are allocated to a reporting unit based on either specifically identifying a particular intangible asset as pertaining to a reporting unit or, if shared among reporting units, based on an assessment of the reporting unit's benefit from the intangible asset in order to generate results.

Estimating the fair value of a reporting unit requires management judgment. Estimated fair values for our reporting units were determined using a market valuation method that incorporate price-to-earnings and price-to-book multiples of comparable public companies. In addition, as the fair values determined under the market approach represent a noncontrolling interest, we applied a control premium to arrive at the estimated fair value of each reporting unit on a controlling basis. We engaged an independent valuation specialist to assist us in our valuation process at August 1, 2015.

Our annual goodwill impairment testing at August 1, 2015 did not indicate any goodwill impairment in any of our reporting units. Substantially all of our goodwill is allocated to our Investment Banking, Equities, and Fixed Income reporting units for which the results of our assessment indicated that these reporting units had a fair value in excess of their carrying amounts based on current projections. At November 30, 2015, goodwill allocated to these reporting units is $1,653.6 million of total goodwill of $1,656.6 million. For the remaining less significant reporting units, we have used a net asset approach for valuation and the fair value of each of the reporting units is equal to its book value.

Intangible Assets

The following tables present the gross carrying amount, accumulated amortization, net carrying amount and weighted average amortization period of identifiable intangible assets at November 30, 2015 and November 30, 2014 (in thousands):

	November 30, 2015					
	Gross cost	Disposals (1)	Impairment losses	Accumulated amortization	Net carrying amount	Weighted average remaining lives (years)
Customer relationships	$ 127,667	$ —	$ —	$ (34,754)	$ 92,913	12.9
Trade name	131,288	—	—	(10,315)	120,973	32.3
Exchange and clearing organization membership interests and registrations	14,413	(1,227)	(1,289)	—	11,897	N/A
	$ 273,368	$ (1,227)	$ (1,289)	$ (45,069)	$ 225,783	

	November 30, 2014				
	Gross cost	Impairment losses	Accumulated amortization	Net carrying amount	Weighted average remaining lives (years)
Customer relationships (2)	$ 135,926	$ (7,603)	$ (26,402)	$ 101,921	13.7
Trade name	132,009	—	(6,677)	125,332	33.3
Exchange and clearing organization membership interests and registrations	14,706	(178)	—	14,528	N/A
	$ 282,641	$ (7,781)	$ (33,079)	$ 241,781	

(1) Activity is related to the sale of certain exchange and clearing organization membership interests in the Futures reporting unit due to the exit of the business.

(2) Impairment losses are related to the Futures reporting unit. The impairment charge is included within Other expenses in the Consolidated Statements of Earnings.

We performed our annual impairment testing of intangible assets with an indefinite useful life, which consists of exchange and clearing organization membership interests and registrations, at August 1, 2015. We elected to perform a quantitative assessment of membership interests and registrations that have available quoted sales prices as well as all other membership interests and registrations related to the Bache business. A qualitative assessment was performed on the remainder of our indefinite-life intangible assets. In applying our quantitative assessment, we recognized an impairment loss of $1.3 million on certain exchange memberships based on a decline in fair value at August 1, 2015. With regard to our qualitative assessment of the remaining indefinite-life intangible assets, based on our assessment of market conditions, the utilization of the assets and the replacement costs associated with the assets, we have concluded that it is not more likely than not that the intangible assets are impaired. In applying our quantitative assessment at August 1, 2014 we recognized an impairment loss of $178,000 on certain exchange memberships based on a decline in fair value as observed based on quoted sales prices.

As a result of management's decisions during the fourth quarter of 2014 to pursue strategic alternatives for our Futures business and to liquidate our International Asset Management business, we performed additional impairment testing of indefinite- and finite-life intangible assets that are associated with those reporting units. Estimating the fair value of customer relationship intangible assets using a discounted cash flow methodology, we recognized impairment losses at November 30, 2014 of $7.5 million and $0.1 million in our Futures business and our International Asset Management business, respectively, which are recognized in Other expenses on the Consolidated Statement of Earnings.

Amortization Expense

For finite life intangible assets, aggregate amortization expense amounted to $12.2 million for the year ended November 30, 2015, $12.8 million for the year ended November 30, 2014, $20.5 million for the nine months ended November 30, 2013 and $0.4 million for the three months ended February 28, 2013. These expenses are included in Other expenses on the Consolidated Statements of Earnings.

The estimated future amortization expense for the five succeeding fiscal years is as follows (in thousands):

Year ended November 30, 2016	$ 12,198
Year ended November 30, 2017	12,198
Year ended November 30, 2018	12,198
Year ended November 30, 2019	12,198
Year ended November 30, 2020	12,198

Note 12. Short-Term Borrowings

Short-term borrowings at November 30, 2015 and November 30, 2014 include bank loans that are payable on demand and that must be repaid within one year or less, as well as borrowings under revolving loan and credit facilities as follows (in thousands):

	November 30, 2015	November 30, 2014
Bank loans	$ 262,000	$ 12,000
Secured revolving loan facility	48,659	—
Committed revolving credit facility	—	—
	$ 310,659	$ 12,000

At November 30, 2015, the interest rate on short-term borrowings outstanding is 0.85% per annum. Average daily short-term borrowings outstanding were $65.3 million for the year ended November 30, 2015 and $81.7 million for the year ended November 30, 2014. Bank loans are typically overnight loans used to finance financial instruments owned or clearing related balances, but are not part of our systemic funding model and generally bear interest at a spread over the federal funds rate.

On October 29, 2015, we entered into a secured revolving loan facility (“Loan Facility”) with Pacific Western Bank. Pacific Western Bank agrees to make available a revolving loan facility in a maximum principal amount of $50.0 million in U.S. dollars to purchase eligible receivables that meet certain requirements as defined in the Loan Facility agreement. Interest is based on an annual rate equal to the lesser of the LIBOR rate plus three and three-quarters percent or the maximum rate as defined in the Loan Facility agreement.

On April 23, 2015, we entered into a committed revolving credit facility (“Intraday Credit Facility”) with the Bank of New York Mellon. The Bank of New York Mellon agrees to make revolving intraday credit advances for an aggregate committed amount of $500.0 million in U.S. dollars. The term of the Intraday Credit Facility was six months after the closing date, but could be extended for an additional six months upon our request and at the lender's discretion. On October 22, 2015, we amended and restated the Intraday Credit Facility and reduced the aggregate committed amount to $300.0 million in U.S. dollars and extended the termination date to October 21, 2016, which can be extended for 364 days upon our request and at the lender's discretion.The Intraday Credit Facility contains a financial covenant, which includes a minimum regulatory net capital requirement. Interest is based on the higher of the Federal funds effective rate plus 0.5% or the prime rate. At November 30, 2015, we were in compliance with debt covenants under the Intraday Credit Facility.

Note 13. Long-Term Debt

The following summarizes our long-term debt carrying values (including unamortized discounts and premiums and valuation adjustment, where applicable) (in thousands):

	November 30, 2015	November 30, 2014
Unsecured Long-Term Debt		
3.875% Senior Notes, due November 9, 2015 (effective interest rate of 2.17%)	$ —	$ 507,944
5.5% Senior Notes, due March 15, 2016 (effective interest rate of 2.52%)	353,025	363,229
5.125% Senior Notes, due April 13, 2018 (effective interest rate of 3.46%)	830,298	842,359
8.5% Senior Notes, due July 15, 2019 (effective interest rate of 4.00%)	806,125	832,797
2.375% Euro Medium Term Notes, due May 20, 2020 (effective rate of 2.42%)	527,606	620,725
6.875% Senior Notes, due April 15, 2021 (effective interest rate of 4.40%)	838,765	853,091
2.25% Euro Medium Term Notes, due July 13, 2022 (effective rate of 4.08%)	3,779	4,379
5.125% Senior Notes, due January 20, 2023 (effective interest rate of 4.55%)	620,890	623,311
6.45% Senior Debentures, due June 8, 2027 (effective interest rate of 5.46%)	379,711	381,515
3.875% Convertible Senior Debentures, due November 1, 2029 (effective interest rate of 3.50%) (1)	347,307	349,261
6.25% Senior Debentures, due January 15, 2036 (effective interest rate of 6.03%)	512,730	513,046
6.50% Senior Notes, due January 20, 2043 (effective interest rate of 6.09%)	421,656	421,960
	$ 5,641,892	$ 6,313,617
Secured Long-Term Debt		
Credit facility	—	170,000
	$ 5,641,892	$ 6,483,617

(1) The value of the 3.875% Convertible Senior debentures at November 30, 2015 and November 30, 2014 includes the fair value of the conversion feature of $0.0 million and $0.7 million, respectively. The change in fair value of the conversion feature, which is included within Principal transaction revenues in the Consolidated Statements of Earnings, was not material for the year ended November 30, 2015 and amounted to a gain of $8.9 million for the year ended November 30, 2014.

On May 20, 2014, under our $2.0 billion Euro Medium Term Note Program we issued senior unsecured notes with a principal amount of €500.0 million, due 2020, which bear interest at 2.375% per annum. Proceeds amounted to €498.7 million. On January 15, 2013, we issued $1.0 billion in senior unsecured long-term debt, comprising 5.125% Senior Notes, due 2023 and 6.5% Senior Notes, due 2043. The 5.125% Senior Notes were issued with a principal amount of $600.0 million and we received proceeds of $595.6 million. The 6.5% Senior Notes were issued with a principal amount of $400.0 million and we received proceeds of $391.7 million.

Our 3.875% convertible debentures due 2029 (principal amount of $345.0 million) (the “debentures”) remain issued and outstanding and are convertible into common shares of Leucadia. At December 10, 2015, each $1,000 debenture is currently convertible into 22.4574 shares of Leucadia’s common stock (equivalent to a conversion price of approximately $44.53 per share of Leucadia’s common stock). The debentures are convertible at the holders’ option any time beginning on August 1, 2029 and convertible at any time if: 1) Leucadia’s common stock price is greater than or equal to 130% of the conversion price for at least 20 trading days in a period of 30 consecutive trading days; 2) if the trading price per debenture is less than 95% of the price of the common stock times the conversion ratio for any 10 consecutive trading days; 3) if the debentures are called for redemption; or 4) upon the occurrence of specific corporate actions. The debentures may be redeemed for par, plus accrued interest, on or after November 1, 2012 if the price of Leucadia’s common stock is greater than 130% of the conversion price for at least 20 days in a period of 30 consecutive trading days and we may redeem the debentures for par, plus accrued interest, at our election any time on or after November 1, 2017. Holders may require us to repurchase the debentures for par, plus accrued interest, on November 1, 2017, 2019 and 2024. In addition to ordinary interest, commencing November 1, 2017, contingent interest will accrue at 0.375% if the average trading price of a debenture for five trading days ending on and including the third trading day immediately preceding a six-month interest period equals or exceeds $1,200 per $1,000 debenture. At March 1, 2013, the conversion option to Leucadia common shares embedded within the debentures meets the definition of a derivative contract, does not qualify to be accounted for within member’s equity and is not clearly and closely related to the economic interest rate or credit risk characteristics of our debt. Accordingly, the conversion option is accounted for on a standalone basis at fair value with changes in fair value recognized in Principal transaction revenues and is presented within Long-term debt in the Consolidated Statements of Financial Condition.

Secured Long-Term Debt – On August 26, 2011, we entered into a committed senior secured revolving credit facility ("Credit Facility") with a group of commercial banks in U.S. dollars, Euros and Sterling, for an aggregate committed amount of $950.0 million with availability subject to one or more borrowing bases and of which $250.0 million could be borrowed without a borrowing base requirement. On June 26, 2014, we amended and restated the Credit Facility for three years and reduced the committed amount to $750.0 million. The borrowers under the Credit Facility were Jefferies Bache Financial Services, Inc., Jefferies Bache, LLC and Jefferies Bache Limited, with a guarantee from Jefferies Group LLC. On September 1, 2014, Jefferies Bache, LLC merged with and into Jefferies. Jefferies was the surviving entity, and therefore, was a borrower under the Credit Facility. The Credit Facility contained certain financial covenants, including, but not limited to, restrictions on future indebtedness of our subsidiaries, minimum tangible net worth and liquidity requirements and minimum capital requirements. Interest was based on, in the case of U.S. dollar borrowings, the Federal funds rate or the London Interbank Offered Rate or, in the case of Euro and Sterling borrowings, the Euro Interbank Offered Rate and the London Interbank Offered Rate, respectively. The obligations of each borrower under the Credit Facility were secured by substantially all the assets of such borrower, but none of the borrowers was responsible for any obligations of any other borrower. At November 30, 2014, borrowings under the Credit Facility were denominated in U.S. dollars and we were in compliance with debt covenants under the Credit Facility. We terminated the Credit Facility on July 31, 2015, due to the exiting of the Bache business. For further information with respect to the Credit Facility, refer to Note 24, Exit Costs.

Note 14. Noncontrolling Interests

Noncontrolling interests represent equity interests in consolidated subsidiaries, comprised primarily of asset management entities and investment vehicles set up for the benefit of our employees that are not attributable, either directly or indirectly, to us (*i.e.*, minority interests). The following table presents noncontrolling interests at November 30, 2015 and November 30, 2014 (in thousands):

	November 30, 2015	November 30, 2014
Global Equity Event Opportunity Fund, LLC (1)	$ 26,292	$ 33,303
Other	1,176	5,545
Noncontrolling interests	$ 27,468	$ 38,848

(1) Noncontrolling interests attributed to Leucadia were $26.3 million and $25.4 million at November 30, 2015 and November 30, 2014, respectively.

Note 15. Benefit Plans

U.S. Pension Plan

We maintain a defined benefit pension plan, Jefferies Group LLC Employees' Pension Plan (the "U.S. Pension Plan"), which is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, and covers certain of our employees. Under the U.S. Pension Plan, benefits to participants are based on years of service and the employee's career average pay. Effective December 31, 2005, benefits under the U.S. Pension Plan were frozen with no further benefit accruing to participants for future service after December 31, 2005.

Employer Contributions - Our funding policy is to contribute to the U.S. Pension Plan at least the minimum amount required for funding purposes under applicable employee benefit and tax laws. We did not make any contributions to the U.S. Pension Plan during the year ended November 30, 2015. We expect to contribute approximately $3.0 million to the plan during the year ended November 30, 2016.

The following tables summarize the changes in the projected benefit obligation, the fair value of the assets and the funded status of the plan (in thousands):

	Year Ended November 30,	
	2015	2014
Change in projected benefit obligation:		
Projected benefit obligation, beginning of period	$ 55,262	$ 48,255
Service cost	250	250
Interest cost	2,340	2,429
Actuarial losses	4,280	5,834
Administrative expenses paid	(359)	(196)
Benefits paid	(729)	(1,310)
Settlements	(2,714)	—
Projected benefit obligation, end of period	$ 58,330	$ 55,262
Change in plan assets:		
Fair value of assets, beginning of period	$ 51,085	$ 47,416
Benefit payments made	(729)	(1,310)
Administrative expenses paid	(359)	(196)
Actual return on plan assets	(252)	5,175
Settlements	(2,714)	—
Fair value of assets, end of period	$ 47,031	$ 51,085
Funded status at end of period	$ (11,299)	$ (4,177)

The amounts recognized in our Consolidated Statements of Financial Condition are as follows (in thousands):

	November 30,	
	2015	2014
Consolidated statements of financial condition:		
Liabilities	$ (11,299)	$ (4,177)
Accumulated other comprehensive income (loss), before taxes:		
Net gain (loss)	$ (5,255)	$ 2,390

The following tables summarize the components of net periodic pension cost and other amounts recognized in other comprehensive income excluding taxes (in thousands):

	Year Ended November 30,		
	2015	2014	2013
Components of net periodic pension cost:			
Service cost	$ 250	$ 250	$ 225
Interest cost on projected benefit obligation	2,340	2,429	2,201
Expected return on plan assets	(3,357)	(3,125)	(2,698)
Net amortization	—	(94)	326
Settlement losses	244	—	—
Net periodic pension cost	$ (523)	$ (540)	$ 54

	Year Ended November 30,		
	2015	2014	2013
Amounts recognized in other comprehensive income:			
Net (gain) loss arising during the period	$ 7,890	$ 3,784	$ (9,419)
Amortization of net loss	—	94	(326)
Settlements during the period	(244)	—	—
Total recognized in Other comprehensive income	7,646	3,878	(9,745)
Net amount recognized in net periodic benefit cost and Other comprehensive income	$ 7,123	$ 3,338	$ (9,691)

The assumptions used to determine the actuarial present value of the projected obligation and net periodic pension benefit cost are as follows:

	2015	2014	2013
Discount rate used to determine benefit obligation	4.10%	4.30%	5.10%
Weighted average assumptions used to determine net pension cost:			
Discount rate	4.30%	5.10%	4.40%
Expected long-term rate of return on plan assets	6.75%	6.75%	6.75%

Expected Benefit Payments - Expected benefit payments for each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows (in thousands):

2016	$ 2,103
2017	1,828
2018	2,163
2019	3,046
2020	2,448
2021 through 2025	21,085

Plan Assets - The following tables present the fair value of plan assets by level within the fair value hierarchy (in thousands):

	At November 30, 2015		
	Level 1	Level 2	Total
Plan assets (1):			
Cash and cash equivalents	$ 487	$ —	$ 487
Listed equity securities (2)	29,156	—	29,156
Fixed income securities:			
Corporate debt securities	—	6,598	6,598
Foreign corporate debt securities	—	2,140	2,140
U.S. government securities	3,975	—	3,975
Agency mortgage-backed securities	—	3,504	3,504
Commercial mortgage-backed securities	—	425	425
Asset-backed securities	—	746	746
	$ 33,618	$ 13,413	$ 47,031

(1) There are no plan assets classified within Level 3 of the fair value hierarchy.
(2) Listed equity securities are diversified across a spectrum of primarily U.S. large-cap companies.

	At November 30, 2014		
	Level 1	Level 2	Total
Plan assets (1):			
Cash and cash equivalents	$ 373	$ —	$ 373
Listed equity securities (2)	31,327	—	31,327
Fixed income securities:			
Corporate debt securities	—	6,482	6,482
Foreign corporate debt securities	—	1,321	1,321
U.S. government securities	5,929	—	5,929
Agency mortgage-backed securities	—	3,883	3,883
Commercial mortgage-backed securities.	—	1,080	1,080
Asset-backed securities	—	690	690
	$ 37,629	$ 13,456	$ 51,085

(1) There are no plan assets classified within Level 3 of the fair value hierarchy.
(2) Listed equity securities are diversified across a spectrum of primarily U.S. large-cap companies.

Valuation technique and inputs - The following is a description of the valuation techniques and inputs used in measuring plan assets accounted for at fair value on a recurring basis:

- Cash equivalents are valued at cost, which approximates fair value and are categorized in Level 1 of the fair value hierarchy;
- Listed equity securities are valued using the quoted prices in active markets for identical assets;
- Fixed income securities:
  - Corporate debt, mortgage- and asset-backed securities and other securities valuations use data readily available to all market participants and use inputs available for substantially the full term of the security. Valuation inputs include benchmark yields, reported trades, broker dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers, reference data, and industry and economic events;
  - U.S. government and agency securities valuations generally include quoted bid prices in active markets for identical or similar assets.

Investment Policies and Strategies - Assets in the plan are invested under guidelines adopted by the Administrative Committee of the U.S. Pension Plan. Because the U.S. Pension Plan exists to provide a vehicle for funding future benefit obligations, the investment objectives of the portfolio take into account the nature and timing of future plan liabilities. The policy recognizes that the portfolio's long-term investment performance and its ability to meet the plan's overall objectives are dependent on the strategic asset allocation which includes adequate diversification among assets classes.

The target allocation of plan assets for 2016 is approximately 50% equities and 50% fixed income securities. The target asset allocation was determined based on the risk tolerance characteristics of the plan and, at times, may be adjusted to achieve the plan's investment objective and to minimize any concentration of investment risk. The Administrative Committee evaluates the asset allocation strategy and adjusts the allocation if warranted based upon market conditions and the impact of the investment strategy on future contribution requirements. The expected long-term rate of return assumption is based on an analysis of historical experience of the portfolio and the summation of prospective returns for each asset class in proportion to the fund's current asset allocation.

The equity portfolio may invest up to 5% of the market value of the portfolio in any one company and may invest up to 10% of the market value of the portfolio in any one sector or up to two times the percentage weighting of any one sector as defined by the S&P 500 or the Russell 1000 Value indices, whichever is higher. Permissible investments specified under the equity portfolio of the plan include equity securities of U.S. and non-U.S. incorporated entities and private placement securities issued pursuant to Rule 144A. At least 75% of the market value of the fixed income portfolio must be invested in investment grade securities rated BBB-/Baa3, including cash and cash equivalents. Permissible investments specified under the fixed income portfolio of the plan include: public or private debt obligations issued or guaranteed by U.S. or foreign issuers; preferred, hybrid, mortgage or asset-backed securities; senior loans; and derivatives and foreign currency exchange contracts.

German Pension Plan

In connection with the acquisition of Jefferies Bache from Prudential on July 1, 2011, we acquired a defined benefits pension plan located in Germany (the "German Pension Plan") for the benefit of eligible employees of Jefferies Bache in that territory. The German Pension Plan has no plan assets and is therefore unfunded. We have purchased insurance contracts from multi-national insurers held in the name of Jefferies Bache Limited to provide for the plan's future obligations. The investment in these insurance contracts are included in Financial Instruments owned in the Consolidated Statements of Financial Condition and has a fair value of $15.3 million and $18.1 million at November 30, 2015 and November 30, 2014, respectively. We expect to pay our pension obligations from the cash flows available to us under the insurance contracts. All costs relating to the plan (including insurance premiums and other costs as computed by the insurers) are paid by us. In connection with the acquisition, it was agreed with Prudential that any insurance premiums and funding obligations related to pre-acquisition date service will be reimbursed to us by Prudential.

The provisions and assumptions used in the German Pension Plan are based on local conditions in Germany. We did not contribute to the plan during the years ended November 30, 2015 and November 30, 2014.

The following tables summarize the changes in the projected benefit obligation and the components of net periodic pension cost (in thousands):

	Year Ended November 30, 2015	Year Ended November 30, 2014
Change in projected benefit obligation:		
Projected benefit obligation, beginning of period	$ 28,434	$ 26,368
Service cost	—	40
Interest cost	523	801
Actuarial losses	(40)	4,631
Benefits paid	(1,069)	(1,193)
Currency adjustment	(4,303)	(2,213)
Projected benefit obligation, end of period	$ 23,545	$ 28,434
Funded status at end of period	$ (23,545)	$ (28,434)

The amounts recognized in our Consolidated Statements of Financial Condition are as follows (in thousands):

	November 30, 2015	November 30, 2014
Consolidated statements of financial condition:		
Liabilities	$ 23,545	$ 28,434
Accumulated other comprehensive income (loss), before taxes:		
Net gain (loss)	$ (4,917)	$ (5,281)

The following tables summarize the components of net periodic pension cost and other amounts recognized in other comprehensive income excluding taxes (in thousands):

	Year Ended November 30,		
	2015	2014	2013
Components of net periodic pension cost:			
Service cost	$ —	$ 40	$ 67
Interest cost on projected benefit obligation	523	801	902
Net amortization	325	244	179
Net periodic pension cost	$ 848	$ 1,085	$ 1,148

	Year Ended November 30,		
	2015	2014	2013
Amounts recognized in other comprehensive income:			
Net (gain) loss arising during the period	$ (39)	$ 4,631	$ 1,033
Amortization of net loss	(325)	(244)	(179)
Total recognized in Other comprehensive income	$ (364)	$ 4,387	$ 854
Net amount recognized in net periodic benefit cost and Other comprehensive income	$ 484	$ 5,472	$ 2,002

The following are assumptions used to determine the actuarial present value of the projected benefit obligation and net periodic pension benefit cost:

	Year Ended November 30,	
	2015	2014
Projected benefit obligation:		
Discount rate	2.20%	2.10%
Rate of compensation increase (1)	N/A	3.00%
Net periodic pension benefit cost:		
Discount rate	2.10%	3.40%
Rate of compensation increase (1)	N/A	3.00%

(1) There were no active participants of the pension plan at November 30, 2015.

Expected Benefit Payments - Expected benefit payments for each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows (in thousands):

2016	$ 1,143
2017	1,124
2018	1,133
2019	1,110
2020	1,159
2021 through 2025	5,831

Note 16. Compensation Plans

Prior to the Leucadia Transaction, we sponsored the following share-based compensation plans: incentive compensation plan, employee stock purchase plan and the deferred compensation plan. Subsequently, sponsorship of share-based compensation plans was transferred to Leucadia, with outstanding share-based awards relating to Leucadia common shares and future awards to relate to Leucadia common shares. The fair value of share-based awards is estimated on the date of grant based on the market price of the underlying common stock less the impact of selling restrictions subsequent to vesting, if any, and is amortized as compensation expense over the related requisite service periods. We are allocated costs associated with awards granted to our employees under such plans.

In addition, we sponsor non-share-based compensation plans. Non-share-based compensation plans sponsored by us include a profit sharing plan and other forms of restricted cash awards.

The components of total compensation cost associated with certain of our compensation plans are as follows (in millions):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Components of compensation cost:				
Restricted cash awards	$ 249.2	$ 193.7	$ 164.4	48.2
Restricted stock and RSUs (1)	57.9	84.5	64.4	22.3
Profit sharing plan	6.1	6.1	3.2	2.6
Total compensation cost	$ 313.2	$ 284.3	$ 232.0	$ 73.1

(1) Total compensation cost associated with restricted stock and RSUs includes the amortization of sign-on, retention and senior executive awards, less forfeitures and clawbacks. Additionally, we recognize compensation cost related to the discount provided to employees in electing to defer compensation under the Deferred Compensation Plan. This compensation cost was approximately $399,000 for the year ended November 30, 2015, $268,000 for the year ended November 30, 2014, $111,000 and $72,000 for the nine months ended November 30, 2013 and three months ended February 28, 2013, respectively.

Remaining unamortized amounts related to certain compensation plans at November 30, 2015 is as follows (in millions):

	Remaining Unamortized Amounts	Weighted Average Vesting Period (in Years)
Non-vested share-based awards	$ 32.1	2
Restricted cash awards	258.3	3
Total	$ 290.4	

In December 2015, we approved approximately $318.7 million of restricted cash awards related to the 2015 performance year that contain a future service requirement. Absent estimated or actual forfeitures or cancellations or accelerations, the annual compensation cost for these awards will be recognized as follows (in millions):

	Year Ended November 30, 2015	Year Ended November 30, 2016	Year Ended November 30, 2017	Thereafter	Total
Restricted cash awards	$ 61.6	$ 61.6	$ 61.6	$ 133.9	$ 318.7

The following are descriptions of the compensation plans.

Incentive Compensation Plan. The Incentive Compensation Plan (“Incentive Plan”) allows for awards in the form of incentive stock options (within the meaning of Section 422 of the Internal Revenue Code), nonqualified stock options, stock appreciation rights, restricted stock, unrestricted stock, performance awards, restricted stock units, dividend equivalents or other share-based awards. Restricted stock units (“RSUs”) give a participant the right to receive fully vested common shares at the end of a specified deferral period, allowing a participant to hold an interest tied to common stock on a tax deferred basis. Prior to settlement, RSUs carry no voting or dividend rights associated with the stock ownership, but dividend equivalents are accrued to the extent there are dividends declared on the underlying common shares as cash amounts or as deemed reinvestments in additional RSUs. In connection with the Leucadia Transaction, the Incentive Plan was amended to provide for awards to be issued relating to shares of Leucadia, our parent company at March 1, 2013. Share-based awards outstanding at March 1, 2013 were converted into awards for shares of Leucadia at the Exchange Ratio, with all such awards subject to the same terms and conditions that previously existed (except for the elimination of fractional shares).

Restricted stock and RSUs may be granted to new employees as “sign-on” awards, to existing employees as “retention” awards and to certain executive officers as awards for multiple years. Sign-on and retention awards are generally subject to annual ratable vesting over a four-year service period and are amortized as compensation expense on a straight line basis over the related four years. Restricted stock and RSUs are granted to certain senior executives with both performance and service conditions, and are amortized over the service period if we determine that it is probable that the performance condition will be achieved. Awards granted to senior executives related to the 2015 and 2014 fiscal year did not meet performance targets, and as a result, compensation expense has been adjusted to reflect the reduced number of shares that will vest.

Employee Stock Purchase Plan. There is also an Employee Stock Purchase Plan (“ESPP”) which we consider noncompensatory effective January 1, 2007. The ESPP permits all regular full-time employees and employees who work part time over 20 hours per week to purchase, at a discount, Leucadia common shares. Annual employee contributions are limited to $21,250, are voluntary and made through payroll deduction. The stock purchase price is equal to 95% of the closing price of common stock on the last day of the applicable session (monthly).

Deferred Compensation Plan. There is also a Deferred Compensation Plan, which was established in 2001. Eligible employees are able to defer compensation on a pre-tax basis, with deferred amounts deemed invested at a discount in Leucadia common shares and, prior to the Leucadia Transaction, in Jefferies Group, Inc. common stock, or by allocating among any combination of other investment funds available under the Deferred Compensation Plan. In connection with the transaction with Leucadia on March 1, 2013, the Deferred Compensation Plan was amended and deferrals denominated as Deferred Compensation Plan shares became settleable by delivery of Leucadia common shares. We often invest directly, as a principal, in investments corresponding to the other investment funds, relating to our obligations to perform under the Deferred Compensation Plan. The compensation deferred by our employees is expensed in the period earned. The change in fair value of our investments in assets corresponding to the specified other investment funds are recognized in Principal transaction revenues and changes in the corresponding deferral compensation liability are reflected as Compensation and benefits expense in our Consolidated Statements of Earnings.

Profit Sharing Plan. We have a profit sharing plan, covering substantially all employees, which includes a salary reduction feature designed to qualify under Section 401(k) of the Internal Revenue Code.

Restricted Cash Awards. We provide compensation to new and existing employees in the form of loans and/or other cash awards which are subject to ratable vesting terms with service requirements. We amortize these awards to compensation expense over the relevant service period, which is generally considered to start at the beginning of the annual compensation year.

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Note 17. Non-interest Expenses

The following table presents the components of non-interest expenses (in thousands):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Non-interest expenses:				
Compensation and benefits	$ 1,467,131	$ 1,698,530	$ 1,213,908	$ 474,217
Non-compensation expenses:				
Floor brokerage and clearing fees	199,780	215,329	150,774	46,155
Technology and communications	313,044	268,212	193,683	59,878
Occupancy and equipment rental	101,138	107,767	86,701	24,309
Business development	105,963	106,984	63,115	24,927
Professional services	103,972	109,601	72,802	24,135
Bad debt provision (1)	(396)	55,355	179	1,945
Goodwill impairment (2)	—	54,000	—	—
Intangible assets amortization and impairment (3)	13,487	20,569	20,784	384
Other	56,895	50,770	71,072	12,146
Total non-compensation expenses	893,883	988,587	659,110	193,879
Total non-interest expenses	$ 2,361,014	$ 2,687,117	$ 1,873,018	$ 668,096

(1) During the year ended November 30, 2015, we released $4.4 million in reserves related to the resolution of bankruptcy claims against Lehman Brothers Holdings, Inc. During the fourth quarter of 2014, we recognized a bad debt provision, which primarily relates to a receivable of $52.3 million from a client to which we provided futures clearing and execution services, which declared bankruptcy.

(2) Goodwill impairment losses of $51.9 million and $2.1 million at November 30, 2014 were recognized in the Futures and International Asset Management reporting units at November 30, 2014, respectively. (See Note 11, Goodwill and Other Intangible Assets for further information.)

(3) The amount for the year ended November 30, 2015 includes an impairment loss of $1.3 million on certain exchange memberships based on a decline in fair value at August 1, 2015. The amount for the year ended November 30, 2014 includes impairment losses at November 30, 2014 of $7.5 million and $0.1 million in the Futures business and the International Asset Management business, respectively. (See Note 11, Goodwill and Other Intangible Assets for further information.)

Note 18. Earnings per Share

Earnings per share data is not provided for periods subsequent to March 1, 2013, the date we became a limited liability company and wholly-owned subsidiary of Leucadia. The following is a reconciliation of the numerators and denominators of the Basic and Diluted earnings per common share computations for the three months ended February 28, 2013 (in thousands, except per share amounts):

	Predecessor	
	Three Months Ended February 28, 2013	
Earnings for basic earnings per common share:		
Net earnings	$	90,842
Net earnings to noncontrolling interests		10,704
Net earnings to common shareholders		80,138
Less: Allocation of earnings to participating securities (1)		5,890
Net earnings available to common shareholders	$	74,248
Earnings for diluted earnings per common share:		
Net earnings	$	90,842
Net earnings to noncontrolling interests		10,704
Net earnings to common shareholders		80,138
Add: Mandatorily redeemable convertible preferred stock dividends		1,016
Less: Allocation of earnings to participating securities (1)		5,882
Net earnings available to common shareholders	$	75,272
Shares:		
Average common shares used in basic computation		213,732
Stock options		2
Mandatorily redeemable convertible preferred stock		4,110
Average common shares used in diluted computation		217,844
Earnings per common share:		
Basic	$	0.35
Diluted	$	0.35
Dividends:		
Dividends declared per share of common stock	$	0.075

(1) Represents dividends declared during the period on participating securities plus an allocation of undistributed earnings to participating securities. Net losses are not allocated to participating securities. Participating securities represent restricted stock and restricted stock units for which requisite service has not yet been rendered and amounted to weighted average shares of 16,756,000 for the three months ended February 28, 2013. Dividends declared on participating securities during the three months ended February 28, 2013 amounted to approximately $1.3 million. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

Our ability to pay distributions to Leucadia is subject to the restrictions set forth in certain financial covenants associated with the governing provisions of the Delaware Limited Liability Company Act.

Note 19. Income Taxes

Total income taxes were allocated as follows (in thousands):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Income tax expense	$ 18,898	$ 142,061	$ 94,686	$ 48,645
Stockholders' equity, for compensation expense for tax purposes (in excess of)/less than amounts recognized for financial reporting purposes	$ 5,935	$ (1,276)	$ (2,873)	$ 17,965

The provision for income tax expense consists of the following components (in thousands):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Current:				
U.S. Federal	$ (45,007)	$ 4,335	$ 50,089	$ 22,936
U.S. state and local	(28,260)	4,056	6,263	(3,176)
Foreign	3,369	11,475	7,050	(1,950)
	(69,898)	19,866	63,402	17,810
Deferred:				
U.S. Federal	74,085	87,293	25,262	17,392
U.S. state and local	22,811	27,181	8,868	9,761
Foreign	(8,100)	7,721	(2,846)	3,682
	88,796	122,195	31,284	30,835
	$ 18,898	$ 142,061	$ 94,686	$ 48,645

Income tax expense differed from the amounts computed by applying the U.S. Federal statutory income tax rate of 35% to earnings before income taxes as a result of the following (in thousands):

	Successor						Predecessor	
	Year Ended November 30, 2015		Year Ended November 30, 2014		Nine Months Ended November 30, 2013		Three Months Ended February 28, 2013	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Computed expected income taxes	$ 39,979	35.0 %	$ 106,058	35.0 %	$ 92,504	35.0 %	$ 48,820	35.0 %
Increase (decrease) in income taxes resulting from:								
State and city income taxes, net of Federal income tax benefit	(3,542)	(3.1)	20,304	6.7	9,835	3.7	4,280	3.1
Income allocated to Noncontrolling interest, not subject to tax	(628)	(0.5)	(1,190)	(0.4)	(2,946)	(1.1)	(3,553)	(2.5)
Foreign rate differential	(10,130)	(8.9)	(9,024)	(2.9)	(4,750)	(1.8)	(2,993)	(2.2)
Tax exempt income	(6,789)	(5.9)	(6,746)	(2.2)	(3,742)	(1.4)	(1,003)	(0.7)
Non deductible settlements	—	—	3,850	1.3	4,900	1.9	—	—
Valuation allowance related to Futures business	—	—	4,655	1.5	—	—	—	—
Goodwill impairment	—	—	13,619	4.5	—	—	—	—
Foreign tax credits	(7,240)	(6.3)	(3,149)	(1.0)	—	—	—	—
Non-deductible Bache Wind down Costs	3,225	2.8	—	—	—	—	—	—
Meals & entertainment	5,232	4.6	4,103	1.4	2,908	1.1	890	0.6
Other, net	(1,209)	(1.2)	9,581	3.0	(4,023)	(1.6)	2,204	1.6
Total income taxes	$ 18,898	16.5 %	$ 142,061	46.9 %	$ 94,686	35.8 %	$ 48,645	34.9 %

The following table presents a reconciliation of gross unrecognized tax benefits (in thousands):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Balance at beginning of period	$ 126,662	$ 126,844	$ 129,010	$ 110,539
Increases based on tax positions related to the current period	—	4,831	8,748	7,185
Increases based on tax positions related to prior periods	2,818	1,624	7,383	15,356
Decreases based on tax positions related to prior periods	(3,883)	(1,709)	(18,297)	(4,070)
Decreases related to settlements with taxing authorities	(17,695)	(4,928)	—	—
Balance at end of period	$ 107,902	$ 126,662	$ 126,844	$ 129,010

The total amount of unrecognized benefit that, if recognized, would favorably affect the effective tax rate was $71.9 million and $84.5 million (net of federal benefits of taxes) at November 30, 2015 and November 30, 2014, respectively.

We recognize interest accrued related to unrecognized tax benefits in Interest expense. Penalties, if any, are recognized in Other expenses in the Consolidated Statements of Earnings. Net interest expense related to unrecognized tax benefits was $2.2 million, $7.7 million and $5.8 million for the year ended November 30, 2015, the year ended November 30, 2014 and the nine months ended November 30, 2013, respectively. For the three months ended February 28, 2013, interest expense was $1.8 million. At November 30, 2015 and November 30, 2014, we had interest accrued of approximately $32.8 million and $30.6 million, respectively, included in Accrued expenses and other liabilities in the Consolidated Statements of Financial Condition. No material penalties were accrued for the years ended November 30, 2015 and November 30, 2014.

The cumulative tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below (in thousands):

	November 30, 2015	November 30, 2014
Deferred tax assets:		
Compensation and benefits	$ 253,291	$ 302,072
Net operating loss	14,985	17,830
Long-term debt	95,765	140,685
Accrued expenses and other	106,136	89,273
Sub-total	470,177	549,860
Valuation allowance	(13,337)	(13,069)
Total deferred tax assets	456,840	536,791
Deferred tax liabilities:		
Amortization of intangibles	103,560	97,268
Other	26,345	26,454
Total deferred tax liabilities	129,905	123,722
Net deferred tax asset, included in Other assets	$ 326,935	$ 413,069

The valuation allowance represents the portion of our deferred tax assets for which it is more likely than not that the benefit of such items will not be realized. We believe that the realization of the net deferred tax asset of $326.9 million is more likely than not based on expectations of future taxable income in the jurisdictions in which we operate.

At November 30, 2015, we had gross net operating loss carryforwards in Asia, primarily Japan, and in Europe, primarily the United Kingdom ("U.K."), of approximately $74.4 million, in aggregate. The Japanese losses begin to expire in the year 2018, while the U.K. losses have an unlimited carryforward period. A deferred tax asset of $1.3 million related to net operating losses in Asia has been fully offset by a valuation allowance while a $5.9 million deferred tax asset related to net operating losses in Europe has been fully offset by a valuation allowance. The remaining valuation allowance is attributable to deferred tax assets related to compensation and benefits, capital losses, and tax credits in the U.K.

Pursuant to a tax sharing agreement entered into between us and Leucadia, payments are made between us and Leucadia to settle current tax assets and liabilities. At November 30, 2015, there is a net current tax receivable of $109.5 million from Leucadia.

At November 30, 2015 and November 30, 2014, we had approximately $205.0 million and $171.0 million, respectively, of earnings attributable to foreign subsidiaries for which no U.S. Federal income tax provision has been recorded. Except to the extent such earnings can be repatriated tax efficiently, they are permanently invested abroad. Accordingly, a deferred tax liability of approximately $59.0 million and $46.0 million has not been recorded with respect to these earnings at November 30, 2015 and November 30, 2014, respectively.

We are currently under examination by the Internal Revenue Service and other major tax jurisdictions. We do not expect that resolution of these examinations will have a material effect on our consolidated financial position, but could have a material impact on the consolidated results of operations for the period in which resolution occurs. It is reasonably possible that, within the next twelve months, statutes of limitation will expire which would have the effect of reducing the balance of unrecognized tax benefits by $3.8 million.

The table below summarizes the earliest tax years that remain subject to examination in the major tax jurisdictions in which we operate:

Jurisdiction	Tax Year
United States	2007
California	2006
New Jersey	2010
New York State	2001
New York City	2003
United Kingdom	2014

Note 20. Commitments, Contingencies and Guarantees

Commitments

The following table summarizes our commitments associated with our capital market and asset management business activities at November 30, 2015 (in millions):

	Expected Maturity Date					
	2016	2017	2018 and 2019	2020 and 2021	2022 and Later	Maximum Payout
Equity commitments (1)	$ 9.5	$ —	$ —	$ 15.8	$ 189.5	$ 214.8
Loan commitments (1)	247.3	170.7	81.4	—	—	499.4
Mortgage-related and other purchase commitments	1,571.4	312.5	1,013.7	—	—	2,897.6
Forward starting reverse repos and repos	1,635.0	—	—	—	—	1,635.0
Other unfunded commitments (1)	87.0	186.9	20.2	5.7	35.6	335.4
	$ 3,550.2	$ 670.1	$ 1,115.3	$ 21.5	$ 225.1	$ 5,582.2

(1) Equity, loan and other unfunded commitments are presented by contractual maturity date. The amounts, however, are available on demand.

Equity Commitments. Includes commitments to invest in our joint ventures, Jefferies Finance and Jefferies LoanCore, and commitments to invest in private equity funds and in Jefferies Capital Partners, LLC, the manager of the private equity funds, which consists of a team led by Brian P. Friedman, one of our directors and Chairman of the Executive Committee. At November 30, 2015, our outstanding commitments relating to Jefferies Capital Partners, LLC and its private equity funds was $23.6 million.

See Note 10, Investments, for additional information regarding our investments in Jefferies Finance and Jefferies LoanCore.

Additionally, at November 30, 2015, we had other outstanding equity commitments to invest up to $4.4 million in various other investments.

Loan Commitments. From time to time we make commitments to extend credit to investment banking and other clients in loan syndication, acquisition finance and securities transactions and to SPE sponsors in connection with the funding of CLO and other asset-backed transactions. These commitments and any related drawdowns of these facilities typically have fixed maturity dates and are contingent on certain representations, warranties and contractual conditions applicable to the borrower. At November 30, 2015, we had $268.7 million of outstanding loan commitments to clients.

Loan commitments outstanding at November 30, 2015 also include our portion of the outstanding secured revolving credit facility provided to Jefferies Finance, to support loan underwritings by Jefferies Finance.

Mortgage-Related and Other Purchase Commitments. We enter into forward contracts to purchase mortgage participation certificates, mortgage-backed securities and consumer loans. The mortgage participation certificates evidence interests in mortgage loans insured by the Federal Housing Administration and the mortgage-backed securities are insured or guaranteed by the FNMA (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) or the GNMA (Ginnie Mae). We frequently securitize the mortgage participation certificates and mortgage-backed securities. The fair value of mortgage-related and other purchase commitments recorded in the Consolidated Statements of Financial Condition was $238.6 million at November 30, 2015.

Forward Starting Reverse Repos and Repos. We enter into commitments to take possession of securities with agreements to resell on a forward starting basis and to sell securities with agreements to repurchase on a forward starting basis that are primarily secured by U.S. government and agency securities.

Other Unfunded Commitments. Other unfunded commitments include obligations in the form of revolving notes to provide financing to asset-backed and CLO vehicles. Upon advancing funds, drawn amounts are collateralized by the assets of an entity.

Leases. As lessee, we lease certain premises and equipment under noncancelable agreements expiring at various dates through 2029 which are operating leases. At November 30, 2015, future minimum aggregate annual lease payments under such leases (net of subleases) for fiscal years ended November 30, 2016 through 2020 and the aggregate amount thereafter, are as follows (in thousands):

Fiscal Year	Operating Leases
2016	$ 54,532
2017	57,072
2018	57,298
2019	55,755
2020	50,584
Thereafter	396,041
Total	$ 671,282

The total minimum rentals to be received in the future under non-cancelable subleases at November 30, 2015 was $7.1 million.

Rental expense, net of subleases, amounted to $57.4 million, $57.4 million, $43.2 million, and $12.1 million for the year ended November 30, 2015, the year ended November 30, 2014, the nine months ended November 30, 2013 and the three months ended February 28, 2013, respectively.

During 2012, we entered into a master sale and leaseback agreement under which we sold and have leased back existing and additional new equipment supplied by the lessor. The transaction resulted in a gain of $2.0 million, which is being amortized into earnings in proportion to and is reflected net against the leased equipment. The lease may be terminated in the third quarter of fiscal 2017 for a termination cost of the present value of the remaining lease payments plus a residual value. If not terminated early, the lease term is approximately five years from the start of the supply of new and additional equipment, which commenced on various dates in 2013 and continued into 2015. At November 30, 2015, minimum future lease payments are as follows (in thousands):

Fiscal Year	
2016	$ 3,798
2017	3,798
2018	1,513
2019	189
Net minimum lease payments	9,298
Less amount representing interest	471
Present value of net minimum lease payments	$ 8,827

Contingencies

During the first quarter of 2014, we reached a non-prosecution agreement with the United States Attorney for the District of Connecticut and a settlement agreement with the SEC, relating to an investigation of purchases and sales of mortgage-backed securities. Those agreements include an aggregate $25.0 million in payments and at November 30, 2015, the outstanding reserve with respect to remaining payments to be made under the agreements is approximately $0.5 million.

Guarantees

Derivative Contracts. As a dealer, we make markets and trade in a variety of derivative instruments. Certain derivative contracts that we have entered into meet the accounting definition of a guarantee under U.S. GAAP, including credit default swaps, written foreign currency options and written equity put options. On certain of these contracts, such as written interest rate caps and foreign currency options, the maximum payout cannot be quantified since the increase in interest or foreign exchange rates are not contractually limited by the terms of the contract. As such, we have disclosed notional values as a measure of our maximum potential payout under these contracts.

The following table summarizes the notional amounts associated with our derivative contracts meeting the definition of a guarantee under U.S. GAAP at November 30, 2015 (in millions):

	Expected Maturity Date					
	2016	2017	2018 and 2019	2020 and 2021	2022 and Later	Notional/ Maximum Payout
Guarantee Type:						
Derivative contracts—non-credit related	$ 11,840.6	$ 584.6	$ 142.8	$ —	$ 414.4	$ 12,982.4
Written derivative contracts—credit related	—	—	115.4	955.4	10.0	1,080.8
Total derivative contracts	$ 11,840.6	$ 584.6	$ 258.2	$ 955.4	$ 424.4	$ 14,063.2

At November 30, 2015 the external credit ratings of the underlyings or referenced assets for our credit related derivatives contracts (in millions):

	External Credit Rating						
	AAA/ Aaa	AA/Aa	A	BBB/ Baa	Below Investment Grade	Unrated	Notional/ Maximum Payout
Credit related derivative contracts:							
Index credit default swaps	$ 698.4	$ —	$ —	$ —	$ —	$ —	$ 698.4
Single name credit default swaps	$ —	$ —	$ 10.0	$ 57.5	$ 264.3	$ 50.6	$ 382.4

The derivative contracts deemed to meet the definition of a guarantee under U.S. GAAP are before consideration of hedging transactions and only reflect a partial or "one-sided" component of any risk exposure. Written equity options and written credit default swaps are often executed in a strategy that is in tandem with long cash instruments (*e.g.*, equity and debt securities). We substantially mitigate our exposure to market risk on these contracts through hedges, such as other derivative contracts and/or cash instruments, and we manage the risk associated with these contracts in the context of our overall risk management framework. We believe notional amounts overstate our expected payout and that fair value of these contracts is a more relevant measure of our obligations. At November 30, 2015, the fair value of derivative contracts meeting the definition of a guarantee is approximately $394.8 million.

Loan Guarantee. We have provided a guarantee to Jefferies Finance that matures in January 2021, whereby we are required to make certain payments to an SPE sponsored by Jefferies Finance in the event that Jefferies Finance is unable to meet its obligations to the SPE and a guarantee of a credit agreement with an indefinite term for a fund owned by employees. At November 30, 2015, the maximum amount payable under these guarantees is $21.8 million.

Standby Letters of Credit. At November 30, 2015, we provided guarantees to certain counterparties in the form of standby letters of credit in the amount of $33.1 million, which expire within one year. Standby letters of credit commit us to make payment to the beneficiary if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary. Since commitments associated with these collateral instruments may expire unused, the amount shown does not necessarily reflect the actual future cash funding requirement.

Other Guarantees. We are members of various exchanges and clearing houses. In the normal course of business we provide guarantees to securities clearinghouses and exchanges. These guarantees generally are required under the standard membership agreements, such that members are required to guarantee the performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet these shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. Our obligations under such guarantees could exceed the collateral amounts posted. Our maximum potential liability under these arrangements cannot be quantified; however, the potential for us to be required to make payments under such guarantees is deemed remote. Accordingly no liability has been recognized for these arrangements.

Note 21. Net Capital Requirements

As broker-dealers registered with the SEC and member firms of the Financial Industry Regulatory Authority ("FINRA"), Jefferies and Jefferies Execution are subject to the SEC Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital, and have elected to calculate minimum capital requirements under the alternative method permitted by Rule 15c3-1 in calculating net capital. Jefferies is also registered as an FCM, and is also subject to Rule 1.17 of the CFTC, which sets forth minimum financial requirements. The minimum net capital requirement in determining excess net capital for a dually-registered U.S. broker-dealer and FCM is equal to the greater of the requirement under Rule 15c3-1 or CFTC Rule 1.17.

At November 30, 2015, Jefferies and Jefferies Execution's net capital and excess net capital were as follows (in thousands):

	Net Capital	Excess Net Capital
Jefferies	$ 1,556,602	$ 1,471,663
Jefferies Execution	9,647	9,397

FINRA is the designated self-regulatory organization ("DSRO") for our U.S. broker-dealers. Effective September 21, 2015, the National Futures Association became the DSRO for Jefferies as an FCM.

Certain other U.S. and non-U.S. subsidiaries are subject to capital adequacy requirements as prescribed by the regulatory authorities in their respective jurisdictions, including Jefferies International Limited and Jefferies Bache Limited which are authorized and regulated by the Financial Conduct Authority in the U.K.

The regulatory capital requirements referred to above may restrict our ability to withdraw capital from our regulated subsidiaries.

Note 22. Segment Reporting

We operate in two principal segments – Capital Markets and Asset Management. The Capital Markets segment includes our securities, commodities, futures and foreign exchange brokerage trading activities and investment banking, which is comprised of underwriting and financial advisory activities. The Capital Markets reportable segment provides the sales, trading, origination and advisory effort for various fixed income, equity and advisory products and services. The Asset Management segment provides investment management services to investors in the U.S. and overseas.

Our reportable business segment information is prepared using the following methodologies:

- Net revenues and expenses directly associated with each reportable business segment are included in determining earnings before taxes.
- Net revenues and expenses not directly associated with specific reportable business segments are allocated based on the most relevant measures applicable, including each reportable business segment's net revenues, headcount and other factors.
- Reportable business segment assets include an allocation of indirect corporate assets that have been fully allocated to our reportable business segments, generally based on each reportable business segment's capital utilization.

Our net revenues and expenses by segment are summarized below (in millions):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Capital Markets:				
Net revenues	$ 2,415.1	$ 2,949.0	$ 2,074.1	$ 807.6
Expenses	$ 2,325.2	$ 2,652.0	$ 1,840.4	$ 660.6
Asset Management:				
Net revenues	$ 60.1	$ 41.1	$ 66.6	$ 10.9
Expenses	$ 35.8	$ 35.1	$ 32.6	$ 7.5
Total:				
Net revenues	$ 2,475.2	$ 2,990.1	$ 2,140.7	$ 818.5
Expenses	$ 2,361.0	$ 2,687.1	$ 1,873.0	$ 668.1

The following table summarizes our total assets by segment (in millions):

	November 30, 2015	November 30, 2014
Segment assets:		
Capital Markets	$ 37,806.1	$ 44,002.6
Asset Management	759.0	515.0
Total assets	$ 38,565.1	$ 44,517.6

Net Revenues by Geographic Region

Net revenues for the Capital Market segment are recorded in the geographic region in which the position was risk-managed or, in the case of investment banking, in which the senior coverage banker is located. For Asset Management, net revenues are allocated according to the location of the investment advisor. Net revenues by geographic region were as follows (in thousands):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Americas (1)	$ 1,887,007	$ 2,261,683	$ 1,651,789	$ 663,588
Europe (2)	510,044	634,358	441,795	133,104
Asia	78,190	94,097	47,097	21,852
Net revenues	$ 2,475,241	$ 2,990,138	$ 2,140,681	$ 818,544

(1) Substantially all relates to U.S. results.

(2) Substantially all relates to U.K. results.

Note 23. Related Party Transactions

Jefferies Capital Partners and JEP IV Related Funds. We have loans to and/or equity investments in private equity funds and in Jefferies Capital Partners, LLC, the manager of the Jefferies Capital Partners funds, which are managed by a team led by Brian P. Friedman, one of our directors and our Chairman of the Executive Committee ("Private Equity Related Funds"). At November 30, 2015 and November 30, 2014, loans to and/or equity investments in Private Equity Related Funds were in aggregate $39.6 million and $60.7 million, respectively. The following table presents interest income earned on loans to Private Equity Related Funds and other revenues and investment income (loss) related to net gains and losses on our investment in Private Equity Related Funds (in thousands):

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Interest income	$ —	$ —	$ 852	$ 516
Other revenues and investment income (loss)	(26,179)	(14,868)	9,294	947

For further information regarding our commitments and funded amounts to Private Equity Related Funds, see Note 20, Commitments, Contingencies and Guarantees.

Berkadia Commercial Mortgage, LLC. At November 30, 2015 and November 30, 2014, we have commitments to purchase $752.4 million and $344.8 million, respectively, in agency commercial mortgage-backed securities from Berkadia Commercial Mortgage, LLC, which is partially owned by Leucadia.

HRG Group Inc. ('HRG"). As part of our loan secondary trading activities we have unsettled purchases and sales of loans pertaining to portfolio companies within funds managed by HRG of $261.6 million and $232.0 million at November 30, 2015 and November 30, 2014, respectively. Additionally, we recognized investment banking and advisory revenues of $1.3 million for the year ended November 30, 2015 and $0.5 million for the year ended November 30, 2014.

National Beef Packaging Company, LLC ("National Beef"). We acted as an FCM for National Beef, which is partially owned by Leucadia. At November 30, 2015 and November 30, 2014, we had a customer payable to National Beef of $0.0 million and $4.1 million, respectively. We recognized commissions of $0.3 million for the year ended November 30, 2015 and $0.2 million for the year ended November 30, 2014.

Officers, Directors and Employees. At November 30, 2015 and November 30, 2014, we had $28.3 million and $20.1 million, respectively, of loans outstanding to certain of our employees (none of whom are executive officers or directors) that are included in Other assets on the Consolidated Statements of Financial Condition. Receivables from and payables to customers include balances arising from officers, directors and employees individual security transactions. These transactions are subject to the same regulations as all customer transactions and are provided on substantially the same terms. During the year ended November 30, 2014, we sold private equity interests with a fair value of $4.0 million at their then fair value to a private equity fund owned by our employees. At November 30, 2015 and November 30, 2014, we have provided a guarantee of a credit agreement for the private equity fund owned by our employees.

Leucadia. The following is a description of related party transactions with Leucadia:

- Under a service agreement we charge Leucadia for certain services, which amounted to $34.6 million for the year ended November 30, 2015, $22.3 million for the year ended November 30, 2014 and $16.7 million for the nine months ended November 30, 2013. At November 30, 2015 and November 30, 2014, we had a receivable from Leucadia of $10.2 million and $10.9 million, respectively, which is included within Other assets on the Consolidated Statements of Financial Condition. At November 30, 2015 and November 30, 2014, we had a payable to Leucadia of $0.6 million and $41.5 million, respectively, related to stock compensation arrangements and senior executive benefits provided by Leucadia, which is included within Other liabilities on the Consolidated Statements of Financial Condition.
- Pursuant to a tax sharing agreement entered into between us and Leucadia, payments are made between us and Leucadia to settle current tax assets and liabilities. At November 30, 2015, a net current tax receivable from Leucadia of $109.5 million is included in Other assets on the Consolidated Statements of Financial Condition.
- Of the total noncontrolling interests in asset management entities that are consolidated by us at November 30, 2015 and November 30, 2014, $26.3 million and $25.4 million, respectively, are attributed to Leucadia.
- We provide capital markets and asset management services to Leucadia and its affiliates. The following table presents the revenues earned by type of services provided (in thousands):

	For the Year Ended November 30,	
	2015	2014
Investment banking and advisory	$ 21,185	$ 2,800
Asset management	400	—
Commissions and other fees	43	—

- On August 28, 2015, we sold an equity position to Leucadia at fair value of $124.4 million for cash. There was no gain or loss on the transaction.
- On March 18, 2014, we sold our investment in HRG, consisting of approximately 18.6 million shares, to Leucadia at the closing price on that date.
- On February 28, 2014, we sold our ownership interest in CoreCommodity Capital, LLC (formerly CoreCommodity Management, LLC, our commodity asset management business) to Leucadia at a fair value.

For information on transactions with our equity method investees, see Note 10, Investments.

Note 24. Exit Costs

Jefferies Bache. On April 9, 2015, we entered into an agreement with Société Générale S.A. (the "Agreement") to transfer certain client exchange and over-the-counter transactions associated with our Futures business for the net book value of the over-the-counter transactions, calculated in accordance with certain principles set forth in the agreement, plus the repayment of certain margin loans in respect of certain exchange transactions. The transfer is subject to customary closing conditions for a transaction of this nature. In addition, we initiated a plan to substantially exit the remaining aspects of our futures business. At November 30, 2015, we have transferred all of our client accounts to Société Générale S.A. and other brokers. We substantially completed the exit of the Bache business during the third quarter of fiscal 2015.

In addition, we terminated our $750.0 million Credit Facility on July 31, 2015. During the year ended November 30, 2015, we recognized costs of $3.8 million related to the Credit Facility.

During the year ended November 30, 2015, we recorded restructuring and impairment costs as follows (in thousands):

	Year Ended November 30, 2015
Severance costs	$ 30,327
Accelerated amortization of restricted stock and restricted cash awards	7,922
Accelerated amortization of capitalized software	19,745
Contract termination costs	11,247
Other expenses	3,853
Total	$ 73,094

Of the above costs, $28.7 million are of a non-cash nature for the year ended November 30, 2015.

Restructuring and exit costs are wholly attributed to our Capital Markets segment and were recorded in the following categories on the Consolidated Statement of Earnings for the year ended November 30, 2015 (in thousands):

	Year Ended November 30, 2015
Compensation and benefits	$ 38,249
Technology and communications	30,992
Professional services	2,508
Other expenses	1,345
Total	$ 73,094

We expect to incur approximately an additional $3.1 million of restructuring and exit costs in fiscal 2016 in connection with our exit activities comprised of severance and related benefits and contract termination costs.

The following summarizes our restructuring reserve activity (in thousands):

	Severance costs	Other costs	Contract termination costs	Total restructuring costs	Accelerated amortization of restricted stock and restricted cash awards	Accelerated amortization of capitalized software	Impairments	Total
Balance at February 28, 2015	$ —	$ —	$ —	$ —				
Expenses	30,327	2,774	11,247	44,348	$ 7,922	$ 19,745	$ 1,079	$ 73,094
Payments	(25,522)	(2,774)	(11,247)	(39,543)				
Liability at November 30, 2015	$ 4,805	$ —	$ —	$ 4,805				

Note 25. Selected Quarterly Financial Data (Unaudited)

The following is a summary of unaudited quarterly statements of earnings for the year ended November 30, 2015 and the year ended November 30, 2014 (in thousands):

	Three Months Ended			
	November 30, 2015	August 31, 2015	May 31, 2015	February 28, 2015
Total revenues	$ 701,930	$ 781,123	$ 1,008,510	$ 783,332
Net revenues	513,087	578,928	791,554	591,672
Earnings before income taxes	9,538	7,093	84,712	12,884
Net earnings attributable to Jefferies Group LLC	19,962	2,057	59,833	11,682

	Three Months Ended			
	November 30, 2014	August 31, 2014	May 31, 2014	February 28, 2014
Total revenues	$ 723,004	$ 1,055,435	$ 970,786	$ 1,097,040
Net revenues	524,809	843,309	722,992	899,028
Earnings (loss) before income taxes	(114,020)	135,635	99,137	182,269
Net earnings (loss) attributable to Jefferies Group LLC	(99,759)	83,561	61,326	112,432

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our management, under the direction of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of November 30, 2015. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of November 30, 2015 are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Internal Control over Financial Reporting

Management's annual report on internal control over financial reporting is contained in Part II, Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended November 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Omitted pursuant to General Instruction I(2)(c) to Form 10-K.

Item 11. Executive Compensation.

Omitted pursuant to General Instruction I(2)(c) to Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Omitted pursuant to General Instruction I(2)(c) to Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Omitted pursuant to General Instruction I(2)(c) to Form 10-K.

Item 14. Principal Accountant Fees and Services.

For the fiscal years ended November 30, 2015 and November 30, 2014, the fees for services provided by PricewaterhouseCoopers LLP were as follows:

	2015	2014
Audit Fees	$ 6,481,521	$ 6,236,500
Audit-Related Fees	$ 435,000	$ 125,000
Tax Fees	$ 320,370	$ 179,950
All Other Fees	$ 87,000	$ 50,000
Total All Fees	$ 7,323,891	$ 6,591,450

Audit Fees — The Audit Fees reported above reflect fees for services provided during fiscal 2015 and 2014. These amounts include fees for professional services rendered as our principal accountant for the audit of our consolidated financial statements included in this Annual Report on Form 10-K, the audits of various affiliates and investment funds managed by Jefferies or its affiliates, the audit of internal controls over financial reporting required by Section 404 of Sarbanes-Oxley, reviews of the interim consolidated financial statements included in our quarterly reports on Form 10-Q, the issuance of comfort letters, consents and other services related to SEC and other regulatory filings, audit fees related to other services that are normally provided in connection with statutory and regulatory filings or engagements. The Audit Committee preapproves all auditing services and permitted non-audit services to be performed for us by our independent registered public accounting firm, which are approved by the Audit Committee prior to the completion of the audit. In 2015, the Audit Committee preapproved all auditing services performed for us by the independent registered public accounting firm.

Audit-Related Fees — The Audit-Related Fees reported above reflect fees for services provided during fiscal 2015 and 2014. These amounts include fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit Fees” above. Specifically, the Audit-Related services included the audit of our pension plan, preparation of our SAS 70 and/or SSAE-16 report, performing agreed upon procedures related to specific matters at our request, the audits of our employee benefit plans, accounting consultations, and other services that are normally provided in connection with statutory and regulatory filings or engagements.

Tax Fees — Tax Fees includes fees for services provided during fiscal 2015 and 2014 related to tax compliance, tax advice and tax planning.

All Other Fees — Includes fees during fiscal 2015 and 2014 for performing agreed upon procedures relating to structuring and placing certain funds.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)1. **Financial Statements**

Included in Part II of this report:

	Pages
Management's Report on Internal Control over Financial Reporting	51
Report of Independent Registered Public Accounting Firm	52
Report of Independent Registered Public Accounting Firm	53
Consolidated Statements of Financial Condition	54
Consolidated Statements of Earnings	55
Consolidated Statements of Comprehensive Income	56
Consolidated Statements of Changes in Equity	57
Consolidated Statements of Cash Flows	58
Notes to Consolidated Financial Statements	60

(a)2**. Financial Statement Schedules**

All Schedules are omitted because they are not applicable or because the required information is shown in the Consolidated Financial Statements or notes thereto.

(a)3. **Exhibits**

3.1	Certificate of Formation of Jefferies Group LLC effective as of March 1, 2013 is incorporated by reference to Exhibit 3.2 of Registrant's Form 8-K filed on March 1, 2013.
3.2	Certificate of Conversion of Jefferies Group LLC effective as of March 1, 2013 is incorporated by reference to Exhibit 3.1 of Registrant's Form 8-K filed on March 1, 2013.
3.3	Limited Liability Company Agreement of Jefferies Group LLC dated as of March 1, 2013 is incorporated by reference to Exhibit 3.3 of Registrant's Form 8-K filed on March 1, 2013.
4	Instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Registrant hereby agrees to furnish copies of these instruments to the Commission upon request.
12*	Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.
23.1*	Consent of PricewaterhouseCoopers LLP.
23.2*	Consent of Deloitte & Touche LLP.
23.3*	Consent of PricewaterhouseCoopers LLP.
31.1*	Rule 13a-14(a)/15d-14(a) Certification by Chief Financial Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification by Chief Executive Officer.
32*	Rule 13a-14(b)/15d-14(b) and Section 1350 of Title 18 U.S.C. Certification by the Chief Executive Officer and Chief Financial Officer.
101*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Financial Condition as of November 30, 2015 and November 30, 2014; (ii) the Consolidated Statements of Earnings for the year ended November 30, 2015, the year ended November 30, 2014, the nine months ended November 30, 2013 and for the three months ended February 28, 2013; (iii) the Consolidated Statements of Comprehensive Income for the year ended November 30, 2015, the year ended November 30, 2014, the nine months ended November 30, 2013 and for the three months ended February 28, 2013; (iv) the Consolidated Statements of Changes in Equity for the year ended November 30, 2015, the year ended November 30, 2014, the nine months ended November 30, 2013 and for the three months ended February 28, 2013; (v) the Consolidated Statements of Cash Flows for the year ended November 30, 2015, the year ended November 30, 2014, the nine months ended November 30, 2013 and for the three months ended February 28, 2013; and (vi) the Notes to Consolidated Financial Statements.

* Filed herewith.

(c) Financial Statement Schedules

Jefferies Finance LLC financial statements as of November 30, 2015 and 2014, and for the years ended November 30, 2015, 2014 and 2013

Jefferies LoanCore financial statements as of November 30, 2015 and 2014, and for the years ended November 30, 2015, 2014 and 2013

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JEFFERIES GROUP LLC

/s/ RICHARD B. HANDLER
Richard B. Handler
Chairman of the Board of Directors,
Chief Executive Officer

Dated: January 29, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ RICHARD B. HANDLER Richard B. Handler	Chairman of the Board of Directors, Chief Executive Officer	January 29, 2016
/s/ PEREGRINE C. BROADBENT Peregrine C. Broadbent	Executive Vice President and Chief Financial Officer (Principal Accounting Officer)	January 29, 2016
/s/ BRIAN P. FRIEDMAN Brian P. Friedman	Director and Chairman, Executive Committee	January 29, 2016
W. Patrick Campbell	Director	
/s/ BARRY J. ALPERIN Barry J. Alperin	Director	January 29, 2016
/s/ RICHARD G. DOOLEY Richard G. Dooley	Director	January 29, 2016
/s/ MARYANNE GILMARTIN MaryAnne Gilmartin	Director	January 29, 2016
/s/ JOSEPH S. STEINBERG Joseph S. Steinberg	Director	January 29, 2016

Jefferies Finance LLC and Subsidiaries

Consolidated Balance Sheets as of November 30, 2015 and 2014 and
Related Statements of Earnings, Changes in Members' Equity and Cash Flows for
the Years Ended November 30, 2015, 2014 and 2013

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Table of contents

	PAGE
Independent Auditors' Report	1
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Balance Sheets	2
Consolidated Statements of Earnings	4
Consolidated Statements of Changes in Members' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jefferies Finance LLC and Subsidiaries
New York, NY

We have audited the accompanying consolidated financial statements of Jefferies Finance LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of November 30, 2015 and 2014, and the related consolidated statements of earnings, changes in members' equity, and cash flows for the years ended November 30, 2015, 2014 and 2013, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jefferies Finance LLC and Subsidiaries as of November 30, 2015 and 2014, and the results of their operations and their cash flows for the years ended November 30, 2015, 2014 and 2013 in accordance with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

New York, New York
January 28, 2016

CONSOLIDATED FINANCIAL STATEMENTS

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Balance Sheets
As of November 30, 2015 and 2014
(Dollars in thousands)

	NOVEMBER 30, 2015	NOVEMBER 30, 2014
ASSETS		
Cash	$ 1,491,833	$ 576,222
Restricted cash	1,275,900	670,015
Loans receivable, net of deferred loan fees	3,915,273	3,280,933
Less allowance for loan losses	(53,970)	(27,970)
Loans receivable, net	3,861,303	3,252,963
Loans held for sale, net	247,853	1,038,307
Accrued interest receivable	32,349	28,554
Investments (includes restricted investments of $215,809 and $214,971 at November 30, 2015 and 2014, respectively)	241,778	235,106
Other assets	141,043	152,896
TOTAL ASSETS	$ 7,292,059	$ 5,954,063
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Credit facilities	$ 381,956	$ 493,225
Secured notes payable, net	4,034,711	2,826,517
Interest payable	27,825	27,519
Other liabilities	182,070	117,901
Due to affiliates	8,175	46,566
Long-term debt	1,662,548	1,450,000
Total liabilities	6,297,285	4,961,728
MEMBERS' EQUITY	994,774	992,335
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 7,292,059	$ 5,954,063

See notes to consolidated financial statements.

(Continued)

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)
As of November 30, 2015 and 2014
(Dollars in thousands)

The table below presents the carrying amount and classification of assets of consolidated variable interest entities (“VIEs”) that can be used only to settle obligations of the consolidated VIEs and the liabilities of consolidated VIEs for which creditors (or beneficial interest holders) do not have recourse to our general credit. The assets and liabilities of these consolidated VIEs are included in the Consolidated Balance Sheets and are presented net of intercompany eliminations.

	NOVEMBER 30, 2015	NOVEMBER 30, 2014
ASSETS		
Restricted cash	$ 1,200,396	$ 633,778
Loans receivable, net of deferred loan fees	3,388,328	2,429,487
Less allowance for loan losses	(47,828)	(20,400)
Loans receivable, net	3,340,500	2,409,087
Loans held for sale, net	2,579	3,957
Accrued interest receivable	19,388	13,761
Investments (includes restricted investments of $215,809 and $214,971 at November 30, 2015 and 2014, respectively)	225,629	225,534
Other assets	92,386	78,701
TOTAL ASSETS	$ 4,880,878	$ 3,364,818
LIABILITIES		
Secured notes payable, net	$ 4,034,711	$ 2,826,517
Interest payable	11,304	2,156
Other liabilities	129,941	38,219
Due to affiliates	266	1,121
TOTAL LIABILITIES	$ 4,176,222	$ 2,868,013

See notes to consolidated financial statements.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Statements of Earnings
For the Years Ended November 30, 2015, 2014 and 2013
(Dollars in thousands)

	NOVEMBER 30, 2015	NOVEMBER 30, 2014	NOVEMBER 30, 2013
NET INTEREST AND FEE INCOME:			
Fee income, net	$ 170,679	$ 172,314	$ 139,447
Interest income	256,032	195,366	130,520
Total interest and fee income	426,711	367,680	269,967
Interest expense	232,841	144,928	74,003
Net interest and fee income	193,870	222,752	195,964
Provision for loan losses	29,900	7,979	7,346
Net interest and fee income after provision for loan losses	163,970	214,773	188,618
OTHER LOSSES, NET	(16,640)	(9,999)	(7,898)
OTHER EXPENSES:			
Compensation and benefits	32,620	33,029	25,856
General, administrative and other	27,850	27,640	17,252
Total other expenses	60,470	60,669	43,108
EARNINGS BEFORE INCOME TAX EXPENSE	86,860	144,105	137,612
INCOME TAX EXPENSE	3,421	5,542	4,912
NET EARNINGS	$ 83,439	$ 138,563	$ 132,700

See notes to consolidated financial statements.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Statements of Changes in Members' Equity
For the Years Ended November 30, 2015, 2014 and 2013
(Dollars in thousands)

	CLASS A MEMBERS	CLASS B MEMBERS	TOTAL MEMBERS' EQUITY
BALANCE—November 30, 2013	$ 610,204	$ 64,692	$ 674,896
Contributions	250,000	—	250,000
Distributions	(56,899)	(14,225)	(71,124)
Net earnings	110,852	27,711	138,563
BALANCE—November 30, 2014	$ 914,157	$ 78,178	$ 992,335
Distributions	(64,800)	(16,200)	(81,000)
Net earnings	66,752	16,687	83,439
BALANCE—November 30, 2015	$ 916,109	$ 78,665	$ 994,774

See notes to consolidated financial statements.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended November 30, 2015, 2014 and 2013
(Dollars in thousands)

	NOVEMBER 30, 2015	NOVEMBER 30, 2014	NOVEMBER 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 83,439	$ 138,563	$ 132,700
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Amortization of deferred loan fees and discounts	(46,518)	(35,618)	(27,423)
Amortization of deferred structuring fees	18,430	9,690	4,318
Amortization of discount on secured notes	7,418	3,763	1,616
Provision for loan losses	29,900	7,979	7,346
Realized loss (gain) on sale of loans held for sale	9,610	(5,429)	11,386
Change in fair value of loans held for sale	1,552	8,859	(1,579)
Realized loss (gain) on sales of investments	2,437	114	(1,873)
Unrealized loss (gain) on investments	5,218	6,455	(225)
Loss on loan receivables	—	—	189
Deferred income tax (benefit) expense	(604)	1,489	1,338
(Increase) decrease in operating assets:			
Origination of loans held for sale	(13,616,750)	(13,937,341)	(8,750,447)
Proceeds from sales of loans held for sale	14,392,732	13,843,178	8,063,761
Principal collections on loans held for sale	1,651	13,610	92,785
Accrued interest receivable	(3,796)	(6,005)	(13,032)
Other assets	(4,991)	(15,645)	6,158
Increase (decrease) in operating liabilities:			
Interest payable	307	17,378	6,974
Other liabilities	275,142	11,044	11,920
Due to affiliates	(38,391)	13,494	(7,888)
Net cash provided by (used in) operating activities	1,116,786	75,578	(461,976)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Origination and purchases of loans receivable	(4,450,748)	(3,658,903)	(2,144,775)
Principal collections of loans receivable	3,088,609	1,936,162	1,080,917
Proceeds from sales of loans held for sale	576,147	369,983	239,932
Net change in restricted cash	(605,886)	(592,060)	(40,191)
Purchases of investments	(475,235)	(589,117)	(5,000)
Proceeds from sales of investments	464,887	352,998	1,873
Net cash used in investing activities	(1,402,226)	(2,180,937)	(867,244)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Capital distr butions	(81,000)	(71,124)	—
Capital contributions	—	250,000	—
Repayments of secured notes payable	(91,317)	(89,028)	(10,075)
Proceeds from sale of secured notes	—	12,925	21,475
secured notes	1,275,970	1,885,611	385,739
Net proceeds from issuance of long-term debt	208,666	832,552	585,363
Proceeds from borrowings on credit facilities	4,834,843	7,856,957	5,013,167
Repayments on credit facilities	(4,946,111)	(8,158,358)	(4,679,233)
Net cash provided by financing activities	1,201,051	2,519,535	1,316,436
NET INCREASE (DECREASE) IN CASH	915,611	414,176	(12,784)
CASH—Beginning of the year	576,222	162,046	174,830
CASH—End of the year	$ 1,491,833	$ 576,222	$ 162,046
SUPPLEMENTAL INFORMATION:			
Cash paid for interest	$ 208,498	$ 114,252	$ 64,640
Cash paid for income taxes, net	$ 3,316	$ 2,570	$ 591
NONCASH ITEMS:			
Conversion of loan receivable to investments	$ 7,880	$ —	$ —

See notes to consolidated financial statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

Organizational Structure—Jefferies Finance LLC ("JFIN"), a limited liability company, was organized under the laws of Delaware and commenced operations on October 7, 2004. JFIN will continue in perpetuity unless sooner dissolved as provided in the Amended and Restated Limited Liability Company Agreement, dated May 31, 2011, as amended, modified and/or supplemented from time to time, among JFIN and its members: Massachusetts Mutual Life Insurance Company ("Mass Mutual"), Babson Capital Management LLC ("BCM"), and Jefferies Group LLC ("JGL" and, together with Mass Mutual and BCM, the "Members").

JFIN is a commercial finance company that structures, underwrites and syndicates primarily senior secured loans to corporate borrowers. Our operations are primarily conducted through two business lines, Underwriting & Arrangement and Portfolio & Asset Management. JFIN also purchases performing loans in the syndicated markets. JFIN may also originate second lien term loans, bridge loans, mezzanine loans as well as related equity co-investments and purchase stressed and distressed loans in the secondary markets. In addition, JFIN and its subsidiary Apex Credit Partners LLC each act as portfolio manager for several collateralized loan funds and are registered with the Securities and Exchange Commission as Registered Investment Advisers ("RIA") under the Investment Advisers Act of 1940 since March 1, 2012 and November 19, 2014, respectively.

The accompanying consolidated financial statements refer to JFIN and all its subsidiaries (the "Company"), which includes all entities in which the Company has a controlling interest or is the primary beneficiary, including collateralized loan obligation funds ("CLOs"). See Note 8, Variable Interest Entities, for more information on the CLOs. JFIN Fund III LLC, JFIN Capital 2014 LLC, JFIN Fund IV 2014 LLC and JFIN Business Credit Fund I LLC are wholly owned subsidiaries created for the purpose of holding loans originated and purchased by JFIN which in general are subsequently securitized into CLOs.

JFIN's capital structure consists of Class A members and Class B members, owning 80% and 20% of JFIN, respectively. Net earnings and losses are allocated on a pro rata basis across all Members, unless a loss allocation would cause a negative capital account.

Subsequent Events—The Company has evaluated events and transactions that occurred subsequent to November 30, 2015 through January 28, 2016, the date that these financial statements were issued. We have determined that there were no events or transactions, during such period that would require recognition or disclosure in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates—The preparation of the consolidated financial statements is in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP").

U.S. GAAP requires management to make estimates that affect the amounts reported in the consolidated financial statements and the accompanying notes. The most significant of these estimates relate to the allowance for loan losses, fair value measurements and income taxes. All of these estimates reflect management's best judgment about current economic and market conditions and their effects based on information available as of the date of these consolidated financial statements. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Principles of Consolidation—The accompanying consolidated financial statements reflect the Company's consolidated accounts, including the subsidiaries and the related consolidated results of operations with all intercompany balances and transactions eliminated in consolidation. In addition, the Company consolidates entities which meet the definition of a variable interest entity for which we are the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity.

Revenue Recognition Policies

Interest and Fee Income—Interest and fee income are recorded on an accrual basis to the extent that such amounts are earned and expected to be collected. Premiums and discounts are amortized into interest income using a level yield over the contractual life of the loan.

Deferred Loan Fees, Net—Direct loan underwriting fees, net of costs, are deferred and amortized using a level yield as adjustments to the related loan's yield over the contractual life of the loan. Direct loan underwriting fees, net of costs, related to revolving credit facilities are amortized on a straight-line basis as fee income when the revolving credit facilities become available to the borrowers.

Underwriting fees are recognized on a pro-rata basis as the corresponding loan is syndicated. If the Company retains a portion of the syndicated loan, a portion of the fee is deferred to produce a yield that is not less than the average yield on the portion of the syndicated loans that is held by the other syndicate members. In the event that a loan is prepaid before the scheduled maturity, all remaining deferred loan fees are recorded to interest income.

Cash and Restricted Cash—Cash represents overnight deposits. The Company maintained its cash and restricted cash balances of $2,767.7 million and $1,246.2 million at November 30, 2015 and 2014, respectively, at several financial institutions.

Restricted cash represents the amount of principal and interest on deposit in the Company's credit facilities and collateralized loan obligations ("CLOs"). The credit facilities limit the use of principal cash to funding or purchasing additional eligible loans or reducing the debt of the related credit facilities. Cash on deposit in the interest account of the Company's credit facilities is limited to the payment of interest, servicing fees and other expenses of the Company's credit facilities at specific times outlined in the credit agreements.

Loans Receivable, Net—Loans receivable are recorded at cost, adjusted for unamortized premiums or discounts, net of unamortized deferred underwriting fees and net of allowance for loan losses. The Company intends to hold the majority of its loans until maturity. Loans for which the Company has the intent and ability to hold for the foreseeable future or until maturity are classified as held for investment.

Allowance for Loan Losses—The allowance for loan losses is a reserve established through a charge to provision for loan losses. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses inherent in the loan portfolio. The allowance for loan losses includes reserves calculated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 310, *Receivables* and allowance allocations calculated in accordance with ASC Topic 450, *Contingencies*. Further information regarding the Company's policies and methodology used to estimate the allowance for loan losses is presented in Note 4.

Loans Held for Sale, Net—The Company's business is the structuring and underwriting of loan products with the intent to syndicate the majority of the loan to third parties. The Company will typically invest in a percentage of the originated loan based upon the management of risk with respect to the entire portfolio. When the Company's position is larger than originally intended, the excess hold is classified to Loans held for sale, net, on the Consolidated Balance Sheets. In addition, during the primary syndication process, loans that have been committed to be purchased by third parties but not yet settled are also classified as Loans held for sale, net.

Syndication activities and sales of loans held for sale are accounted for as sales based on the Company's satisfaction of the criteria for such accounting which provides that, as transferor, among other requirements, the Company has surrendered control over the loans. The sale of loan transfers from loans receivable to loans held for sale are included in proceeds from sales of loans held for sale in investing activities in the Consolidated Statements of Cash Flows.

Loans held for sale, net are carried at the lower of cost or fair value, as determined on an individual loan basis, net of unamortized deferred underwriting fees and valuation allowances. Net unrealized losses or gains, if any, are recognized in a valuation allowance through charges to earnings in Other losses, net in the Consolidated Statements of Earnings.

Unamortized premiums, discounts, origination fees and direct costs on loans held for sale are recognized as a component of the gain or loss on sale. Gains and losses on sales of loans held for sale are recognized on trade dates and are determined by the difference between the sale proceeds and the carrying value of the loans and are recorded in Other losses, net, in the Consolidated Statements of Earnings.

Investments—Investments are recorded on a trade date basis. Investments, including financial derivative instruments are recorded on the Consolidated Balance Sheets at fair value with changes in value recorded as a component of Other losses, net, in the Consolidated Statements of Earnings.

The Company has elected to carry its investments primarily at fair value under the fair value option election in accordance with ASC 825, *Financial Instruments*. The Company's election is done on an instrument-by-instrument basis. The election is made upon the acquisition of the eligible financial asset. The fair value election may not be revoked once an election is made.

The Company presents derivatives on the Consolidated Balance Sheets as assets or liabilities, with their resulting gains or losses recognized in Other losses, net. Fair value is based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair value may require significant management judgment or estimation. Pricing information obtained from external data providers (including independent pricing services and brokers) may incorporate a range of market quotes from dealers, recent market transactions, benchmarking model derived prices to quoted market prices and trade data for comparable securities. External pricing data is subject to evaluation for reasonableness using a variety of means including comparisons of prices to those of similar product types, quality and maturities, consideration of the narrowness or wideness of the range of prices obtained, knowledge of recent market transactions and an assessment of the similarity in prices to comparable dealer offerings in a recent time period. Derivative contracts are valued using models, whose input reflect the assumption that we believe market participants would use in valuing the derivative in a current period transaction. Inputs to valuation models are appropriately calibrated to market data.

Deferred Structuring Fees—Deferred structuring fees on Credit facilities, Secured notes payable and Long-term debt are included in Other assets on the Consolidated Balance Sheets and are amortized to Interest expense in the Consolidated Statements of Earnings over the contractual term of the borrowing using a level yield.

Fair Value Hierarchy—In determining fair value, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources.

If unobservable inputs are used, the Company will use assumptions that reflect the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Company applies a hierarchy to categorize its fair value measurements broken down into three levels based on the transparency of inputs as follows:

Level 1—Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level 2—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these financial instruments include cash instruments, for which quoted prices are available but traded less frequently; derivative instruments whose fair values have been derived using a model where inputs to the model are directly observable in the market or can be derived principally from or corroborated by observable market data; and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3—Instruments that have little to no pricing observability as of the reported date. These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The valuation of financial instruments may include the use of valuation models and other techniques. Adjustments to valuations derived from valuation models may be made when, in management's judgment, the features of the financial instrument, such as its complexity or the market in which the financial instrument is traded and risk uncertainties about market conditions, require that an adjustment be made to the value derived from the models.

The Company's fair value measurements involve third party pricing for the majority of its assets and liabilities. If third party pricing is unavailable, the Company may employ various valuation techniques and models, which involve inputs that are observable, when available. The Company's valuation policies and procedures are reviewed at least annually and are updated as necessary. Further, the Company tracks the fair values of significant assets and liabilities using a variety of methods including third party vendors, comparison to previous trades and an assessment for overall reasonableness. See Note 7 for further information on fair value measurements.

Income Taxes—Under current federal and state income tax laws and regulations, the Company is treated as a partnership for tax reporting purposes and is generally not subject to income taxes. Additionally, no provision has been made for federal, state, or local income taxes on the results of operations generated by partnership activities; as such taxes are the responsibility of its Members. However, the Company is subject to certain state and local entity level income taxes, including New York City Unincorporated Business Tax. Amounts provided for income taxes are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The realization of deferred tax assets is assessed and a valuation allowance is recorded to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized. The Company follows the provisions of accounting for uncertainty in income taxes which prescribes a recognition threshold under which it is determined whether it is more likely than not that a tax position will be sustained on the basis of the technical merits of the position. For those tax positions that meet the more-likely-than-not recognition threshold, the largest amount of the tax benefit that is more than fifty percent likely to be realized upon ultimate settlement with the tax authority is recognized.

New Accounting Developments

Disclosures about Offsetting Assets and Liabilities—In December 2011, and clarified in January 2013, the FASB issued an Accounting Standards Update ("ASU"), No. 2011-11 and ASU, No. 2013-1 respectively which amended guidance related to disclosures about offsetting assets and liabilities. The amended guidance requires the disclosure of both gross information and net information about financial instruments, including derivatives, and transactions eligible for offset in the Consolidated Balance Sheets as well as financial instruments and transactions subject to agreements similar to a master netting arrangement. The amended guidance was required to be applied retrospectively and was effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The Company adopted this guidance starting fiscal year 2014. The adoption of this guidance did not have an impact on the Company's consolidated financial condition, results of operations or cash flows.

Revenue Recognition—In May 2014, the FASB issued ASU, No. 2014-09, *Revenue from Contracts with Customers* which defines how companies report revenues from contracts with customers, and also require enhanced disclosures. The guidance is effective beginning in the first quarter of fiscal 2019. FASB issued ASU, No 2015-14 which deferred the effective date by one year. We are currently evaluating the impact of the new guidance on our consolidated financial statements. The Company does not expect this guidance to have a material effect on the consolidated financial condition, results of operations or cash flows.

Consolidation—In February 2015, the FASB issued ASU, No. 2015-02, *Amendments to Consolidation Analysis* which requires companies to reevaluate whether they should consolidate certain entities. The guidance is effective beginning in the first quarter of fiscal 2017 and early adoption is permitted. The Company early adopted this guidance starting fiscal year 2015. The adoption of this guidance did not have an impact on the Company's consolidated financial condition, results of operations or cash flows.

Presentation of Debt Issuance Costs—In April 2015, the FASB issued ASU, No. 2015-03, *Amendments to Simplifying the Presentation of Debt Issuance Costs* which requires companies to present debt issue costs as a direct deduction from that debt liability. The guidance is effective beginning in the first quarter of fiscal 2017 and early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements. The Company does not expect this guidance to have a material effect on the consolidated financial condition, results of operations or cash flows.

Financial Instruments—In January 2016, the FASB issued ASU, No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities.* The guidance affects the accounting for equity investments, financial liabilities under fair value option and the presentation and disclosure requirements of financial instruments. The guidance is effective in the first quarter of fiscal 2019. Early adoption is permitted for the accounting guidance on financial liabilities under the fair value option. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

3. RESTRICTED CASH

The following is a summary of restricted cash as of November 30, 2015 and 2014 (in thousands):

	2015	2014
Principal and interest collections on loans held in credit facilities and CLOs	$ 202,098	$ 106,642
Reserves held in credit facilities and CLOs to support future commitments	1,073,802	563,373
Total restricted cash	$ 1,275,900	$ 670,015

Certain CLOs holding restricted cash are within their reinvestment periods and in compliance with collateralization tests allowing the use of principal cash to purchase or fund eligible assets. $900.0 million of cash reserves are held in funding accounts in our revolver CLOs to support future drawings. The CLOs require the cash on deposit in interest accounts to be used to pay senior management fees, interest to note holders, subordinate management fees and any residual to the subordinate note holders, providing the structure is in compliance with the collateralization tests. In the event the CLOs were not in compliance with the collateralization tests, cash in the interest accounts would be used to pay senior management fees, interest to the note holders and the residual could be diverted to reduce the secured notes outstanding. See also Note 8, Variable Interest Entities for a discussion of restricted cash held by CLOs.

4. LOANS RECEIVABLE, NET

The Company's loan receivable portfolio consists primarily of senior secured loans in various industries. The portfolio is segmented into originated and secondary loans which reflect how the portfolio is managed. Originated is a designation that indicates that the Company has had a major role in underwriting the loan either as an arranger or other title. Secondary is a designation that indicates that the Company acquired the loans through primary syndications conducted by other arrangers or purchased in the open market.

The following is a summary of outstanding loan balances as of November 30, 2015 and 2014 (in thousands):

	2015	2014
Loans receivable:		
Originated	$ 2,104,665	$ 1,853,438
Secondary	1,950,678	1,549,371
Total loans receivable	4,055,343	3,402,809
Less: original issue discount	(50,691)	(40,920)
Total loans receivable, net of original issue discount	4,004,652	3,361,889
Less: deferred loan fees	(89,379)	(80,956)
Total loans receivable, net of deferred loan fees	3,915,273	3,280,933
Less: allowance for loan losses	(53,970)	(27,970)
Total loans receivable, net	$ 3,861,303	$ 3,252,963

As of November 30, 2015 there was $31.8 million and $18.9 million of original issue discount included in originated and secondary loans, respectively. As of November 30, 2014 there was $29.3 million and $11.6 million of original issue discount included in originated and secondary loans, respectively.

As of November 30, 2015 and 2014, $3.9 billion and $3.1 billion, respectively, of loans receivable were pledged as collateral against the Company's credit facilities and secured notes issued by the CLOs. See also Note 8, Variable Interest Entities for a discussion of loans receivable owned by CLOs.

Nonaccrual Loans—If a loan is 90 days or more past due or the borrower is not able to service its debt and other obligations, the loan is placed on nonaccrual status. When a loan is placed on nonaccrual status, interest previously recognized as interest income but not yet paid is reversed and the recognition of interest income on that loan will stop until factors indicating doubtful collection no longer exist and the loan has been brought current. Exceptions to this policy will be made if the loan is well secured and in the process of collection. Payments received on nonaccrual loans are first applied to the required principal payments due. On the date the borrower pays in full all overdue amounts, the borrower's loan will emerge from nonaccrual status and all overdue interest, including those from prior years, will be recognized as interest income in the current period.

The following is an analysis of past due loans at November 30, 2015 (in thousands):

	LOANS 30-89 DAYS PAST DUE	LOANS 90 OR MORE DAYS PAST DUE	TOTAL PAST DUE LOANS	CURRENT LOANS	TOTAL LOANS
Originated	$ —	$ —	$ —	$ 2,072,898	$ 2,072,898
Secondary	13,563	—	13,563	1,918,191	1,931,754
Total	$ 13,563	$ —	$ 13,563	$ 3,991,089	$ 4,004,652

The following is an analysis of past due loans as of November 30, 2014 (in thousands):

	LOANS 30-89 DAYS PAST DUE	LOANS 90 OR MORE DAYS PAST DUE	TOTAL PAST DUE LOANS	CURRENT LOANS	TOTAL LOANS
Originated	$ —	$ —	$ —	$ 1,824,096	$ 1,824,096
Secondary	—	—	—	1,537,793	1,537,793
Total	$ —	$ —	$ —	$ 3,361,889	$ 3,361,889

Impaired Loans—Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated on an individual loan basis. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's effective rate or at the fair value of collateral if repayment is expected solely from the collateral.

Interest received on impaired loans is typically applied to principal outstanding unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Loans will be charged off against the allowance when full collection of the principal from the sale of collateral, if applicable, or the enforcement of guarantees is remote. The Company does not necessarily wait until the final resolution of a loan to charge off the uncollectible balance.

The following is a summary of impaired loans as of November 30, 2015 (in thousands)

	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE	RELATED ALLOWANCE	AVERAGE RECORDED INVESTMENT
With allowance recorded:				
Originated	$ 38,801	$ 42,701	$ 6,418	$ 11,651
Secondary	43,509	44,883	22,321	22,427
Total	$ 82,310	$ 87,584	$ 28,739	$ 34,078

The following is a summary of impaired loans as of November 30, 2014 (in thousands):

	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE	RELATED ALLOWANCE	AVERAGE RECORDED INVESTMENT
With allowance recorded:				
Originated	$ 7,820	$ 7,820	$ 1,580	$ 6,324
Secondary	5,776	7,150	3,400	8,138
Total	$ 13,596	$ 14,970	$ 4,980	$ 14,462

The average recorded investment reflects the change in the balance of impaired loans throughout the years ended November 30, 2015 and 2014.

As of November 30, 2015 and 2014, each individual impaired loan had an allowance recorded.

Interest income was not recognized on impaired and nonaccrual loans during the years ended November 30, 2015, 2014 and 2013. If the impaired and nonaccrual loans had been performing, an additional $1.5 million, $0.6 million and $0.5 million of interest income would have been recorded for the years ended November 30, 2015, 2014 and 2013, respectively.

Allowance for Loan Losses—The Company's allowance for loan losses reflects management's estimate of net loan losses inherent in the loan portfolio. The allowance for general loan losses is calculated as the aggregate loan loss reserve for losses inherent in the portfolio that have not yet been identified.

Reserve factors are assigned to the loans in the portfolio, which dictate the percentage of the total outstanding loan balance that is reserved. The loan portfolio information is regularly reviewed to determine whether it is necessary to revise the reserve factors.

The reserve factors used in the calculation are determined by analyzing the following elements:

- the types of loans;
- the expected loss with regard to the loan type;
- the internal credit rating assigned to the loans; and
- type of industry for a given loan.

The Company has a policy to reserve for impaired loans based on a comparison of the recorded carrying value of the loan to either the present value of the loan's expected cash flow or the estimated fair value of the underlying collateral where applicable. The Company considers market value of the loan in its determination of the loan losses for impaired loans. There is no threshold for collectively evaluating for impaired loans. Loans will be charged off against the allowance when full collection of the principal from the sale of collateral or the enforcement of guarantees is remote. The Company does not necessarily wait until the final resolution of a loan to charge off the uncollectible balance.

The Company regularly tests the allowance for loan losses for reasonableness. In determining reasonableness, trends in the elements analyzed in establishing the reserve factors described above are reviewed. In addition, the Company continues to monitor the market to corroborate the reserve levels on similar loan products. The Company also computes an allowance for unfunded lending commitments using a methodology that is similar to that used for loans. The table below summarizes the Company's reporting of its allowance for loan losses:

	CONSOLIDATED BALANCE SHEETS	CONSOLIDATED STATEMENTS OF EARNINGS
Allowance for loan losses on:		
Loans	Allowance for loan losses	Provision for loan losses
Unfunded loan commitments	Other liabilities	General, administrative and other

The following is a summary of the activity in the allowance for loan losses for the year ended November 30, 2015 (in thousands):

	ORIGINATED	SECONDARY	TOTAL
Balance, November 30, 2014	$ 10,373	$ 17,597	$ 27,970
Provision for (recovery of) loan losses—general	2,243	(2)	2,241
Provision for loan losses—specific	8,738	18,921	27,659
Charge-offs	(3,900)	—	(3,900)
Balance, November 30, 2015	17,454	36,516	53,970
Balance, end of period—general	$ 11,036	$ 14,195	$ 25,231
Balance, end of period—specific	$ 6,418	$ 22,321	$ 28,739
Loans receivable:			
Loans collectively evaluated—general	$ 2,034,097	$ 1,888,245	$ 3,922,342
Loans individually evaluated—specific	38,801	43,509	82,310
Total	$ 2,072,898	$ 1,931,754	$ 4,004,652

The following is a summary of the activity in the allowance for loan losses for the year ended November 30, 2014 (in thousands):

	ORIGINATED	SECONDARY	TOTAL
Balance, November 30, 2013	$ 3,755	$ 17,873	$ 21,628
Provision for loan losses—general	5,038	1,420	6,458
Provision for (recovery of) loan losses—specific	2,261	(740)	1,521
Transfers to loans held for sale, net	(681)	(956)	(1,637)
Balance, November 30, 2014	10,373	17,597	27,970
Balance, end of period—general	$ 8,793	$ 14,197	$ 22,990
Balance, end of period—specific	$ 1,580	$ 3,400	$ 4,980
Loans receivable:			
Loans collectively evaluated—general	$ 1,816,276	$ 1,532,017	$ 3,348,293
Loans individually evaluated—specific	7,820	5,776	13,596
Total	$ 1,824,096	$ 1,537,793	$ 3,361,889

The following is a summary of the activity in the allowance for loan losses for the year ended November 30, 2013 (in thousands):

	ORIGINATED	SECONDARY	TOTAL
Balance, November 30, 2012	$ 4,437	$ 11,237	$ 15,674
Provision for loan losses—general	1,155	6,760	7,915
Recovery of (provision for) loan losses—specific	(1,837)	1,268	(569)
Transfers to loans held for sale, net	—	(1,099)	(1,099)
Charge-offs	—	(293)	(293)
Balance, November 30, 2013	3,755	17,873	21,628
Balance, end of period—general	$ 3,755	$ 12,777	$ 16,532
Balance, end of period—specific	$ —	$ 5,096	$ 5,096
Loans receivable:			
Loans collectively evaluated—general	$ 823,963	$ 1,229,764	$ 2,053,727
Loans individually evaluated—specific	—	11,712	11,712
Total	$ 823,963	$ 1,241,476	$ 2,065,439

The reserve balances related to loan losses on unfunded commitments were $3.6 million and $3.5 million as of November 30, 2015 and 2014, respectively. In addition, the Company increased the reserve related to loan losses on unfunded commitments by $0.1 million. $0.4 million and $0.7 million during the years ended November 30, 2015, 2014 and 2013, respectively. The changes in reserve were recognized in General, administrative and other in the Consolidated Statements of Earnings and the reserve was included in Other liabilities on the Consolidated Balance Sheets.

Credit Quality Indicators—As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management tracks credit quality indicators. Management regularly reviews the performance of its loans receivable to evaluate the credit risk.

The Company evaluates each loan using six weighted credit risk grade categories that have both qualitative and quantitative components that differentiate the level of risk. Credit risk categories are assigned weights based on the characteristics of issuers.

For each borrower, the Company evaluates the following credit risk categories:

- Industry segment
- Position within the industry
- Earnings / Operating Cash Flows
- Asset / Liability values
- Financial flexibility / debt capacity
- Management and controls

The Company utilizes a risk grading matrix to assign an internal credit grade ("ICG") to each of its loans. Loans are individually rated on a tiered scale of one to ten, with each rating further divided into three levels of .2, .5 and .8.

A description of the general characteristics of the ICGs is as follows:

- Grade 1—Issuers assigned this grade are characterized as substantially risk free and having an extremely strong capacity to meet all financial obligations.
- Grade 2—Issuers assigned this grade are characterized as representing minimal risk.
- Grade 3—Issuers assigned this grade are characterized as representing modest risk.
- Grade 4—Issuers assigned this grade are characterized as representing better than average risk.
- Grade 5—Issuers assigned this grade are characterized as representing average risk.
- Grade 6—Issuers assigned this grade are characterized as representing acceptable risk.
- Grade 7—Issuers assigned this grade are currently vulnerable to adverse business, financial and economic conditions and are characterized by increasing credit risk. They possess potential weakness that may, if not checked or corrected, weaken the asset or result in a likelihood of default at some future date. The increasing risk has or may result in discounted pricing levels or decreased trading liquidity.
- Grade 8—Issuers assigned this grade are characterized by inadequate repayment capacity and / or recovery of the obligor or of the collateral pledged resulting in potential loss if deficiencies are not corrected.
- Grade 9—Issuers assigned this grade are in (a) payment default at any level in its debt structure or (b) bankruptcy. In addition, asset weaknesses may make collection or liquidation in full, on the basis of existing facts, highly questionable and improbable.
- Grade 10—Issuers assigned this grade are charged-off.

The following is a summary of credit risk profile by ICG as of November 30, 2015 (in thousands):

ICG	ORIGINATED	SECONDARY	TOTAL
5.2	$ —	$ 39,209	$ 39,209
5.5	—	62,460	62,460
5.8	30,269	166,900	197,169
6.2	243,597	376,283	619,880
6.5	856,837	740,159	1,596,996
6.8	628,437	414,041	1,042,478
7.2	186,133	57,194	243,327
7.5	51,799	24,556	76,355
7.8	72,851	10,026	82,877
8.2	2,975	27,363	30,338
8.5	—	13,563	13,563
Total	$ 2,072,898	$ 1,931,754	$ 4,004,652

The following is a summary of credit risk profile by ICG as of November 30, 2014 (in thousands):

ICG	ORIGINATED	SECONDARY	TOTAL
4.8	$ —	$ 1,990	$ 1,990
5.2	—	40,135	40,135
5.5	—	70,778	70,778
5.8	24,987	185,938	210,925
6.2	114,812	234,014	348,826
6.5	1,084,586	489,818	1,574,404
6.8	520,509	346,041	866,550
7.2	23,623	116,293	139,916
7.5	47,758	18,380	66,138
7.8	—	19,297	19,297
8.2	—	10,274	10,274
8.5	7,821	4,835	12,656
Total	$ 1,824,096	$ 1,537,793	$ 3,361,889

Troubled Debt Restructurings—The Company periodically modifies the terms of a loan receivable in response to borrowers' difficulties. Modifications that include a significant financial concession(s) to the borrower that likely reflect a current view that the repayment on the original terms is unlikely are accounted for as TDRs. The Company uses a consistent methodology across all loans to determine if a modification granted to a borrower, determined to be in financial difficulty is a TDR.

The Company's policies on TDR identification include the following examples of indicators used to determine whether the borrower is in financial difficulty:

- Payment default of principal and interest
- Bankruptcy declaration
- Going concern opinion issued by accountants
- Insufficient cash flow to service debt with low likelihood of turnaround in the short term
- Securities (public) are de-listed
- Refinancing sources are unlikely
- Financial covenants breach is unlikely to be amended

If the borrower is determined to be in financial difficulty, then the Company utilizes the following criteria to determine whether a concession has been granted to the borrower:

- Modification of interest rate below market rate
- The borrower does not otherwise have access to funding for debt with similar risk characteristics in the market at the restructured rate and terms
- Capitalization of interest
- Delaying principal and/or interest for a period of year or more
- Forgiveness of the principal balance

Below is a summary of the Company's loans which were classified as TDR as of November 30, 2015 (in thousands):

	PRE-MODIFICATION OUTSTANDING RECORDED INVESTMENT	POST-MODIFICATION OUTSTANDING RECORDED INVESTMENT	INVESTMENT IN TDR SUBSEQUENTLY DEFAULTED
Secondary	$ 8,660	$ 4,911	$ —
Total	$ 8,660	$ 4,911	$ —

Below is a summary of the Company's loans which were classified as TDR as of November 30, 2014 (in thousands):

	PRE-MODIFICATION OUTSTANDING RECORDED INVESTMENT	POST-MODIFICATION OUTSTANDING RECORDED INVESTMENT	INVESTMENT IN TDR SUBSEQUENTLY DEFAULTED
Secondary	$ 972	$ 972	$ —
Total	$ 972	$ 972	$ —

All restructured loans that remain outstanding are on non-accrual status. Because the loans were classified on non-accrual status both before and after restructuring, the modifications did not impact the Company's determination of the allowance for loan losses. There were no payment defaults on loans restructured in troubled debt restructurings during the years ended November 30, 2015 and 2014.

Modified loans that are classified as TDRs are individually evaluated and measured for impairment. Modified loans that meet the definition of a TDR are subject to the Company's standard impaired loan policy, namely that non-accrual loans are individually reviewed for impairment.

Other Assets and Other Liabilities—Included in Other assets are amounts receivable for sales of loans pending settlement. As of November 30, 2015 and 2014, there were $42.7 million and $63.3 million, respectively, of pending sales. Additionally, included in Other liabilities are amounts payable for loans pending settlement. As of November 30, 2015 and 2014 there were $140.4 million and $70.6 million, respectively, of pending purchases.

5. LOANS HELD FOR SALE, NET

Below is a summary of Loans held for sale, net, as of November 30, 2015 and 2014 (in thousands):

	2015	2014
Loans held for sale	$ 266,155	$ 1,072,900
Less: original issue discount	(10,979)	(19,161)
Total loans held for sale, net of original issue discount	255,176	1,053,739
Less:		
Valuation allowance	(7,756)	(10,208)
Deferred loan fees, net	433	(5,224)
Loans held for sale, net	$ 247,853	$ 1,038,307

Included in the Loans held for sale was $174.1 million and $861.9 million of loans that funded prior to but settled after November 30, 2015 and November 30, 2014, respectively. As of November 30, 2015 and November 30, 2014 loans held for sale of $65.1 million and $4.0 million were pledged as collateral against the Company's credit facilities and secured notes issued by CLOs, respectively. See Note 8, Variable Interest Entities for more information on loans held for sale owned by CLOs.

As of November 30, 2015 and 2014, the Company had one impaired / non-accrual loans in the amount of $2.6 million in Loans held for sale, net.

6. INVESTMENTS

As of November 30, 2015 and 2014, one of the consolidated CLOs held $215.8 million and $215.0 million, respectively of U.S. Treasury Securities which have short-term maturities and are restricted under the terms as stated in the CLO indentures. Also, under the fair value option as of November 30, 2015 and 2014, the Company held investments of $26.0 million and $20.1 million, respectively in a corporate bond, interest rate swaps and other investments which were accounted for at fair value.

DERIVATIVE FINANCIAL INSTRUMENTS

As part of certain CLOs' risk management strategy to manage the effect of fluctuations in London Interbank Offered Rate ("LIBOR") rates associated with its loan commitments, interest rate swaps were purchased with an initial notional value of $1,203.0 million with maturities ranging from one to seven years. On August 14, 2014, JFIN entered into a Total Return Swap ("TRS") with Jefferies Financial Products, LLC ("JFP"), a wholly owned subsidiary of JGL, with the $23.0 million Variable Funding note for one of the consolidated CLOs as the underlying asset. The TRS has a remaining maturity of approximately 6 years.

As of November 30, 2015 and 2014, the interest rate swaps and the TRS had a fair value of $9.8 million and $10.5 million, respectively and were included within Investments on the Consolidated Balance Sheets. The net loss on the interest rate swaps and TRS was $10.4 million and $6.2 million for the years ended November 30, 2015 and 2014, respectively and was included in Other losses, net in the Consolidated Statements of Earnings. As of November 30, 2015, the counterparty credit quality with respect to the interest rate swaps was between A+ and BBB.

The following table sets forth the remaining contract maturities of the interest rate swaps and total return swap at their notional value as of November 30, 2015 (in thousands):

	1-5 YEARS	GREATER THAN 5 YEARS	TOTAL
Interest rate swaps	$ 1,135,000	$ 68,000	$ 1,203,000
Total return swap	$ —	$ 23,000	$ 23,000

7. FINANCIAL INSTRUMENTS AT FAIR VALUE

The following table presents the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of November 30, 2015 and 2014 by level within the fair value hierarchy (in thousands):

NOVEMBER 30, 2015	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets, nonrecurring basis:				
Loans held for sale, net of original issue discount	$ —	$ 192,316	$ 55,104	$ 247,420
Assets, recurring basis:				
Investments				
U.S. treasury securities	$ 215,809	$ —	$ —	$ 215,809
Bonds	—	4,450	—	4,450
Interest rate swaps	—	7,300	—	7,300
Corporate equity securities	—	—	11,675	11,675
Derivatives	—	—	2,544	2,544
Total Investments	$ 215,809	$ 11,750	$ 14,219	$ 241,778

NOVEMBER 30, 2014	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets, nonrecurring basis:				
Loans held for sale, net of original issue discount	$ —	$ 1,043,531	$ —	$ 1,043,531
Assets, recurring basis:				
Investments				
U.S. treasury securities	214,971	—	—	214,971
Bonds	—	4,837	—	4,837
Interest rate swaps	—	10,505	—	10,505
Other investments	—	4,793	—	4,793
Total Investments	$ 214,971	$ 20,135	$ —	$ 235,106

The following table presents the changes in Level 3 assets measured on a recurring and nonrecurring basis as of November 30, 2015 (in thousands):

	BALANCE AT DECEMBER 1, 2014	PURCHASES	SETTLEMENTS, NET	TOTAL GAINS/ LOSSES (REALIZED AND UNREALIZED)	TRANSFERS IN AND OUT OF LEVEL 3	BALANCE AT NOVEMBER 30, 2015	NET CHANGE IN UNREALIZED GAINS RELATING TO INSTRUMENTS STILL HELD AT NOVEMBER 30, 2015
Corporate equity securities	$ —	$ 3,891	$ —	$ 3,084	$ 4,700	$ 11,675	$ 11,675
Loans held for sale, net	$ —	$ —	$ —	$ —	$ 55,103	$ 55,103	$ —
Derivatives	$ —	$ —	$ 2,544	$ —	$ —	$ 2,544	$ 2,544

For the year ended November 30, 2015, $59.8 million was transferred from Level 2 to Level 3 due to decreased observability of inputs.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy for the year ended November 30, 2014.

The tables below present information on the valuation techniques, significant unobservable inputs and their ranges for our financial assets and liabilities, subject to threshold levels related to the market value of the positions held, measured at fair value on a recurring basis with a significant Level 3 balance. The range of unobservable inputs could differ significantly across different firms given the range of products across different firms in the financial services sector. The inputs are not representative of the inputs that could have been used in the valuation of any one financial instrument (i.e., the input used for valuing one financial instrument within a particular class of financial instruments may not be appropriate for valuing other financial instruments within that given class). Additionally, the ranges of inputs presented below should not be construed to represent uncertainty regarding the fair values of our financial instruments; rather the range of inputs is reflective of the differences in the underlying characteristics of the financial instruments in each category.

FINANCIAL INSTRUMENTS OWNED	FAIR VALUE (IN THOUSANDS)	VALUATION TECHNIQUE	NET SIGNIFICANT UNOBSERVABLE INPUT(S)	INPUT RANGE	WEIGHTED AVERAGE
Corporate equity securities					
Non-exchange traded securities	$ 11,675	Market Approach	EBITDA multiple	6.5x-8.4x	7.7x
Loans held for sale					
Loan	$ 55,103	Market Approach	Yield relative to market	3.8%	—
Derivatives					
Total return swap	$ 2,544	Discounted Cash Flows	Constant prepayment rate	20.0%	—
			Constant default rate	2.0%	
			Loss severity	25.0%	
			Yield	11.0%	

For loans held for sale, net of any deferred loan origination fees, the Company uses observable market data, including pricing on recent trades, third party pricing, or when appropriate, the underlying collateral. Included within loans held for sale balance are loans recorded at lower of cost or fair value, where cost approximates fair value.

For bonds, interest rate swaps and other investments, the Company uses broker quotes for non-exchange traded investments and, based upon the observability of the inputs.

U.S. Treasury Securities are measured based on quoted market prices.

Below is a summary of financial instruments not measured at fair value on a recurring or non-recurring basis as of November 30, 2015 and 2014, but for which fair value is required to be disclosed (in thousands):

	NOVEMBER 30, 2015		NOVEMBER 30, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash	$ 1,491,833	$ 1,491,833	$ 576,222	$ 576,222
Restricted cash	1,275,900	1,275,900	670,015	670,015
Loans receivable, net	3,861,303	3,811,651	3,252,963	3,334,757
Total	$ 6,629,036	$ 6,579,384	$ 4,499,200	$ 4,580,994
Financial liabilities:				
Credit facilities	$ 381,956	$ 381,956	$ 493,225	$ 493,225
Secured notes payable, net	4,034,711	3,995,159	2,826,517	2,826,840
Long-term debt	1,662,548	1,593,656	1,450,000	1,390,875
Total	$ 6,079,215	$ 5,970,771	$ 4,769,742	$ 4,710,940

Cash and restricted cash—The carrying value of cash and restricted cash approximates fair value and is considered Level 1 measurement.

Loans receivable, net—A significant portion of the Company's loans receivable are measured primarily using broker quotations and using pricing service data from external providers. When pricing data is unavailable and there are no observable inputs, valuations are based on models involving projected cash flows of the issuer and market prices for comparable issuers and are considered Level 2 measurements since there is no open exchange for loan assets. In loans receivable, net there is $34.7 million of loan value that is based on a Level 3 measurement.

Credit facilities—Due to the adjustable rate nature of the borrowings, the fair value of the credit facilities are estimated to be their carrying values and are considered Level 2 measurements. Rates currently are comparable to those offered to the Company for similar debt instruments of comparable maturities by the Company's lenders.

Secured notes payable, net—The Company uses broker quotes for non-exchange traded investments and are considered Level 2 measurements.

Long-term debt—Fair value of long-term debt is based on broker quotations, which are Level 2 inputs. When broker quotes are not available, values are estimated using a discounted cash flow analysis with a discount rate approximating current market rates interest for issuances of similar term debt.

8. VARIABLE INTEREST ENTITIES

Variable interest entities ("VIEs") are entities in which equity investors lack the characteristics of a controlling financial interest. VIEs are consolidated by the primary beneficiary. The primary beneficiary is the party who has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (2) an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity.

Variable interests in VIEs include debt and equity interests, commitments and management and performance fees. Involvement with VIEs arises primarily from involvement as a portfolio manager of collateralized loan obligations ("CLOs"). The Company also acts as sponsor and funds the underlying loans prior to the close of a CLO and owns notes issued by the CLOs.

The Company determines whether it is the primary beneficiary of a VIE upon initial involvement with the VIE and reassess whether it is the primary beneficiary of a VIE on an ongoing basis. The determination of whether the Company is the primary beneficiary of a VIE is based upon the facts and circumstances for each VIE and requires significant judgment. Considerations in determining the VIE's most significant activities and whether the Company has the power to direct those activities include, but are not limited to, the VIE's purpose and design and the risks passed through to investors, the voting interests of the VIE, management, service and/or other agreements of the VIE, involvement in the VIE's initial design and the existence of explicit or implicit financial guarantees.

Variable interests in a VIE are assessed both individually and in aggregate to determine whether the Company has an obligation to absorb losses of or a right to receive benefits from the VIE that could potentially be significant to the VIE. The determination of whether the

Company's variable interest is significant to the VIE requires significant judgment. In determining the significance of our variable interest, we consider the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, our involvement in the VIE and our market-making activities related to the variable interests.

The following table presents information about the Company's consolidated VIEs at November 30, 2015 and 2014 (in thousands):

	NOVEMBER 30, 2015	NOVEMBER 30, 2014
Restricted cash	$ 1,200,396	$ 633,778
Loans	3,343,079	2,413,044
Investments	225,629	225,534
Accrued interest receivable and other assets	111,774	92,462
	$ 4,880,878	$ 3,364,818
Secured notes payable	$ 4,034,711	$ 2,826,517
Interest payable and other liabilities	141,511	41,496
	$ 4,176,222	$ 2,868,013

The Company is the primary beneficiary of CLOs to which the Company transferred bank loans, securities and participation interests in the form of senior secured loans, second lien loans, unsecured loans, senior secured bonds, senior secured floating notes, unsecured bonds and revolving credit loans backed by corporate credits and retained a portion of the notes issued by the CLO. In the creation of the CLO, the Company was involved in the decisions made during the establishment and design of the entity. The Company acts as the portfolio manager for the CLOs and holds variable interests consisting of the retained notes that could potentially be significant. The assets of the VIEs consist of the loans and bonds backed by corporate credits, which are available for the benefit of the vehicle's beneficial interest holders. The creditors of the VIEs do not have recourse to the general credit of the Company and the assets of the VIEs are not available to satisfy any other debt.

9. CREDIT FACILITIES

As of November 30, 2015 and 2014, the Company had secured credit facilities totaling $1.4 billion and $3.0 billion, respectively, which were used to fund eligible loans. The interest rates related to the credit facilities are primarily variable interest rates based on LIBOR plus a spread as stated in the respective agreements. The credit facilities are secured by the underlying loans funded with the proceeds of the respective facility.

During the years ended November 30, 2015, 2014 and 2013, the Company entered into revolving credit agreements for $0.5 billion, $1.7 billion and $0.8 million, respectively. During the years ended November 30, 2015, 2014 and 2013, $1.8 billion, $0.7 billion and $0.4 billion, respectively of outstanding commitments matured or terminated and any outstanding amounts were repaid.

Below is a summary of the Credit Facilities and Members' Fronting Line as of and for the year ended November 30, 2015 (in millions):

	THIRD PARTY FRONTING LINE	JFIN FUND IV 2014 LLC	CLO 2015-II WH	JFBC I	JFUND III	FRONTING LINE	TOTAL
Total availability under the facility	$ 481.7	$ —	$ —	$ 100.0	$ 300.0	$ 500.0	$ 1,381.7
Outstanding balance	67.2	—	—	45.1	231.1	38.6	382.0
Current availability	$ 414.5	$ —	$ —	$ 54.9	$ 68.9	$ 461.4	$ 999.7
Principal balance pledged as collateral	$ 67.2	$ —	$ —	$ 67.2	$ 380.5	$ 38.6	$ 553.5
Largest outstanding amounts during the periods	386.7	350.2	170.9	47.2	231.1	530.0	1,716.1
Interest expense incurred	1.0	1.8	0.6	0.4	5.7	1.9	11.4
Undrawn facility fees incurred	2.0	—	—	0.3	0.6	3.0	5.9
Variable interest rate based on LIBOR	3.38%	2.26%	1.85%	1.83%	2.66%	5.36%	—
Maturity Date	2-27-16 (2)	Terminated	Terminated (4)	9-12-18	2-12-19	3-1-16 (3)	—

Below is a summary of the Credit Facilities and Members' Fronting Line as of and for the year ended November 30, 2014 (in millions):

	JFIN CAPITAL 2014 LLC	THIRD PARTY FRONTING LINE	JFIN FUND IV 2014 LLC	JFIN FUND IV LLC	JFIN BUSINESS CREDIT FUND I LLC	JFIN CAPITAL 2013 LLC	JFIN FUND III LLC	MEMBERS' FRONTING LINE	TOTAL
Total availability under the facility	$ 400.0	$ 750.0	$ 400.0	$ —	$ 100.0	$ —	$ 300.0	$ 1,000.0	$ 2,950.0
Outstanding balance	—	—	279.2	—	14.1	—	199.9	—	493.2
Current availability	$ 400.0	$ 750.0	$ 120.8	$ —	$ 85.9	$ —	$ 100.1	$ 1,000.0	$ 2,456.8
Principal balance pledged as collateral	—	—	385.1	—	21.7	—	271.9	—	678.7
Largest outstanding amounts during the periods	—	250.0	279.2	302.0	21.0	320.9	199.9	940.0	2,313.0
Interest expense incurred	—	0.1	1.2	1.0	0.1	4.3	3.6	4.1	14.4
Undrawn facility fees incurred	0.8	0.6	—	—	0.4	0.4	0.6	3.2	6.0
Variable interest rate based on LIBOR	—	3.25%	1.36%	1.31%	1.73%	2.40%	2.49%	5.88%	—
Maturity date	5-20-16 (1)	6-11-15	1-7-16	Terminated	9-12-18	Terminated	2-12-19	3-1-16	—

(1) On December 1, 2014, the credit facility was terminated.

(2) On August 19, 2015, the Third Party Fronting Line was increased to $481.7 million from the $386.7 million base level. After February 27, 2016, the Third Party Fronting Line contains annual one-year extensions, subject to lenders reconfirming their commitments at least 90 days prior to maturity.

(3) After March 1, 2016, the Members' Fronting Line contains annual automatic one-year extensions, absent a 60 day termination notice by either party. The commitment on the Members' Fronting Line was reduced to $500 million on August 21, 2015.

(4) JFIN CLO 2015-II credit facility relates to a consolidated VIE

Below is a summary of the Credit Facilities and Members' Fronting Line as of and for the year ended November 30, 2013 (in millions):

	JFIN FUND IV LLC	JFIN BUSINESS CREDIT FUND I LLC	JFIN CAPITAL 2013 LLC	JFIN CAPITAL LLC	JFIN FUND III LLC	MEMBERS' FRONTING LINE	TOTAL
Total availability under the facility	$ 320.0	$ 100.0	$ 400.0	$ —	$ 150.0	$ 1,000.0	$ 1,970.0
Outstanding balance	151.0	—	228.7	—	124.3	292.5	796.5
Current availability	$ 169.0	$ 100.0	$ 171.3	$ —	$ 25.7	$ 707.5	$ 1,173.5
Principal balance pledged as collateral	$ 202.3	$ 12.0	$ 367.5	$ —	$ 169.6	$ 292.5	$ 1,043.9
Largest outstanding amounts during the periods	151.0	—	228.7	209.5	124.3	786.8	1,500.3
Interest expense incurred	0.2	—	1.7	0.9	2.3	11.5	16.6
Undrawn facility fees incurred	—	0.1	1.0	0.3	0.8	2.7	4.9
Variable interest rate based on LIBOR	1.32%	1.74%	2.41%	2.54%	2.55%	8.28%	—

Natixis LC Facility—On August 17, 2011, JFIN entered into a letter of credit and reimbursement agreement with Natixis for a $50.0 million letter of credit commitment (the "LC Facility"). The LC Facility was established for the purpose of issuing letters of credit to borrowers under credit facilities originated by JFIN. In June 2015, the Company extended its availability under the Facility until June 26, 2018. Interest is charged on issued letters of credit at a rate of LIBOR plus a margin of 2.5%. Interest expense for the years ended November 30, 2015, 2014 and 2013 was $1.1 million, $1.0 million and $0.5 million, respectively, and is included in Interest expense in the Consolidated Statements of Earnings.

Deferred Structuring Fees—Deferred structuring fees in aggregate were $5.4 million and $9.3 million at November 30, 2015, and November 30, 2014, respectively, and are included in Other assets on the Consolidated Balance Sheets. Amortization of deferred structuring fees expense for the years ended November 30, 2015, 2014 and 2013 was $7.6 million, $3.9 million and $2.0 million, respectively, and is included in Interest expense in the Consolidated Statements of Earnings.

Undrawn Facility Fees—Undrawn facility fees in aggregate were $5.9 million, $5.9 million and $5.0 million as of and for the years ended November 30, 2015, 2014 and 2013, respectively, and are included in Interest expense in the Consolidated Statements of Earnings.

10. SECURED NOTES PAYABLE, NET

CLOs consolidated by the Company are funded by the issuance of the notes, which are included in Secured notes payable, net on the Consolidated Financial Statements. All of the CLOs assets are pledged as collateral against the secured notes issued by the respective CLO. The cash held by the CLOs is used first to pay interest due to note holders or to be reinvested in loan assets as prescribed by the indentures. JFIN is entitled to the residual interest of all CLOs after all claims to note holders have been paid. See Note 8, Variable Interest Entities for more information on secured notes payable related to consolidated CLOs.

Following are the remaining maturities of the secured notes payable, net (in thousands):

	November 30, 2015	November 30, 2014
Due in 2016	$ —	$ —
Due in 2017	—	—
Due in 2018	—	—
Due in 2019	—	—
Due in 2020	125,749	—
Thereafter	3,908,962	2,826,517
Total	$ 4,034,711	$ 2,826,517

For the years ended November 30, 2015 and 2014, the Company prepaid $91.3 million and $89.0 million of outstanding secured notes payable, respectively.

Interest rates related to the secured notes are variable interest rates based on LIBOR plus a spread as stated in the respective note agreements ranging from 0.205% to 9.000%.

Deferred Structuring Fees—Deferred structuring fees in aggregate were $44.5 million and $34.1 million as of November 30, 2015 and November 30, 2014, respectively, and are included in Other assets on the Consolidated Balance Sheets. Deferred structuring fee expense was $5.9 million, $2.7 million and $0.9 million for the years ended November 30, 2015, 2014 and 2013, respectively, and is included in Interest expense in the Consolidated Statements of Earnings.

Original Issue Discount—The unamortized original issue discount of $61.3 million and $50.7 million as of November 30, 2015 and November 30, 2014, respectively, was included within Secured notes payable, net on the Consolidated Balance Sheets. The amortization of the original issue discount was $7.2 million, $4.1 million and $1.6 million for the years ended November 30, 2015, 2014 and 2013, respectively, and was included in Interest expense in the Consolidated Statements of Earnings.

11. LONG-TERM DEBT

Below is a summary of JFIN's long-term debt as of November 30, 2015 (in millions):

DESCRIPTION	ISSUE DATE	PRINCIPAL AMOUNT		MATURITY	INTEREST RATE	INTEREST PAYMENT DATES	REDEMPTION FEATURES
2020 Notes (1)	3/26/2013	$	600.0	April 1, 2020	7.375%	April and October 1	35% at 107.375% (prior to April 1, 2016)
2021 Notes (1)	10/14/2014	$	425.0	April 15, 2021	7.500%	April and October 15	35% at 107.500% (prior to October 15, 2017)
2022 Notes (1)	3/31/2014	$	425.0	April 15, 2022	6.875%	April and October 15	35% at 106.875% (prior to April 15, 2017)
Secured Term Loan (2)	5/14/2015	$	215.0	May 15, 2020 (3)	Libor +3.5%	Last business day of each fiscal quarter	N/A

(1) Collectively, the 2020 Notes, 2021 Notes and the 2022 Notes are referred to as the "Senior Notes".

(2) Issued with a Libor floor of 1%

(3) The Secured Term Loan matures on May 15, 2020, or October 1, 2019 if the 2020 Notes are still outstanding on such date.

The Senior Notes are not guaranteed by any of the Company's subsidiaries, however its subsidiaries may be required to guarantee the Senior Notes in the future pursuant to certain covenants as defined in the Senior Notes offering memorandum. At any time prior to April 1, 2016, October 15, 2017 and April 15, 2017, the Company may redeem the Senior Notes, respectively, in whole or in part, at their option, at a redemption price equal to 100% of the principal amount of such Senior Notes, respectively, plus the relevant applicable premium as of, and accrued and unpaid interest, if any, to but not including the applicable redemption date.

The table below summarizes the redemption prices and dates for the Senior Notes:

	2020 NOTES	2021 NOTES	2022 NOTES
YEAR	Percentage		
2016	105.531%	—	—
2017	103.688%	105.625%	105.156%
2018	101.844%	103.750%	103.438%
2019	100.000%	101.875%	101.719%
2020 and thereafter	—	100.000%	100.000%

The Company may redeem the Senior Notes with cash proceeds from any equity offering at a redemption price, plus accrued but unpaid interest, if any, to but not including the applicable redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Senior Notes, respectively (including any additional notes); provided that (1) in each case the redemption takes place not later than 180 days after the consummation of the related equity offering; and (2) not less than 65% of the original aggregate principal amount of the Senior Notes, respectively (including any additional notes) issued under the indenture remains outstanding immediately after such redemption (excluding the aggregate principal amount of all Senior Notes, respectively then held by the Issuers or any of their restricted subsidiaries).

If a change of control occurs, the holders of the Senior Notes will have the right to require the Company to repurchase their Senior Notes, respectively, in whole or in part, at a purchase price of 101% of the principal amount of the Senior Notes, respectively, plus accrued and unpaid interest, if any, to the date of repurchase. If the Company sells certain assets and the net cash proceeds are not applied as permitted under the indenture governing the Senior Notes, the Company may have to use such proceeds to offer to purchase some of the Senior Notes, respectively at 100% of the principal, plus accrued and unpaid interest, if any, to the date of repurchase.

On May 14, 2015, JFIN issued a $215.0 million senior secured term loan. The debt under the five-year term loan is secured by a first lien security interest in unrestricted cash and loan receivables not encumbered by other facilities, and is subject to a collateral value coverage ratio test and other negative covenants. As of November 30, 2015, $380.2 million of loans were pledged as collateral to the term loan.

Interest expense was $110.7 million, $67.9 million and $30.1 million for the years ended November 30, 2015, 2014 and 2013, respectively.

Deferred Structuring Fees—Deferred structuring fees in aggregate were $26.6 million and $27.6 million as of November 30, 2015 and 2014, respectively and are included in Other assets on the Consolidated Balance Sheets. Amortization of deferred structuring fee expense was $4.9 million, $3.0 million and $1.4 million for the years ended November 30, 2015, 2014 and 2013, respectively, and is included in Interest expense in the Consolidated Statements of Earnings.

12. FEE INCOME, NET

The Company presents fee income net of origination, syndication and deferred underwriting fees in the Consolidated Statements of Earnings. The following is a summary of the components of Fee income, net for the years ended November 30, 2015, 2014 and 2013 (in thousands):

	2015	2014	2013
Underwriting fees	$ 410,611	$ 438,574	$ 364,203
Administration fees	8,745	5,307	4,552
Other fees	44,056	31,136	19,475
	463,412	475,017	388,230
Less:			
Deferred underwriting fees	(56,026)	(80,822)	(58,394)
Fees paid to Jefferies LLC [1]	(130,958)	(198,349)	(162,344)
Fees paid to third parties	(105,749)	(23,532)	(28,045)
Fee income, net	$ 170,679	$ 172,314	$ 139,447

[1] Jefferies LLC is a wholly owned subsidiary of JGL.

13. OTHER LOSSES, NET

The following summarizes Other losses, net for the years ended November 30, 2015, 2014 and 2013 (in thousands):

	2015	2014	2013
Loss on loans receivable	$ —	$ —	$ (189)
Realized (loss) gain on sale of loans held for sale	(9,610)	5,429	(11,386)
Change in fair value of loans held for sale	(1,552)	(8,859)	1,579
Realized (loss) gain on investments	(2,437)	(114)	1,873
Unrealized (loss) gain on investments	(5,218)	(6,455)	225
Dividends	2,177	—	—
Other losses, net	$ (16,640)	$ (9,999)	$ (7,898)

14. INCOME TAXES

Income tax expense for years ended November 30, 2015, 2014 and 2013, consist of the following (in thousands):

	2015	2014	2013
Current—local	$ 4,411	$ 7,032	$ 6,250
Deferred—local	(990)	(1,490)	(1,338)
Total income tax expense	$ 3,421	$ 5,542	$ 4,912

Deferred income taxes are provided for temporary differences in reporting certain items, principally the allowance for loan losses and deferred loan fees. The Company had a net deferred tax asset of $5.5 million and $4.9 million at November 30, 2015 and November 30, 2014, respectively, included in Other assets on the Consolidated Balance Sheets. For the years ended November 30, 2015 and 2014, the Company concluded, based upon its assessment of positive and negative evidence, that it is more likely than not that the results of future operations will generate sufficient taxable income to realize its deferred tax assets. Accordingly, the Company did not record a valuation allowance at November 30, 2015 and November 30, 2014.

The Company had a current income tax payable balance of $16.4 million and $15.7 million at November 30, 2015 and 2014, respectively, included in Other liabilities on the Consolidated Balance Sheets.

The Company's effective tax rate was 4.0%, 3.9% and 3.6% for the years ended November 30, 2015, 2014 and 2013 respectively. The Company's effective tax rate for the years ended November 30, 2014 and 2013 differed from the New York City statutory rate of 4.0% primarily due to the exclusion of foreign income and losses not subject to tax in the United States.

The Company accounts for uncertainties in income taxes under ASC 740, Income Taxes. ASC 740 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, measurement, classification, interest, penalties, accounting in interim periods, disclosure and transition. The balance of net unrecognized tax benefits at November 30, 2015 and November 30, 2014, was approximately $20.5 million and $18.6 million, respectively.

Interest related to income tax liabilities is recognized in income tax expense. Penalties, if any, are recognized in General, administrative and other expenses. The Company has interest accrued of approximately $1.7 million and $0.9 million at November 30, 2015 and November 30, 2014, respectively. No material penalties were accrued.

The Company is currently under examination by New York City for the years 2006 to 2009. The Company does not expect that the resolution of this examination will have a material impact on the Consolidated Financial Statements.

15. RELATED PARTY TRANSACTIONS

JGL—During 2014, JGL contributed $125.0 million of capital to JFIN. Distributions by JFIN to JGL in respect of taxes were $35.6 million in 2014 and $40.5 million in 2015. The undrawn capital commitment available to JFIN from JGL at November 30, 2015 and 2014 was $102.6 million and $103.8 million, respectively.

JFIN owed JGL $0.5 million and $0.9 million as of November 30, 2015 and 2014, respectively related to interest payable on the Fronting Line, which was recorded in Due to affiliates on the Consolidated Balance Sheets.

JGL provides a guarantee to one of the consolidated CLOs, whereby Jefferies is required to make certain payments to the CLO in the event that JFIN is unable to meet its obligations. As of November 30, 2015 and 2014, there was $2.1 million and $1.2 million, respectively, outstanding of the maximum amount payable under the guarantee of $21.0 million which matures in January 2021.

Mass Mutual—During 2014, Mass Mutual contributed $125.0 million of capital to JFIN. Distributions by JFIN to Mass Mutual in respect of taxes were $32.0 million in 2014 and $36.5 million in 2015. The undrawn capital commitment available to JFIN from Mass Mutual at November 30, 2015 and 2014 was $102.6 million and $103.8 million, respectively.

JFIN owed Mass Mutual $0.5 million and $0.9 million as of November 30, 2015 and 2014, respectively, related to interest payable on the Fronting Line, which was recorded in Due to affiliates on the Consolidated Balance Sheets.

BCM—Under the Babson Service Agreement, JFIN is required to reimburse BCM for management fees. Management fees paid to BCM are based on a percentage of the consolidated portfolio, excluding the CLOs. BCM is the sub-advisor to certain CLOs and is entitled to receive management fees underlined in the sub-advisor agreement. All management fees earned by BCM are included in General, administrative and other in the Consolidated Statements of Earnings. The Babson Service Agreement was terminated effective March 1, 2015. Additionally, the Company ended all but one of its CLO sub-advisory and CLO services agreements with BCM effective as of August 31, 2015.

Below is a summary of management fees earned by BCM for the years ended November 30, 2015, 2014 and 2013 (in thousands):

	2015	2014	2013
Babson Service Agreement management fees	$ 2,527	$ 8,050	$ 4,435
Collateral management fees	5,504	6,158	3,115
Total management fees charged by BCM	$ 8,031	$ 14,208	$ 7,550

JFIN owed BCM approximately $0.2 million and $4.8 million at November 30, 2015 and November 30, 2014, respectively, which are recorded in Due to affiliates on the Consolidated Balance Sheets.

In March of 2014, JFIN made a distribution to BCM in the amount of $3.6 million. In April of 2015, JFIN made a distribution to BCM in the amount of $4.0 million.

Jefferies LLC—Under the Jefferies Service Agreement, Jefferies LLC (“Jefferies”), a wholly owned subsidiary of JGL, is required to provide specifically identified staff for the benefit of the Company. Also, under the agreement, JFIN is required to reimburse Jefferies for administration, rent, taxes and origination fees as well as any other services performed in the support of loan origination activities.

Below is a summary of expenses paid by Jefferies on behalf of JFIN for the years ended November 30, 2015, 2014 and 2013 (in thousands):

	2015	2014	2013
Compensation and benefits	$ 39,121	$ 32,165	$ 23,212
Administration expenses	5,827	4,440	3,091
Occupancy expenses	2,670	2,160	1,338
New York City Unincorporated Business Tax	3,362	2,637	2,231
Expenses charged by Jefferies	$ 50,980	$ 41,402	$ 29,872

The Company’s operating costs are paid by Jefferies and are included in Compensation and benefits and General, administrative and other in the Consolidated Statements of Earnings. Compensation and benefit costs include salaries, bonuses, retirement and medical insurance plan costs, of which certain amounts are deferred as direct loan origination costs.

All benefit plans that the employees participate in are provided by Jefferies. Therefore benefit plan expenses are determined based upon participation and are reflected through an allocation from Jefferies to the Company. Administration and occupancy expenses are included in General, administrative and other. The Company reimburses Jefferies for all compensation, administration, occupancy and other amounts paid by Jefferies on behalf of the Company on a monthly basis.

Under the Jefferies Service Agreement, JFIN is required to pay Jefferies fees on certain transactions originated by Jefferies. Origination fees charged by Jefferies were $131.0 million, $198.3 million and $162.3 million for the years ended November 30, 2015, 2014 and 2013, respectively, and are recorded in Fee income, net, in the Consolidated Statements of Earnings.

In the regular course of business, JFIN enters into agreements, related to specific transactions, with Jefferies and/or JGL to provide certain operational support, subsidies for loans, reimbursement of expenses, or to mitigate potential losses on transactions.

JFIN owed Jefferies $7.0 million and $39.9 million at November 30, 2015 and November 30, 2014, respectively, which were recorded in Due to affiliates on the Consolidated Balance Sheets.

At November 30, 2015 and 2014, JGL held securities issued by CLOs managed by JFIN and provided a guarantee whereby they are required to make certain payments to a CLO in the event that JFIN is unable to meet its obligations to the CLO. Additionally, JFP and Jefferies Funding LLC (JFL) have entered into derivative contracts or participation agreements with JFIN whose underlying value is based on certain securities issued by the CLO. Under these contracts, JFIN paid approximately $2.5 million and $1.2 million to JFP and JFL, respectively. Refer to Note 6, Investments, and Note 7, Financial Instruments at Fair Value.

In connection with the issuance of the Senior Notes, Jefferies acted as underwriter. Jefferies also acted as a placement agent for certain CLOs and holds a portion of certain CLO notes.

On July 31, 2015, JFIN CLO 2015-II entered into a $300.0 million pre-CLO warehouse financing with Jefferies Leveraged Credit Products LLC. The warehouse was terminated on October 22, 2015. Jefferies also acted as underwriter on closing of JFIN CLO 2015-II.

The accompanying consolidated financial statements have been prepared from separate records maintained by the Company, which may not necessarily be indicative of the financial condition or the results of operations that would have existed if the Company had been operated as an unaffiliated company.

16. LOAN COMMITMENTS

From time to time, the Company makes commitments to extend revolving lines of credit and delayed draw term loans to borrowers. These commitments are not recorded on the Consolidated Balance Sheets. Once drawn, these commitments can be pledged as collateral under the Company's credit facilities and funded. As of November 30, 2015 and 2014, the Company had undrawn commitments of $1,665.3 million and $1,463.5 million, respectively, in both the loans receivable and loans held for sale portfolios. As of November 30, 2015, the Company through the consolidated CLOs had the capacity to fund $1.2 billion of revolving commitments. In addition, $255.8 million of revolving commitments were held in a credit facility subject to equity requirements. As of November 30, 2015 and 2014, these commitments had maturity dates through August 2021 and October 2020, respectively. For the years ended November 30, 2015, 2014 and 2013, the Company earned accrued unfunded fees of $12.0 million, $9.2 million and $5.1 million, respectively. These amounts are included in Fee income, net in the Consolidated Statements of Earnings.

In addition, during the normal course of business, the Company extends commitments to underwrite credit facilities. As of November 30, 2015, the Company had $2.7 billion of commitments to lend to such underwritings, of which $0.9 billion have been syndicated to third parties with the balance of the commitments scheduled to de-risk in subsequent periods. As of November 30, 2014, the Company had $4.2 billion of commitments to lend to such underwritings, of which $1.5 billion had been syndicated to third parties with the balance of the commitments scheduled to de-risk in subsequent periods.

17. CONCENTRATIONS OF CREDIT RISK

In the normal course of business, the Company engages in commercial lending activities with borrowers primarily throughout the United States. As of November 30, 2015, there was no borrower whose individual outstanding loan balances represented 5% of all loan balances. As of November 30, 2014, there were four borrowers whose individual outstanding loan balances represented 11%, 4%, 3% and 3% of all loan balances. As of November 30, 2015, healthcare, retail, high tech industries and business services were the largest industry concentrations, which made up approximately 14%, 10%, 9% and 9%, respectively, of all loan balances. As of November 30, 2014, healthcare, finance and retail stores were the largest industry concentrations, which made up approximately 23%, 10% and 8%, respectively, of all loan balances. Loans balances include both Loans receivable and Loans held for sale.

* * * * * *

Jefferies LoanCore LLC

Consolidated Statements of Financial Condition as of November 30, 2015, 2014 and 2013 and
Related Statements of Operations and Comprehensive Income, Changes in Members' Equity and Cash Flows for
the Years Ended November 30, 2015, 2014 and 2013

	Page(s)
Independent Auditor's Report	1
Consolidated Statements of Financial Condition as of November 30, 2015 and November 30, 2014	2
Consolidated Statements of Operations and Comprehensive Income for the Fiscal Years Ended November 30, 2015 and November 30, 2014	4
Consolidated Statement of Changes in Members' Equity for the Fiscal Years Ended November 30, 2015 and November 30, 2014	5
Consolidated Statements of Cash Flows for the Fiscal Years Ended November 30, 2015 and November 30, 2014	6
Notes to Consolidated Financial Statements - November 30, 2015 and November 30, 2014	7
Consolidated Statements of Financial Condition as of November 30, 2014 and November 30, 2013	37
Consolidated Statements of Operations and Comprehensive Income for the Fiscal Years Ended November 30, 2014 and November 30, 2013	38
Consolidated Statement of Changes in Members' Equity for the Fiscal Years Ended November 30, 2014 and November 30, 2013	39
Consolidated Statements of Cash Flows for the Fiscal Years Ended November 30, 2014 and November 30, 2013	40
Notes to Consolidated Financial Statements - November 30, 2014 and November 30, 2013	41

Independent Auditor's Report

To the Management of Jefferies Loancore LLC

We have audited the accompanying consolidated financial statements of Jefferies LoanCore LLC and its subsidiaries, which comprise the consolidated statement of financial condition as of November 30, 2015 and the related consolidated statements of operations and comprehensive income, of changes in members' equity, and of cash flows for the year then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of
America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jefferies LoanCore LLC and its subsidiaries as of November 30, 2015, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying consolidated statements of financial condition of Jefferies LoanCore LLC and its subsidiaries as of November 30, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, of changes in members' equity, and of cash flows for the years then ended are presented for purposes of complying with Rule 3-09 of SEC Regulation S-X; however, Rule 3-09 does not require the financial statements as of and for the years ended November 30, 2014 and 2013 to be audited and they are, therefore, not covered by this report.

/s/ PricewaterhouseCoopers LLP
New York, New York
January 22, 2016

(in thousands of dollars)	2015	2014 *
Assets		
Cash and cash equivalents	$ 16,954	$ 9,202
Restricted cash	15,632	9,245
Loans held for sale, at fair value	1,979,563	1,417,133
Other investments, at fair value	19,524	49,190
Accrued interest receivable	8,919	5,954
Prepaid expenses and other assets	6,732	3,379
Derivative assets, at fair value	12,911	237
Deferred financing fees, net	8,882	8,504
Total assets	$ 2,069,117	$ 1,502,844
Liabilities and Members' Equity		
Bond payable	$ 300,000	$ 300,000
Accounts payable and accrued expenses	40,544	23,464
Loan participations sold, at fair value	370,575	41,500
Derivative liabilities, at fair value	2,660	5,013
Borrowings under credit facilities	70,931	55,000
Repurchase agreements	685,066	539,570
Total liabilities	$ 1,469,776	$ 964,547
Commitments and contingencies		
Members' equity	599,341	538,297
Total liabilities and members' equity	2,069,117	1,502,844

The accompanying notes are an integral part of these consolidated financial statements. * Not covered by the Independent Auditor's Report included herein.

(in thousands of dollars)	2015	2014 *
Net interest income		
Interest income	$ 117,501	$ 61,080
Interest expense	(58,032)	(31,982)
Net interest income	59,469	29,098
Other income and gains (losses)		
Income from other investments	4,695	1,040
Other income	22,938	6,644
Realized gain on sales of loans and other investments	30,780	34,572
Realized gain (loss) on derivative instruments	4,132	(11,503)
Realized gain (loss) on foreign currency, net	57	(134)
Unrealized gain (loss) on loans held for sale and other investments	(15,662)	8,789
Unrealized loss on foreign currency held	(50)	—
Unrealized gain (loss) on derivative instruments	15,320	(2,488)
Unrealized gain on loan participations sold	—	307
Total other income and gains (losses)	62,210	37,227
Costs and expenses		
Compensation and benefits	(30,655)	(20,680)
Administrative expenses	(11,123)	(6,840)
Net income before income taxes	79,901	38,805
Income taxes	(934)	(129)
Net income	78,967	38,676
Other comprehensive income		
Foreign currency translation adjustments, net	(3,986)	(515)
Total comprehensive income	$ 74,981	$ 38,161

The accompanying notes are an integral part of these consolidated financial statements. * Not covered by the Independent Auditor's Report included herein.

(in thousands of dollars)	**Jefferies JLC Holdings LLC**	**Finell LLC**	**LoanCore JLC Holdings LLC and Other Members**	**Total**
Members' equity at December 1, 2014 *	$ 261,074	$ 261,074	$ 16,149	$ 538,297
Contributions from members	975,365	975,365	60,333	2,011,063
Distributions to members	(982,125)	(982,125)	(60,750)	(2,025,000)
Net income	38,299	38,299	2,369	78,967
Other comprehensive loss	(1,933)	(1,933)	(120)	(3,986)
Members' equity at November 30, 2015	$ 290,680	$ 290,680	$ 17,981	$ 599,341

The accompanying notes are an integral part of these consolidated financial statements. * Not covered by the Independent Auditor's Report included herein.

(in thousands of dollars)	Year Ended November 30, 2015	Year Ended November 30, 2014 *
Cash flows from operating activities		
Net income	$ 78,967	$ 38,676
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Realized gain on sales of loans and other investments	(30,780)	(34,572)
Realized (gain) loss on loans held for sale and other investments	(4,132)	11,503
Unrealized (gain) loss on loans held for sale and other investments	15,662	(8,789)
Unrealized gain on loan participations sold	—	(307)
Unrealized (gain) loss on derivative instruments	(15,320)	2,488
Payment-in-kind interest	(893)	(521)
Amortization of deferred financing fees	7,958	3,864
Origination discount related to loans and other investments paid down	(3,445)	(3,371)
Purchases and funding of loans held for sale	(2,650,528)	(1,770,701)
Principal repayments received on loans held for sale	419,375	162,328
Proceeds from sales of loans	1,683,724	1,129,684
Proceeds from loan participations sold	329,075	41,500
Payments received on derivative instruments	17,067	13,676
Payments on settlement of derivative instruments	(13,006)	(25,677)
Changes in operating assets and liabilities		
Accrued interest receivable	(2,965)	(2,185)
Prepaid expenses and other assets	(3,353)	(2,716)
Accounts payable and accrued expenses	12,486	(5,448)
Net cash used in operating activities	(160,108)	(450,568)
Cash flows from investing activities		
Principal repayments on loans held for sale	—	32,000
Increase in restricted cash	(6,387)	$ (729)
Contributions to other investments	(9,736)	(53,140)
Paydowns received on other investments	24,661	3,670
Proceeds from sales of other investments	14,925	—
Net cash provided by (used in) investing activities	23,463	(18,199)
Cash flows from financing activities		
Upfront fees received on derivative instruments	6,545	—
Payments on settlement of derivative instruments	(6,457)	—
Proceeds from repurchase agreements and credit facilities	2,458,443	1,899,478
Paydowns on repurchase agreements and credit facilities	(2,297,017)	(1,461,971)
Payment of deferred financing fees	(8,324)	(3,107)
Contributions from members	1,954,905	1,253,468
Distribution to members	(1,964,250)	(1,221,413)
Net cash provided by financing activities	143,845	466,455
Effect of exchange-rate changes on cash and cash equivalents	552	(60)
Net increase in cash and cash equivalents	7,752	(2,372)
Cash and cash equivalents		
Beginning of period	9,202	11,574
End of period	**$ 16,954**	**$ 9,202**
Supplemental cash flow information		
Cash paid for interest	$ 49,479	$ 27,167
Cash paid for income taxes	40	148
Change in distributions payable to members	4,594	617
Non-cash distributions applied to contributions from members	56,158	38,767
Non-cash reversal of loan participations sold	—	17,688

The accompanying notes are an integral part of these consolidated financial statements. * Not covered by the Independent Auditor's Report included herein.

1. Organization

Jefferies LoanCore LLC (the "Company"), a Delaware limited liability company, was formed on February 23, 2011 ("Inception") and its members are Jefferies JLC Holdings LLC ("Jefferies"), FINEII LLC ("GICRE"), LoanCore JLC Holdings LLC ("LoanCore") and certain other individuals ("LoanCore Investors"). The Company was formed for the purpose of acquiring, originating, syndicating and securitizing real estate related debt. The Company shall remain in existence unless dissolved in accordance with the terms of the Amended and Restated Limited Liability Company Agreement (the "LLC Agreement"). All initially capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the LLC Agreement of the Company dated February 23, 2011 and as amended on August 26, 2014. The LLC Agreement was amended to allow for European loan originations and for other administrative matters.

A board of managers ("Manager"), appointed by Jefferies, GICRE and LoanCore, shall have the sole and exclusive right and authority to manage and control the business and affairs of the Company. A three person credit committee ("Credit Committee"), equally represented by Jefferies, GICRE and LoanCore, has been established to review and approve all new investments, material amendments to existing investments, and the securitization or other sales of investments. Any action of the Credit Committee shall be authorized by a majority of the members of the Credit Committee.

Capital commitments have been made to the Company totaling $600,000. Jefferies and GICRE each have a 48.5% membership interest in the Company, LoanCore with a 0.333% interest and LoanCore Investors with a combined 2.667% interest. The interest held by the Members is represented by Units in the form of Preferred Units, Class A Common Units and Class B Common Units. Capital calls may be made at the discretion of the Manager to fund investments and cover expenses, costs, and liabilities incurred in the conduct of Company business as further specified in the LLC Agreement. Subject to certain limitations, capital returned to the members may be recalled.

To increase its funding capacity, the Company has formed various wholly owned subsidiaries that have separately entered into master repurchase agreements with different financial institutions as described in Note 5. The Company also formed JLC Finance Corporation, a wholly owned subsidiary, to co-issue with the Company $300,000 of unsecured senior notes on May 31, 2013 as described in Note 7. To facilitate European originations, the Company has formed various wholly owned subsidiaries.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The accompanying financial statements are presented on a consolidated basis and include all wholly owned subsidiaries of the Company. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions. The Company's most significant estimates include the fair value of financial instruments, including loans held for sale, derivatives, other investments, and loan participations sold, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenue and expenses during the reporting periods. The actual results could differ from those estimates.

Cash and Cash Equivalents
The Company considers highly liquid short-term investments denominated in US Dollars (“USD”), British Pound Sterling (“GBP”) or Euros (“EUR”) with original maturities of less than ninety days from the date of purchase to be cash equivalents. Cash and cash equivalents are comprised of deposits and money market accounts with commercial banks that each may be in excess of depository insurance limits. The Company believes it adequately mitigates this risk by only investing in or through major financial institutions.

Restricted Cash
Restricted cash represents amounts required to be held with the Company’s counterparties as collateral under certain requirements of the Company’s repurchase agreements, credit facilities and derivative transactions.

Consolidated Statements of Cash Flows
Cash flows related to loans originated or acquired during the period ended November 30, 2011 have been classified as investing activities given uncertainty about the length of their anticipated holding period at origination. During the year ended November 30, 2012, the Company achieved key strategic objectives and the Commercial Mortgage Backed Securities (“CMBS”) secondary markets experienced favorable economic conditions that increased the demand for commercial real estate loans. As a result, the Company began classifying cash flows related to loans that were originated subsequent to November 30, 2011 as operating activities. During the year ended November 30, 2015 and November 30, 2014, $0 and $32,000, respectively, related to the principal repayment of loans originated or acquired in the period ended November 30, 2011 have been classified as investing activities.

The Company classifies cash flows from its economic hedges in the same category as the cash flows from the items subject to the economic hedging relationships. Accordingly, cash flows related to derivative instruments are classified as operating activities. Cash flows related to certain derivative instruments that are used to hedge credit risk are classified as financing activities as they have a financing element attributed to them at inception.

Loans Held for Sale
The Company originates and purchases its loans with the intent to sell them in the secondary market. Loans held for sale consist primarily of first and mezzanine mortgage loans that are collateralized by commercial, mixed use and multifamily residential real estate throughout the United States and Europe. Loans held for sale are initially recorded at cost, which approximates fair value and are net of purchase or origination discounts and premiums. Subsequent changes in the estimated fair value of loans are recorded as unrealized gains or losses in the accompanying consolidated statements of operations and comprehensive income as the Company has elected the fair value option under ASC 825 for all of its loans. Certain of the Company's loans may include embedded derivatives that are not bifurcated from the related loans, but rather accounted for as one instrument under the fair value option in accordance with ASC 815. Any change to the fair value of the embedded derivatives is recorded in the unrealized gain (loss) on loans held for sale in the Company's accompanying consolidated statements of operations and comprehensive income. The estimated fair value of loans held for sale is determined using current secondary market prices for loans with similar coupons, maturities and credit quality. Of the loans held for sale, $1,015,142 and $757,498 are pledged as collateral under the Company’s master repurchase agreements as of November 30, 2015 and November 30, 2014, respectively.

The performance of the underlying collateral is considered a key factor in the valuation process. As of November 30, 2015, all loans were performing. As of November 30, 2014, all loans were performing, with the exception of a $6,198 senior loan and a $2,065 mezzanine loan, which were both originated with the same underlying collateral. The Company considers a loan to be non-performing if it is delinquent on debt service or maturity, or if the loan to value ratio falls below a certain threshold at which the Company does not believe it will recover its investment.

The Company evaluates the collectability of both interest and principal of each loan on an ongoing basis, at least quarterly, to determine whether they are impaired. An other than temporary impairment is indicated when it is probable that the Company will not be able to collect all amounts due pursuant to the contractual terms of the loan. Because the Company's loans are collateralized either by real property or by equity interests in the borrower, impairment is usually measured by comparing the estimated fair value of the underlying collateral to the Company's cost basis of the respective loan. The valuation of the underlying collateral requires significant judgment. When a loan is impaired, the amount of the loss accrual is calculated and recorded accordingly in realized gains (loss) on sales of loans and other investments on the consolidated statements of operations and comprehensive income.

The Company has also evaluated, where appropriate, its loans held for sale which may have an element of a lending arrangement collateralized by real estate for accounting treatment as loans or investments as required by sections of ASC 310 governing the accounting for acquisition, development, and construction type loans ("ADC loans"). The Company has concluded that it has no decision making authority or power to direct activity, except normal lender rights as further discussed in Note 9 and that the Company's loans evaluated as ADC loans under ASC 310 should be accounted for as loans rather than investments.

The Company relies substantially on the secondary mortgage market as all of the loans originated may be sold into this market. The secondary mortgage market relies primarily on the CMBS market, into which loans are sold and securitized into CMBS bonds. The CMBS bond market can be very volatile along with other fixed income securities' markets. Fluctuations in values of CMBS bonds will most likely lead to similar fluctuations in the estimated fair value of loans held for sale and could limit the Company's ability to securitize loans.

Transfer of Financial Assets
For a transfer of financial assets to be considered a sale, the transfer must meet the sale criteria of ASC 860 under which the Company must surrender control over the transferred assets which must qualify as recognized financial assets at the time of transfer. The assets must be isolated from the Company, even in bankruptcy or other receivership; the purchaser must have the right to pledge or sell the assets transferred and the Company may not have an option or obligation to reacquire the assets. If the sale criteria are not met, the transfer is considered to be a secured borrowing, the assets remain on the Company's consolidated statements of financial condition and the sale proceeds are recognized as loan participations sold, a liability.

Loan Participations Sold
Loan participations sold represent senior interests in certain loans that were sold, however, the Company presents such loan participations sold as liabilities because these arrangements do not qualify as sales under GAAP. These participations are non-recourse and remain on the Company's consolidated statements of financial condition until the loan is repaid. The gross presentation of loan participations sold does not impact member's equity or net income.

Other Investments
At times, the Company may invest in special purpose vehicles structured as limited liability companies for the purpose of investing in commercial real estate debt and preferred equity positions. Some of these entities in which the Company may invest in may qualify as Variable Interest Entities ("VIEs") as discussed in Note 11. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its related party affiliates and agents, has both the: (i) power to direct the activities that most significantly impact the VIE's economic performance; and (ii) obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. The Company considers the facts and circumstances pertinent to each VIE borrowing under the loan or through the Company's investment, including the relative amount of

financing the common equity holders of the VIE are contributing to the overall project cost, decision making rights or control held by the common equity holders, guarantees provided by third parties, and rights to expected residual gains or obligations to absorb expected residual losses that could be significant from the project. If the Company is deemed to be the primary beneficiary of a VIE, consolidation treatment would be required. The Company's exposure to each investment is limited to the fair market value reflected on the consolidated statements of financial condition.

The Company has also evaluated, where appropriate, its loan investments which may have an element of a lending arrangement collateralized by real estate for accounting treatment as investments rather than loans as required by ASC 310. The Company has concluded that it has no decision making authority or power to direct activity, except normal lender or preferred equity rights, which are subordinate to the senior loans on the projects. For each investment described in Note 11, the characteristics, facts and circumstances indicate that investment accounting under the equity method treatment is appropriate.

The Company has elected to account for its other investments at estimated fair value. The fair value option provides an election that allows a company to irrevocably elect fair value for certain financial assets and liabilities on an instrument-by-instrument basis at initial recognition. Under the fair value option, investments are initially recorded at cost which approximates estimated fair value. The estimated fair value of other investments is determined based upon completed or pending transactions involving the underlying investment. In the absence of such evidence, estimated fair value is determined using multiple methodologies, including the market and income approaches.

Income from limited liability companies in which the Company invests is reflected in the accompanying consolidated financial statements as income from other investments and changes in estimated fair value of the investments are reflected as a component of unrealized gains and losses on loans held for sale and other investments.

Other Income
The Company recognizes other income related to origination discounts, termination fees and miscellaneous other fees when loans are paid off per terms of the related loan agreement.

Deferred Financing Fees, Net
Fees and expenses incurred in connection with the Company's repurchase agreements and credit facilities are capitalized and amortized to interest expense over the financing term under the straight-line method. Fees and expenses incurred in connection with Company's bond payable are capitalized and amortized to interest expense over the financing term under the effective interest method.

Derivative Instruments
In the normal course of business, the Company is exposed to the effect of interest rate changes and may undertake a strategy to limit these risks through the use of derivatives. To address exposure to interest rates, the Company uses derivatives primarily to hedge the fair value variability of fixed rate assets caused by interest rate fluctuations. The Company may use a variety of derivative instruments, including interest rate swaps, indices, caps, collars and floors, to manage interest rate and credit risk.

To determine the fair value of derivative instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each statement of financial condition date. Standard market conventions and techniques such as discounted cash flow analysis, option-pricing models, replacement cost, and termination cost may be used to determine fair value. All such methods of measuring fair value for derivative instruments result in an estimate of fair value, and such value may never actually be realized.

The Company recognizes all derivatives on the consolidated statements of financial condition at estimated fair value. The Company does not designate derivatives as hedges to qualify for hedge accounting. Any net payments under open or terminated derivatives are included in realized gain (loss) on derivative instruments, and fluctuations in the fair value of derivatives held are recognized in unrealized gain (loss) on derivative instruments in the accompanying consolidated statements of operations and comprehensive income.

Initial payments made or received on open derivatives at November 30, 2015 and November 30, 2014 are included in derivative liabilities and derivative assets, at fair value on the accompanying consolidated statements of financial condition.

As a part of the risk management strategy of the Company, it may enter into Interest Rate Lock Commitments (“IRLCs”) in connection with its loan origination activities. The Company accounts for IRLCs as derivative instruments and records them at fair value with changes in fair value recorded in unrealized gains and losses on the consolidated statements of operations and comprehensive income. In estimating the fair value of an IRLC, the Company assigns a probability to the loan commitment based on an expectation that it will be exercised and the loan will be funded. The fair value of the commitments is derived from the fair value of related loans which is based on observable market data and includes the expected net future cash flows of the loans. Changes to the fair value of IRLCs are recognized based on interest rate changes, changes in the probability that the commitment will be exercised and the passage of time. Outstanding IRLCs expose the Company to the risk that the price of the loans underlying the commitments might decline from inception of the rate lock to funding of the loan. To protect against this risk, the Company utilizes other derivative instruments, including interest rate swaps and options to economically hedge the risk of potential changes in the value of the loans that would result from the commitments. The changes in the fair value of these IRLCs are recorded in realized gain (loss) on sales of loans and other investments and unrealized gain (loss) on loans held for sale and other investments on the consolidated statements of operations and comprehensive income. At the time the related loan is funded, any remaining fair value is transferred to the basis of that loan as a discount or premium, as applicable.

The Company enters into foreign currency forward contracts with counterparties primarily as hedges against portfolio positions with each instrument’s primary risk exposure being foreign exchange risk. Forward currency contracts are over-the-counter contracts for delayed delivery of currency in which the buyer agrees to buy and the seller agrees to deliver a specified currency at a specified price on a specified date. The Company did not incur an upfront cost to acquire the contracts and all commitments are marked-to-market on each valuation date at the applicable forward exchange rate and adjusted for nonperformance risk of counterparties, as appropriate. Any resulting unrealized appreciation or depreciation is recorded on such date in derivative assets, at fair value or derivative liabilities, at fair value on the Company’s consolidated statements of financial condition and reflected as unrealized gain (loss) on the Company’s consolidated statements of operations and comprehensive income. The Company realizes gains and losses at the time forward contracts are extinguished or closed upon entering into an offsetting contract or delivering the foreign currency.

The Company has also entered into other derivatives, including share warrants, related to loans or other investments it has originated in the UK. The Company did not incur an upfront cost to acquire the other derivatives and all other derivatives are marked-to-market on each valuation date. Any resulting unrealized appreciation or depreciation is recorded on such date in derivative assets, at fair value or derivative liabilities, at fair value on the Company’s consolidated statements of financial condition and reflected as unrealized gain (loss) on the Company’s consolidated statements of operations and comprehensive income. The Company realizes gains and losses at the time the other derivative is either exercised or terminated.

Repurchase Agreements
Loans sold under repurchase agreements are treated as collateralized financing transactions unless they meet sales treatment. Loans financed through a repurchase agreement remain on the Company's consolidated statements of financial condition as an asset and cash received from the purchaser is recorded on the Company's consolidated statements of financial condition as a liability. Interest incurred in accordance with repurchase agreements is recorded in interest expense.

Bond Payable
Bond payable is accounted for on an amortized cost basis. Interest incurred in accordance with the indenture agreement is recorded in interest expense and calculated using the effective interest method.

Credit Facilities
Borrowings under the credit facilities are stated at their outstanding principal amount. Interest incurred in accordance with the credit facilities agreements is recorded in interest expense and accrued interest is included in accounts payable and accrued expenses. The Company did not elect the option to account for its credit facilities at fair value. The Company believes the fair value of the debt approximates its carrying value due to the credit facilities' floating market rate of interest and the stability of the Company's creditworthiness.

Fair Value Measurement
In accordance with the authoritative guidance on estimated fair value measurements and disclosures under GAAP (Financial Accounting Standards Board - Accounting Standards Codification Topic 820), the methodologies used for valuing such instruments have been categorized into three broad levels as follows:

Level 1 - Quoted prices in active markets for identical instruments.

Level 2 - Valuations based principally on other observable market parameters, including

- Quoted prices in active markets for similar instruments,
- Quoted prices in less active or inactive markets for identical or similar instruments,
- Other observable inputs (such as interest rates, yield curves, volatilities, prepayment spreads, loss severities, credit risks and default rates), and
- Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 - Valuations based significantly on unobservable inputs.

- Valuations based on third party indications (broker quotes, counterparty quotes or pricing services) which are, in turn, based significantly on unobservable inputs or are otherwise not supportable as Level 2 valuations.
- Valuations based on internal models with significant unobservable inputs.

Pursuant to the authoritative guidance, these levels form a hierarchy. The determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy is performed at the end of each reporting period. The Company considers all available information, including observable market data, indications of market liquidity and orderliness, and its understanding of the valuation techniques and significant inputs. Based upon the specific facts and circumstances of each instrument or instrument category, judgments are made regarding the significance of the Level 3 inputs into the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3. The process for determining fair value using unobservable inputs is generally more subjective and involves a high degree of management judgment and assumptions.

Financial instruments are considered Level 3 when pricing models are used, including discounted cash flow methodologies and at least one significant model assumption or input is unobservable or has significant variability between sources. The tables in Note 12 present a reconciliation for all assets and liabilities that are measured and recognized at fair value on a recurring basis using significant unobservable inputs. When assets and liabilities are transferred between levels, the Company recognizes the transfer as of the end of the period. There were no transfers between levels for the years ended November 30, 2015 and November 30, 2014.

Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, estimated fair values are not necessarily indicative of the amounts the Company could realize upon disposition of the financial instruments. Financial instruments with readily available active quoted prices, or for which an estimated fair value can be measured from actively quoted prices, generally will have a higher degree of pricing observability, and will therefore, require a lesser degree of judgment to be utilized in measuring estimated fair value. Conversely, financial instruments rarely traded or not quoted will generally have less, or no, pricing observability and will require a higher degree of judgment in measuring estimated fair value. Pricing observability is generally affected by such items as the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and overall market conditions. The use of different market assumptions and/or pricing methodologies may have a material effect on estimated fair value amounts.

Electing the fair value option for loans held for sale, other investments, and liabilities related to loan participations sold reflects the manner in which the business is managed and often allows for an offset of the changes in the estimated fair value of these instruments and the interest rate derivatives used to hedge against market interest fluctuations. For a further discussion regarding the measurement of financial instruments, see Note 12.

Revenue Recognition
Interest on loans held for sale is recognized as earned under the contractual terms of the loans and included in interest income in the accompanying consolidated statements of operations and comprehensive income. Interest is only accrued if deemed collectible. Interest is generally deemed uncollectible when a loan becomes three months or more delinquent. Delinquency is calculated based on the contractual interest due date of the loan. For the years ended November 30, 2015 and November 30, 2014, the Company had no loans and two loans deemed delinquent, respectively.

Upon sale of a loan, the Company will reverse previously recorded unrealized gains and losses and recognize realized gains or losses on the loan sold. Any difference between the initial recorded value of the loan, including any discount, and the sales price is recorded as realized gain or loss. For loans that were originated at a discount that are subsequently paid down by the borrower, the origination discount is recognized in other income.

Certain Risks and Concentrations
Due to the nature of the mortgage lending industry, changes in interest rates and spreads on commercial-mortgage backed securities may significantly impact the estimated fair value of the Company’s investments, revenue from originating mortgages and subsequent sales of loans, which is one of the primary sources of income for the Company.

The Company uses third parties to provide loan servicing on its portfolio of investments. There is a credit risk associated with using these third parties. The Company believes it mitigates this risk by using nationally recognized third parties to service loans and other investments. Management also monitors each loan or other investment independently.

Concentration of Credit Risk
The Company invests its cash primarily in demand deposits and money market accounts with commercial banks. At times, cash balances at a limited number of banks and financial institutions may exceed federally insured amounts. The Company believes it mitigates credit risk by depositing cash in or investing through major financial institutions having capital ratios that exceed

the regulatory standards defined for a well-capitalized financial institution. To date, there have been no losses from these investments.

In the normal course of its activities, the Company may utilize derivative financial instruments. These derivatives are predominantly used for managing risk associated with the Company's portfolio of investments. Credit risk includes the possibility that a loss may occur from the failure of counterparties or issuers to make payments according to the term of the contract. The Company's exposure to credit risk at any point in time is generally limited to amounts recorded as derivative assets on the consolidated statements of financial condition.

Concentrations of credit risks arise when a number of properties related to the Company's loans and other investments are located in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions. The Company monitors various segments of its investments to assess potential concentrations of credit risks. Management believes the current investments are reasonably well diversified and do not contain any significant concentration of credit risks. Collateral for all of the Company's loans and other investments is located in the United States and Europe, with New York 24.2% and California 12.7%, representing the only two states with concentration greater than 10.0% as of November 30, 2015. As of November 30, 2014, the only states with collateral concentration greater than 10.0% were New York 22.3% and Florida 15.1%.

Income Taxes
No provision has been made in the accompanying consolidated financial statements for federal income taxes as the Company has elected to be treated as a partnership for federal income tax purposes. Each member is responsible for its allocable share of income taxes generated by the activities of the Company.

The Company files various foreign, state and local income tax returns. For the years ended November 30, 2015 and November 30, 2014 a tax provision of $934 and $129 was recorded and included in income taxes, respectively. State withholding payments made on behalf of the Company's members that remain due to the Company as of November 30, 2015 and November 30, 2014 are $209 and $157, respectively.

The Company recognizes tax positions in the consolidated financial statements only when it is more-likely-than-not, based on the technical merits, that the position would be sustained upon examination by the relevant taxing authority. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of tax benefit that is greater than fifty percent likely of being realized upon settlement. As of November 30, 2015 and November 30, 2014, unrecognized tax benefits were $974 and $765, respectively.

Interest related to unrecognized tax benefits is recognized in income tax expense. Penalties, if any, are recognized in other expenses. At November 30, 2015 and November 30, 2014, the Company has accrued interest expense of approximately $424 and $350, respectively. No penalties have been accrued for both years ended November 30, 2015 and November 30, 2014.

The Company is not under examination by any taxing authorities. The earliest tax year which remains subject to examination by major taxing authorities is 2011.

Foreign Currency
In the normal course of business, the Company enters into transactions not denominated in US dollars in connection with its European loan originations. Foreign exchange gains and losses arising on such transactions are recorded as a gain or loss in the Company's consolidated statements of operations and comprehensive income. As of November 30, 2015, the Company and its wholly owned subsidiaries held 3,898 GBP and 517 EUR in cash and cash equivalents. In addition, the Company consolidates wholly owned subsidiaries that have non-US dollar functional

currency. Non-US dollar denominated assets and liabilities are translated to US dollars at the exchange rate prevailing at the reporting date and income, expenses, gains, and losses at the average rate of exchange prevailing during the period recognized. Cumulative translation adjustments arising from translation of non-US dollar denominated subsidiaries are recorded in other comprehensive income. The Company has recorded $3,986 of other comprehensive loss and $515 of other comprehensive loss on foreign currency translation adjustments, respectively, as of November 30, 2015 and November 30, 2014.

Indemnifications
The Company enters into contracts that contain a variety of indemnifications under certain representations and warranties, which primarily relate to sales of loans as part of securitization transactions. The Company's maximum exposure under these arrangements is unknown. However, the Company has not had claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Recent Accounting Pronouncements
In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"). The objective of this update is to change the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under this guidance, a disposal of a component of an entity, or a group of components of an entity, is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major impact on an entity's operations and financial results. This update requires expanded disclosures for discontinued operations reporting and is effective for annual and interim periods beginning after December 15, 2014 with early adoption permitted for disposals that have not been reported in financial statements previously issued or available for issuance. The adoption of this FASB guidance did not have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), or ("ASU 2014-09"). ASU 2014-09 broadly amends the accounting guidance for revenue recognition. ASU 2013-08 is effective for the first interim or annual period beginning after December 15, 2016, and is to be applied prospectively. The Company does not anticipate that the adoption of ASU 2014-09 will have a material impact on its consolidated historical financial statements.

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The pronouncement changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The pronouncement also requires two new disclosures. The first disclosure requires an entity to disclose information on transfers accounted for as sales in transactions that are economically similar to repurchase agreements. The second disclosure provides increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The pronouncement is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The adoption of this FASB guidance did not have a material impact on the Company's consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The new ASU disclosure requirement explicitly requires management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. In connection with each annual and interim period, management will assess if there is substantial doubt about an entity's ability to continue as a going concern within one year after the issuance date by considering relevant conditions that are known (and reasonably knowable) at the issuance date. If significant doubt exists, management will need to assess if its plans will or will not alleviate substantial doubt in order to determine the specific disclosures. The ASU is effective for annual periods beginning after December 15, 2016. Earlier application is permitted. The Company is currently evaluating the impact of ASU 2014-15 on the consolidated financial statements.

In August 2014, the FASB issued ASU 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity, which establishes a measurement alternative allowing qualifying entities to measure both the collateralized financing entity's, or CFE's, financial assets and financial liabilities based on the fair value of the financial assets or financial liabilities, whichever is more observable. The measurement alternative is available upon initial consolidation of the CFE or adoption of this ASU and can be applied on a CFE-by-CFE basis. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2015. Early application is permitted. The Company does not expect that the application of this ASU will have a material impact on the Company's consolidated historical financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810), which provides guidance on evaluating whether a reporting entity should consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are VIEs. Under this analysis, limited partnerships and other similar entities will be considered a VIE unless the limited partners hold substantive kick-out rights or participating rights. Further, the amendments eliminate the presumption that a general partner should consolidate a limited partnership under the voting interest model, as well as affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. A reporting entity may apply the amendments using a modified retrospective approach or a full retrospective application. The Company has elected to early adopt such guidance in these consolidated financial statements which resulted in no impact to the Company.

In April 2015, FASB issued ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). The amended guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by the amendments in this ASU. The amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of this ASU is permitted for financial statements that have not been previously issued. Entities must apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. The Company does not expect that the application of this ASU will have a material impact on the Company's consolidated historical financial statements.

In June 2015, FASB issued ASU 2015-10, Technical Corrections and Improvements ("ASU 2015-10"). The amendments in this update cover a wide range of topics in the codification and are generally categorized as follows: amendments related to differences between original guidance and the codification; guidance clarification and reference corrections; simplification, and minor improvements. The amendments are effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, but not required. As the objectives of this standard are to clarify the codification, correct unintended application of guidance, eliminate inconsistencies and to improve the codification's presentation of guidance, the adoption of this standard is not expected to have a significant effect on current accounting practice or create a significant administrative cost on most entities. The Company does not expect that the application of this ASU will have a material impact on the Company's consolidated historical financial statements.

3. Members' Equity

As described in Note 1, interests held by the Members are represented by Units in the form of Preferred Units, Class A Common Units and Class B Common Units. Issued at inception and outstanding as of November 30, 2015 were 600 Preferred Units, 10,000 Class A Common Units and 2,195 Class B Common Units, of which 11.5 Preferred Units, 191.668 Class A Common Units and 1,770 Class B Common Units were held by employees.

Class B Common Units were granted at inception to GICRE and one key employee ("Key Employee"). All such Class B Common Units shall become vested units immediately before the consummation of a Company sale that results in an annualized rate of return, realized entirely in cash, on the Preferred Units and Class A Common Units, of at least 15%, an IPO that results in gross proceeds of at least $150,000 and an annualized rate of return, realized entirely in cash, on the Preferred Units and Class A Common Units, of at least 15%, a liquidity event or a transfer, as defined. To the extent the return is not entirely realized in cash in the case of a qualifying IPO, 50% of the Class B Common Units shall become vested and the remainder will vest contingent upon the performance of the Company's stock price over the two years immediately following the IPO. Upon vesting, each Class B Common Unit will convert into one Class A Common Unit. Prior to vesting, Class B Common Units have no voting rights.

In the event that the Company terminates the Key Employee for Cause or he resigns without Good Reason, as defined, all unvested Class B Common Units owned by either party will be forfeited. In the event that the Company terminates the Key Employee without Cause, he resigns for Good Reason, or his employment with the Company ends due to death or disability, the employee and GICRE may retain 20% of the unvested Class B Common Units for each full year the Key Employee was employed by the Company. As of the date of grant, February 23, 2011, the Company has determined the fair value of the Class B Common Units held by the Key Employee to be $3,145, in aggregate. The fair value was determined utilizing a Black-Scholes model, discounted to account for the inherent lack of marketability of the Units. Significant inputs and assumptions utilized in determining the fair value of the Units include the term, expected volatility, dividend yield and risk-free rate.

With respect to Preferred Units and Class A Common Units held by employees, upon termination of employment without Cause or for Good Reason as defined, the Company shall redeem promptly all Preferred Units and, at the option of such employee, all Class A Common Units held by such employee at Book Value, as defined.

Under the LLC Agreement, a 7% capital charge ("Capital Charge") accrues as a preference to the Preferred Units on unreturned Capital Contributions.

On an accumulated basis through November 30, 2015 and November 30, 2014, respectively, the Company called $7,464,781 and $5,453,718 of capital from its members to fund new investment originations, acquisitions and working capital. Cumulatively through November 30, 2015 and November 30, 2014, respectively, the Company distributed $7,145,234 and $5,120,234, of which $108,022 and $80,685 is considered payments of the Capital Charge. Of the distributions declared, $5,211 and $617 were due and payable to LoanCore and LoanCore Investors at November 30, 2015 and November 30, 2014, respectively, and are included in accounts payable and accrued expenses on the consolidated statements of financial condition.

The total capital commitments of the Company are $600,000 as further described in Note 1. Certain amounts of capital previously returned to Members are considered recallable, resulting in net callable, unfunded commitments of $172,431 and $185,831 at November 30, 2015 and November 30, 2014, respectively.

Pursuant to the LLC Agreement, GICRE has the first right to purchase subordinate loans and investments based on market terms. For the years ended November 30, 2015 and November 30, 2014, no loans or investments were sold to GICRE.

Allocation of Net Income and Net Losses
Net income and net losses are allocated to the members in a manner consistent with the LLC Agreement, which provides for a hypothetical liquidation at net book value of the Company's assets and liabilities as of the date of presentation and as recorded on the accompanying consolidated statement of changes in members' equity.

Distributions
Non-liquidating Distributions
No less often than semi-monthly (or more frequently as requested by GICRE or Jefferies), the Company shall distribute the Company's Available Cash, as defined in the LLC Agreement, as follows:

1) First, to the extent available, to the holders of the Preferred Units, pro rata in accordance with their respective Preferred Percentage Interest until each holder of Preferred Units shall have received an amount equal to, but not in excess of, the unpaid accrued 7% Capital Charge attributable to the Preferred Units;
2) Second, to the extent available, to the holders of the Preferred Units, pro rata in accordance with their respective Preferred Percentage Interests until each holder of Preferred Units shall have received an amount equal to, but not in excess of, their Unreturned Capital Contribution; and
3) Third, to the extent available, to the holders of the Class A Common Units, pro rata in accordance with their respective Common Percentage Interests (calculated by excluding from the numerator and the denominator the number of Class B Common Units issued and outstanding).

Liquidating Distributions
Upon a Liquidity Event, the proceeds of such sale, disposition or liquidation and any other available cash shall be applied and distributed as follows:

1) First, to the extent available, proceeds shall be applied to the payment of liabilities of the Company (including all expenses of the Company incident to the Liquidity Event and all other liabilities that the Company owes to the Members or any Affiliates of a Member in accordance with the terms hereof);

2) Second, to the extent available, proceeds shall be applied to the setting up of any reserves which are reasonably necessary for contingent, un-matured or unforeseen liabilities or obligations of the Company;

3) Third, to the extent available, to the holders of the Preferred Units, pro rata in accordance with their respective Preferred Percentage Interests until each holder of Preferred Units shall have received an amount equal to, but not in excess of, their unpaid accrued 7% Capital Charge attributable to the Preferred Units;

4) Fourth, to the extent available, to the holders of the Preferred Units, pro rata in accordance with their respective Preferred Percentage Interests until each holder of Preferred Units shall have received an amount equal to, but not in excess of, their Unreturned Capital Contribution; and

5) Fifth, to the extent available, to the holders of the Common Units, pro rata in accordance with their respective Common Percentage Interests.

Accumulated Other Comprehensive Income (Loss)
Accumulated other comprehensive income (loss) reflected in the Company’s members’ equity is comprised of the following ($ in thousands):

Balance at November 30, 2014	$	(515)
Unrealized loss on translation adjustment		(3,986)
Balance at November 30, 2015	$	(4,501)

4. Transfers of Financial Assets

During the years ended November 30, 2015 and November 30, 2014, the Company sold loans to unaffiliated third parties, as part of securitization transactions. The Company received only cash proceeds from these transactions.

Transfers of loans as part of securitization transactions that qualified as sales, were derecognized from the consolidated statements of financial condition, resulting in the recognition of aggregate realized gains of $34,811 and $28,417 for the years ended November 30, 2015 and November 30, 2014, respectively.

During the year ended November 30, 2015, two whole loans, one A-note and six senior participations were sold for an aggregate of $384,375 to the DivCore CLO 2013-1, Ltd. (the “CLO”), a related party. The sale of the two whole loans to the CLO resulted in a realized gain of $503, which is included in realized gain on sales of loans and other investments in the accompanying consolidated statements of operations and comprehensive income. The A-note and the six senior participations sold to the CLO remain on the Company’s statements of financial condition with corresponding liabilities for proceeds received as they did not qualify as a sale for accounting purposes because the Company retained either a subordinate participating note or junior participation related to the same underlying collateral and the subordinate participating note or junior participation does not receive cash flows on a pari parsu basis with the sold note or participation.

Additionally, one whole loan was sold to an unaffiliated third party for $7,177 resulting in a realized gain of $351, one other investment was sold to an unaffiliated third party for $14,925, resulting in a realized gain of $75 and one mezzanine loan was sold to an unaffiliated third party for $5,481, resulting in a realized gain of $451. All realized gains are included in realized gain on sales of loans and other investments in the accompanying consolidated statements of operations and comprehensive income.

During the year ended November 30, 2014, fourteen whole loans and one senior participation were sold for an aggregate of $474,087 to the CLO. Additionally, two loans were sold for $13,492 to unaffiliated third parties. The sale of these loans resulted in a net realized gain of $4,706, which is included in realized gain on sales of loans and other investments in the accompanying consolidated statements of operations and comprehensive income. The senior participation sold to the CLO remains on the Company’s statement of financial condition with a corresponding liability for proceeds received as the sale did not qualify as a sale for accounting purposes because the Company retained a junior participation related to the same underlying collateral and the junior participation does not receive cash flows on a pari-passu basis with the sold participation.

In June 2012, one loan, although legally transferred in connection with its securitization, did not qualify as a sale for accounting purposes because the Company retained a junior participation in the whole loan, and accordingly remained on the Company’s consolidated statements of financial condition with a corresponding liability recorded as loan participations sold. In July 2014, as a result of the junior participation loan payoff, the senior participation of the whole loan was qualified and treated as a sale by the Company under ASC 860. This transaction resulted in the Company recognizing a $1,450 realized gain on loans for the year ended November 30, 2014. Consequently, the Company also reversed a $2,071 unrealized gain on fixed rate loans and a $621 unrealized loss on loan participations sold during the year ended November 30, 2014.

At November 30, 2015, one A-note and seven senior participations, with an aggregate fair value of $370,575, remain on the Company's consolidated statements of financial condition with a corresponding liability for the proceeds received recorded as loan participations sold, at fair value. The Company has elected to measure these liabilities at fair value, with subsequent changes in fair value reflected as unrealized gain (loss) on loan participations sold in the accompanying consolidated statements of operations and comprehensive income. The estimated fair value of these liabilities is determined using current secondary market prices for loans with similar coupons, maturities, and credit quality, which approximates the estimated fair value of the liability related to the financial asset retained.

5. Repurchase Facilities

The Company has entered into multiple committed master repurchase agreements in order to finance its lending activities. As of November 30, 2015, the Company has six committed master repurchase agreements, as outlined in the table below, with multiple counterparties totaling $1,470,000 of credit capacity. Assets pledged as collateral under these facilities include whole mortgage loans, participation interests in mortgage loans collateralized by first liens on commercial properties and subordinate loans. The Company's repurchase facilities include covenants covering net worth requirements, minimum liquidity levels, and maximum leverage ratios including a ratio of total indebtedness to total assets of .83 to 1. The Company believes it is in compliance with all covenants as of November 30, 2015 and November 30, 2014.

The Company's wholly-owned subsidiary, JLC Warehouse I LLC ("JLC WH I") entered into a $300,000 Master Repurchase Agreement on June 24, 2011 with an initial maturity of June 24, 2013. On May 7, 2013, the Company exercised its one-year extension option to extend the termination date of the facility to June 24, 2014. As per the terms of the Master Repurchase Agreement, the facility terminated on June 24, 2014.

The Company's wholly-owned subsidiary, JLC Warehouse II LLC ("JLC WH II") entered into a $300,000 Master Repurchase Agreement on August 25, 2011. This facility was scheduled to terminate on August 25, 2014 with the option to extend for an additional year, subject to certain conditions. On February 14, 2014, this master repurchase agreement was amended. The facility amount was increased to $350,000 and the termination date was extended to February 14, 2017 with an option to extend for up to two one-year extensions, subject to certain conditions.

The Company's wholly-owned subsidiary, JLC Warehouse IV LLC ("JLC WH IV") entered into a $200,000 Master Repurchase Agreement on December 16, 2013. The facility terminates on December 16, 2016 and has rolling one-year extension options, subject to certain conditions.

The Company's wholly-owned subsidiary, JLC Warehouse V LLC ("JLC WH V") entered into a $350,000 Master Repurchase Agreement on August 25, 2014. On December 20, 2014, the facility amount was increased to $500,000. The facility terminates on August 25, 2017 and has rolling one-year extension options, subject to certain conditions.

The Company's wholly-owned subsidiaries, JLC Warehouse VI LLC and JLC Mezz VI LLC (collectively "JLC WH VI") entered into a $220,000 Master Repurchase Agreement on January 20, 2015 with Jefferies Funding LLC, a related party. The facility terminates on January 19, 2016.

The Company's wholly-owned subsidiary, JLC Warehouse VII LLC ("JLC WH VII") entered into a $200,000 Master Repurchase Agreement on July 8, 2015. The facility terminates on July 6, 2016 and has two one-year extension options, subject to certain conditions.

(in thousands - except per unit data)

On August 7, 2013, the Company entered into a Master Repurchase Agreement with Jefferies Funding LLC, a related party. The terms of the agreement are negotiable and determinable on a transaction-by-transaction basis. A transaction is an agreement between JLC ("Seller") and Jefferies Funding LLC ("Buyer") in which the Seller agrees to transfer to the Buyer securities or other assets ("Securities") against the transfer of funds by buyer, with a simultaneous agreement by Buyer to transfer to Seller such Securities at a specified date or on demand, against the transfer of funds by Seller. This Agreement may be terminated by either party upon giving written notice to the other, except that this Agreement shall, notwithstanding such notice, remain applicable to any transactions then outstanding.

A summary of the Company's repurchase facilities as of November 30, 2015 and November 30, 2014 were as follows:

At November 30, 2015

Name	Committed Amount	Outstanding Amount	Committed but Unfunded	Average Interest Rate(s) at November 30, 2015	Advance Rate	Maturity	Remaining Extension Options	Current Balance Collateral Pledge
JLC WH II	$350,000	—	$350,000	N/A	N/A	2/14/2017	Two additional one-year periods at Company's option subject to an extension fee and other certain requirements	—
JLC WH IV	$200,000	$44,600	$155,400	2 83%	50-70%, depending on loan collateral	12/16/2016	Rolling one-year extensions at lender and Company's option subject to and extension fee and other certain requirements	$76,000
JLC WH V	$500,000	$324,982	$175,018	2.79%	60-80%, depending on loan collateral	8/25/2017	Rolling one-year extensions at lender and Company's option subject to and extension fee and other certain requirements	$456,262
JLC WH VI	$220,000	$175,063	$44,937	4.86%	13-85%, depending on loan collateral	1/19/2016	None	$292,273
JLC WH VII	$200,000	$140,421	$59,579	2.44%	73-75%, depending on loan collateral	7/6/2016	Two one-year extensions at lender and Company's option subject to and extension fee and other certain requirements	$190,607
JLC	No maximum commitment amount	—	No maximum commitment amount	N/A	N/A	N/A	N/A	—
	$1,470,000	**685,066**	**$784,934**					**1,015,132**

At November 30, 2014

Name	Committed Amount	Outstanding Amount	Committed but Unfunded	Average Interest Rate(s) at November 30, 2015	Advance Rate	Maturity	Remaining Extension Options	Current Balance Collateral Pledge
JLC WH II	$350,000	$134,280	$215,720	2 53%	60-75%, depending on loan collateral	2/14/2017	Two additional one-year periods at Company's option subject to an extension fee and other certain requirements	$196,040
JLC WH IV	$200,000	$94,302	$105,698	2 69%	65-75%, depending on loan collateral	12/16/2016	Rolling one-year extensions at lender and Company's option subject to and extension fee and other certain requirements	$135,883
JLC WH V	$350,000	$310,988	$39,012	2.77%	60-80%, depending on loan collateral	8/25/2017	Rolling one-year extensions at lender and Company's option subject to and extension fee and other certain requirements	$425,575
JLC	No maximum commitment amount	—	No maximum commitment amount	N/A	60-75%, depending on loan collateral	N/A	N/A	—
	$900,000	**$539,570**	**$360,430**					**$757,498**

The repurchase agreements require principal repayments on the financings as principal payments are received on loans held for sale or upon sale or transfer of the loans. All principal and interest payments from borrowers on the Company's loans held for sale are collected by the Company's third party servicers. Under the terms of the Company's repurchase agreements, all such loan payments are applied toward interest and principal due on the repurchase agreements first with any excess remitted to the Company.

Amortization of deferred financing fees for all repurchase facilities is included as interest expense in the accompanying consolidated statements of operations and comprehensive income and was $6,009 and $2,465 for the years ended November 30, 2015 and November 30, 2014, respectively.

6. Credit Facilities

On March 19, 2014, the Company entered into two committed subscription credit agreements, collateralized by the Company's available commitments, in the aggregate principal amount of $60,000. The Credit Facilities are available on a revolving basis to finance the Company's working capital needs and for general corporate purposes. On March 19, 2015, the Company amended the two committed subscription agreements by extending the initial term to April 19, 2016. The terms of the facilities are for one year through April 19, 2016, with two one-year extension options, subject to an extension fee. The subscription credit facilities have an upfront fee, an unused fee and a stated interest rate based on a spread to LIBOR or a spread to prime. The Company had $0 and $55,000 of borrowings outstanding under these facilities at November 30, 2015 and November 30, 2014, respectively. The Company incurred interest expense of $488 and $475, respectively, for the years ended November 30, 2015 and November 30, 2014, including the unused fee. The average rate at November 30, 2014 was 2.16%.

As of November 30, 2015 and for the year ended November 30, 2015, the Company believes it was in compliance with all covenants, which include maintaining leverage policies detailed in the LLC Agreement and maintaining a sufficient borrowing base consisting of uncalled capital commitments of members to collateralize the credit facilities borrowings.

On May 26, 2015, the Company's wholly-owned subsidiary, Jefferies LoanCore (Europe) 2015-1 Limited, entered into a 51,500 GBP credit facility agreement. The facility terminates on January 9, 2017 and has two six-month extension options. The facility was initially secured by a 74,541 GBP whole loan that was originated by Jefferies LoanCore (Europe) 2015-1 Limited. At November 30, 2015, the whole loan current balance was 70,900 GBP. The term of the facility is six months longer than the initial term of the whole loan and required an upfront fee to be paid at closing. The Company had 47,091 GBP outstanding under this facility at November 30, 2015. The interest rate on the facility is three-month LIBOR plus 4.0% as of November 30, 2015. The Company incurred interest expense of $1,807 for the year ended November 30, 2015. Costs incurred related to the facility that were capitalized to deferred financing fees are amortized over the life of the whole loan as that is the expected term of the facility.

Amortization of deferred financing fees for the credit facilities is included as interest expense in the accompanying consolidated statements of operations and comprehensive income and was $837 and $365 for the years ended November 30, 2015 and November 30, 2014, respectively.

7. Bond Payable

On May 31, 2013, the Company issued $300,000 of unregistered senior unsecured notes maturing on June 1, 2020 and bearing interest at 6.875%. The unsecured notes are governed by the indenture agreement, dated May 31, 2013, among Jefferies LoanCore LLC, JLC Finance Corporation, and Wilmington Trust, National Association, as trustee.

The Company may redeem the notes in whole or in part on and after June 1, 2016 at the redemption prices described in Section 3.07 of the indenture agreement. Prior to June 1, 2016, the

Company may redeem the notes in whole or in part at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, to, but not including, the date of redemption, plus a “make-whole” premium. In addition, the Company may redeem up to 35% of the aggregate principal amount of the notes before June 1, 2016 with the net cash proceeds of certain equity offerings at a redemption price equal to 106.875% of the principal amount thereof plus accrued and unpaid interest, if any, to, but not including, the date of redemption.

Under the terms of the indenture agreement, the Company is subject to various financial and operating covenants, including maintaining a non-funding debt to equity ratio of less than 1.75x and a $300,000 minimum GAAP equity requirement, which may be reduced down by subsequent GAAP losses. The Company believes it was in compliance with all of the debt covenants as of November 30, 2015 and November 30, 2014.

Amortization of bond deferred financing fees included as interest expense in the accompanying consolidated statements of operations and comprehensive income for the years ended November 30, 2015 and November 30, 2014 was $1,112 and $1,034, respectively.

8. Related Party Transactions

As provided for in the LLC Agreement, LoanCore provides management services to the Company. The Company reimburses LoanCore for its costs allocable to such activities. For the years ended November 30, 2015 and November 30, 2014, compensation, benefits and administrative costs allocable to the Company and reimbursable to LoanCore were $29,273 and $19,891, respectively. As of November 30, 2015 and November 30, 2014, amounts owed to LoanCore, net of any LoanCore expenses paid by the Company, were $25,351 and $13,620, respectively, and are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial condition.

As provided for in the LLC Agreement, the Company engages affiliated entities to provide financial advisory, underwriting, investment banking, loan servicing, insurance, real estate, due diligence, accounting or other services.

The Company has an agreement in place with Divco West Services, LLC (“DWS”), an affiliate, related to the provision of administration, accounting, advisory, financial reporting, and technology services, which is subject to approval by the Manager. Amounts incurred for services provided by DWS were $240 and $240 for the years ended November 30, 2015 and November 30, 2014, respectively. As of November 30, 2015 and November 30, 2014, there were $0 and $0 payable to DWS for these services, respectively.

The Company reimburses DWS for amounts paid on the Company’s behalf for certain administrative, IT and payroll-related expenses. The total reimbursements paid to DWS were $707 and $361, for the years ended November 30, 2015 and November 30, 2014, respectively. As of November 30, 2015 and November 30, 2014, $59 and $57 were payable from the Company to DWS for these services, respectively, which are recorded in accounts payable and accrued expenses in the consolidated statements of financial condition.

On October 28, 2011, the Company entered into a service agreement with Jefferies & Company, Inc. (“Jefferies & Co”), an affiliate of Jefferies, to obtain services for facilities operations, legal and compliance, technology and other services (“Jefferies Services”). Amounts incurred to Jefferies & Co for Jefferies Services for the years ended November 30, 2015 and November 30, 2014 were $184 and $129, respectively. As of November 30, 2015 and November 30, 2014, amounts owed to Jefferies & Co totaled $15 and $9, respectively, which were recorded in accounts payable and accrued expenses in the consolidated statements of financial condition.

As discussed in Note 4, during the year ended November 30, 2015, the Company sold six senior participations, two whole loans and one A-note to the CLO for a total of $384,375. During the year ended November 30, 2014, the Company sold fourteen whole loans and one senior participation to the CLO for a total of $474,087. All loans sold to the CLO beared interest at a floating rate.

(in thousands - except per unit data)

During the years ended November 30, 2015 and November 30, 2014, the Company incurred $1,162 and $1,225, respectively, in underwriting fees to Jefferies & Co. related to the securitization of loans that the Company sold or transferred as disclosed in Note 4. As of November 30, 2015, $300 was payable from the Company to Jefferies & Co., which is recorded in accounts payable and accrued expenses in the consolidated statements of financial condition.

As discussed in Note 5, on August 7, 2013, the Company entered into a master repurchase agreement with Jefferies Funding, LLC. For the years ended November 30, 2015 and November 30, 2014, the Company incurred $569 and $1,243 of interest expense related to this master repurchase agreement, respectively. At November 30, 2015 and November 30, 2014, there was no balance outstanding on this master repurchase agreement.

As discussed in Note 5, on January 20, 2015, the Company entered into a master repurchase agreement with Jefferies Funding, LLC. For the year ended November 30, 2015, the Company incurred $8,435 of interest expense related to this master repurchase agreement.

9. Loans Held for Sale

The Company has originated and purchased loans mainly consisting of first mortgage and mezzanine positions. The loans are collateralized by various asset types such as office, multi-family, hospitality, industrial, and retail properties. A summary of the Company's loans held for sale at November 30, 2015 and November 30, 2014, respectively, is as follows:

Loan Type	Initial Maturity Date	November 30, 2015 Principal Balance	November 30, 2015 Fair Value	November 30, 2014 Principal Balance	November 30, 2014 Fair Value
Fixed Rate	Less than 1 year	—	—	—	—
Fixed Rate	1 to 5 years	—	—	11,798	12,004
Fixed Rate	6 to 11 years	366,080	361,475	369,927	379,879
Sub-total Fixed Rate Loans		366,080	361,475	381,725	391,883
Adj Rate	Less than 1 year	761,016	748,740	78,060	77,674
Adj Rate	1 to 5 years	642,651	636,578	765,750	761,178
Adj Rate	6 to 11 years	—	—	—	—
Sub-total Adj Rate Loans		1,403,667	1,385,318	843,810	838,852
Fixed Rate Mezz	Less than 1 year	—	—	—	—
Fixed Rate Mezz	1 to 5 years	15,060	15,050	22,746	22,738
Fixed Rate Mezz	6 to 11 years	66,140	58,576	66,749	60,045
Sub-total Fixed Rate Mezz Loans		81,200	73,626	89,495	82,783
Adj Rate Mezz	Less than 1 year	142,400	141,055	1,000	542
Adj Rate Mezz	1 to 5 years	18,500	17,682	104,000	103,073
Adj Rate Mezz	6 to 11 years	865	407	—	—
Sub-total Adj Rate Mezz Loans		161,765	159,144	105,000	103,615
Total Loans Held for Sale		**$ 2,012,712**	**$ 1,979,563**	**$ 1,420,030**	**$ 1,417,133**

At November 30, 2015 and November 30, 2014, the aggregate fair value of loans in non-performing status amounted to $0 and $7,948, respectively. The non-performing loans at November 30, 2014 consisted of a $6,198 senior loan and a $2,065 mezzanine loan, which were both originated with the same underlying collateral. During the year ended November 30, 2015, the $6,198 senior loan paid off in full with fees and accrued interest and the $2,065 mezzanine loan paid off at a discount, resulting in a realized loss on loans held for sale in the accompanying consolidated statements of operations and comprehensive income.

During the year ended November 30, 2015, the Company realized $3,825 of impairment on a certain loan with an unpaid principal balance of $17,500 and a fair value of $13,125, which is included in realized gain (loss) on sale of loans and other investments on the consolidated statements of operations and comprehensive income. The Company recorded the $3,825 of impairment due to an adverse change in expected cash flows, as the fair value of the loan's collateral is less than the Company's cost basis of the respective loan and the loan is collateral dependent, meaning the repayment of the loan is expected to be provided solely by the underlying collateral.

On October 30, 2015, the Company originated a floating rate loan in the UK in the original principal amount of 51,370 EUR. The borrower's project is considered to be a VIE because the equity at risk is not sufficient to finance the activities without additional subordinated financial support. The Company is not considered to be the primary beneficiary of the VIE and the Company also determined its floating rate loan should be accounted for as a loan rather than an investment under ASC 310 given that the Company has no decision making authority or power to direct activity, except normal lender protective rights. The Company elected to account for its loan under the fair value option.

10. Unfunded Lending Commitments

The Company enters into commitments to extend variable credit that are legally binding conditional agreements having fixed expirations or termination dates and purposes. These commitments generally require customers to maintain certain credit standards. Collateral requirements and loan-to-value ratios are the same as those for funded transactions and are established based on management's credit assessment of the customer. These commitments may expire without being drawn upon. Therefore, the total commitment amount does not necessarily represent future funding requirements. The outstanding unfunded floating rate commitments to extend credit were approximately $27,832 and $43,510 as of November 30, 2015 and November 30, 2014, respectively.

11. Other Investments

On September 11, 2014, the Company originated a loan in the UK in the original principal amount of 13,158 GBP, including future funding commitments, to a third-party borrower. The loan is considered to be a VIE because it is thinly capitalized; however, the Company is not considered to be the primary beneficiary. Accordingly, the investment is not consolidated. At the time of origination, the Company elected to account for its interest therein under the fair value option. On August 11, 2015, the Company refinanced the original loan with a new 12,500 GBP floating rate loan. The new floating rate loan was not considered a VIE and qualified for accounting treatment as a loan which the Company elected to account for under the fair value option.

On October 10, 2014, the Company, through its wholly owned subsidiary, JLC AP PE LLC, originated a $28,500 Preferred Equity Investment ("AP PE") by entering into the operating agreement of P2 Portfolio Investor Holdings, LLC ("P2 LLC"). AP PE is considered to be a VIE; however, JLC AP PE LLC is not considered to be the primary beneficiary. Accordingly, the investment is not consolidated. At the time of investment, the Company elected to account for its interest therein under the fair value option.

P2 LLC was formed for the purpose of originating and holding equity interests in two multi-family properties located in Orlando, Florida. Under the terms of the P2 LLC operating agreement, JLC

AP PE LLC is entitled to a 16.0% preferred return per annum based on its unreturned preferred capital amount balance. Pursuant to the P2 LLC operating agreement, the expected repayment date was November 25, 2014. AP PE was not fully repaid on November 25, 2014, triggering a breach in the operating agreement and an increase in the preferred return rate to 36.0%. On March 16, 2015, the Company exercised its right to become managing member with indirect control of the borrowing entity until P2 LLC cured such breach with repayment.

On May 12, 2015, the Company entered into an agreement with the sponsor, whereby the sponsor made a $3,000 payment on the existing AP PE as a principal repayment and a 1% redemption fee for the following rights: 1) the right to repay the AP PE in full on or before June 8, 2015, with a right to extend to July 8, 2015 for payment of an additional $1,000, and regain full control as the managing member and 2) the right to a discounted payoff of the full amount due on the AP PE. The discounted payoff permitted was a waiver of the breach interest, which was accrued at 20% and totaled $1,441 as of February 28, 2015, on the AP PE, a waiver of $250 of the 1% redemption fee and a waiver of all prepayment restrictions and charges on the related $20,000 Atlas mezzanine loan. The Sponsor and the Company have since entered into two amendments and various letter agreements to the May 12, 2015 agreement that includes extension options through December 31, 2015. The Company is currently in discussions regarding an additional extension. In return for these extension options, the Sponsor has made additional repayments. Since origination through November 30, 2015, the Sponsor has paid down the AP PE by $8,759. As of November 30, 2015, AP PE was current on its contractual preferred return payments.

As part of the agreement dated May 12, 2015, including the various amendments and letter agreements, the Company waived any right to sell or refinance the debt on the properties before December 31, 2015. While the Company remains managing member of P2 LLC, the Company considers the rights to sell or refinance P2 LLC to have a significant impact on the rights of all variable interest holders in P2 LLC, including debt and equity holders. The Company’s VIE assessment under Topic 810 concluded that selling or refinancing P2 LLC would qualify as the activities which most significantly impact the economic performance of P2 LLC given the design of the entity and the impact of those activities on all variable interest holders. As of November 30, 2015, the sponsor controlled the rights to sell or refinance P2 LLC and the Company concluded it is not the primary beneficiary of P2 LLC since it did not have the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance.

As of November 30, 2015, the fair value of AP PE is $19,524. The Company believes AP PE is well collateralized and will collect its initial investment. Therefore, AP PE is not considered to be non-performing as of November 30, 2015.

On October 30, 2014, the Company, through its wholly owned subsidiary JLC HS PE LLC, originated a $15,000 Preferred Equity Investment (“HS PE”) by entering into the operating agreements of Student Housing JV Preferred 1201, LLC, Student Housing JV Preferred A-B, LLC and Student Housing JV Preferred P-V, LLC (collectively the “HS Housing JVs”). The HS Housing JVs were formed for the purpose of originating and holding preferred equity interests in five student housing properties located in various locations within the United States. HS PE is not considered to be a VIE. At the time of investment, the Company elected to account for its interest therein under the fair value option. On February 27, 2015, HS PE was sold to an unaffiliated third party for $14,925 and the Company recognized a realized gain of $75.

The Company recognized a realized loss of $138 on the write-off of one other investment during the year ended November 30, 2015. The write-off was a result of the senior mortgage holder foreclosing on the property and taking title to the collateral on March 3, 2015.

(in thousands - except per unit data)

The following summarizes the activity in other investments for the period from December 1, 2014 to November 30, 2015:

Balance at December 1, 2014, at fair value	$	49,190
Contributions to other investments		9,736
Proceeds from sale of other investments		(14,925)
Pay downs of other investments		(24,661)
Income from other investments		4,695
Distributions from other investments		(3,802)
Origination discount related to other investments paid down		247
Effect of exchange-rate changes		19
Sales and transfers of investment interests		—
Realized loss included in statement of operations		(63)
Unrealized loss on other investments		(912)
Balance at November 30, 2015, at fair value	$	19,524

12. Fair Value

The following table presents the financial instruments carried on the consolidated statements of financial condition by level within the valuation hierarchy as of November 30, 2015:

		Level 1		Level 2		Level 3		Total
As of November 30, 2015								
Fixed rate loans	$	—	$	—	$	361,475	$	361,475
Adjustable rate loans		—		—		1,385,318		1,385,318
Fixed rate mezzanine loans		—		—		73,626		73,626
Adjustable rate mezzanine loans		—		—		159,144		159,144
Total loans held for sale		—		—		1,979,563		1,979,563
Other investments		—		—		19,524		
Total investments		—		—		1,999,087		1,979,563
Derivative assets		—		4,892		8,019		12,911
Derivative liabilities		—		(2,660)		—		(2,660)
Loan participations sold		—		—		(370,575)		(370,575)
	$	—	$	2,232	$	1,636,531	$	1,638,763

(in thousands - except per unit data)

The following table presents the financial instruments carried on the consolidated statements of financial condition by level within the valuation hierarchy as of November 30, 2014:

	Level 1	Level 2	Level 3	Total
As of November 30, 2014				
Fixed rate loans	$ —	$ —	$ 391,883	$ 391,883
Adjustable rate loans	—	—	838,852	838,852
Fixed rate mezzanine loans	—	—	82,783	82,783
Adjustable rate mezzanine loans	—	—	103,615	103,615
Total loans held for sale	—	—	1,417,133	1,417,133
Other investments	—	—	49,190	49,190
Total investments	—	—	1,466,323	1,466,323
Derivative assets	—	237	—	237
Derivative liabilities	—	(5,013)	—	(5,013)
Loan participations sold	—	—	(41,500)	(41,500)
	$ —	$ (4,776)	$ 1,424,823	$ 1,420,047

Level 3 Fair Value Asset and Liability Input Sensitivity

Changes in unobservable inputs may have a significant impact on fair value. Certain of the unobservable inputs will, in isolation, have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value may move in the opposite direction for a given change in another input. In general, an increase in the discount rate and credit spreads, in isolation, would result in a decrease in the fair value measurement and a decrease in these same inputs would result in an increase in the fair value measurement.

(in thousands - except per unit data)

The following table shows quantitative information about significant unobservable inputs related to the Level 3 fair value measurements at November 30, 2015 and November 30, 2014:

At November 30, 2015						Weighted Average	
	Outstanding Face Amount	Cost Basis	Fair Value	Valuation Technique	Profit Range	Yield %	Remaining Maturity (Years)
Assets							
Fixed rate loans held for sale	$ 366,080	$ 366,225	$ 361,475	Discounted cash flows (1)	0.75%-3 00% (2)	5%	9 93
Mezzanine loans held for sale	242,965	225,663	232,770	Discounted cash flows	N/A	11.53%	2 98
Adjustable rate loans held for sale -US	1,137,481	1,123,150	1,122,345	Discounted cash flows	0.00%-1.00%	6.97% (4)	1.31 (4)
Adjustable rate loans held for sale -Europe	266,186	261,906	262,973	Discounted cash flows	0.00%-1.00%	10.44%	0.76
Other Investments	—	20,436	19,524	Discounted cash flows (3)	(3)	(3)	N/A
Loan participations sold - floating	(370,575)	(368,212)	(370,575)	Discounted cash flows	0.00%-1.00%	N/A	0 90

At November 30, 2014						Weighted Average	
	Outstanding Face Amount	Cost Basis	Fair Value	Valuation Technique	Profit Range	Yield %	Remaining Maturity (Years)
Assets							
Fixed rate loans held for sale	$ 381,725	$ 385,052	$ 391,883	Discounted cash flows (1)	1 00%-3 00% (2)	4.76% (5)	9.33 (5)
Mezzanine loans held for sale	194,495	180,095	186,398	Discounted cash flows	N/A	11.79% (5)	4.43 (5)
Adjustable rate loans held for sale	843,810	834,617	838,852	Discounted cash flows	0.00%-1.00%	6.10% (6)	1.86 (6)
Other Investments	—	49,190	49,190	Discounted cash flows (3)	(3)	(3)	1 55
Loan participations sold - floating	(41,500)	(41,045)	(41,500)	Discounted cash flows	0.00%-1.00%	N/A	1 61

(1) Fixed rate loans held for sale are measured at fair value using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.
(2) Represents profit margin range on hypothetical securitization scenario on fixed rate loans.
(3) The Company believes fair value approximates the estimated future cash flows the Company will receive from each other investment.
(4) The Company has excluded one A-note and seven senior participations, with an aggregate face amount of $370,575 from the calculation of Yield and Remaining Maturity as they were legally transferred in connection with sales, but did not qualify as sales for accounting purposes as described in Footnote 4, and therefore still remain on the Company's statement of financial condition.
(5) A senior rate loan with a principal balance of $6,198 and a mezzanine loan with a principal balance of $2,065, both collateralized by the same asset, were not included in the calculation of Yield or Remaining Maturity because they were in a non-accrual status as of each respective period end.
(6) The Company has excluded a $41,500 senior participation from the calculation of Yield and Remaining Maturity as it was legally transferred in connection with a sale, but did not qualify as a sale for accounting purposes as described in Footnote 4, and therefore, still remains on the Company's statement of financial condition.

The following is a reconciliation of the beginning and ending balances for loans held for sale and other investments, as well as loan participations sold measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended November 30, 2015 and November 30, 2014:

(in thousands - except per unit data)

Loans held for sale, at fair value

	2015	2014
Balance at November 30, 2014 and 2013	$ 1,417,133	$ 940,916
Purchases and fundings of loans held for sale, including capitalized interest	2,650,528	1,771,222
Principal paydowns on loans held for sale	(419,375)	(194,328)
Proceeds from sale of loans held for sale	(1,683,724)	(1,129,684)
Origination discount related to loans and other investments paid off	3,198	3,334
Unrealized gain (loss) included in statement of operations	(14,750)	8,789
Effect of exchange rate changes	(4,290)	—
Realized gain included in statement of operations	30,843	34,572
Reversal of loan participation sold	—	(17,688)
Balance at November 30, 2015 and 2014	$ 1,979,563	$ 1,417,133

Loan participations sold, at fair value

	2015	2014
Balance at November 30, 2014 and 2013	$ 41,500	$ 17,995
Proceeds from loan participations sold	329,075	41,500
Reversal of loan participations sold	—	(17,688)
Unrealized loss on loan participations sold	—	(307)
Balance at November 30, 2015 and 2014	$ 370,575	$ 41,500

Other investments, at fair value

	2015	2014
Balance at November 30, 2014 and 2013	$ 49,190	$ 138
Contributions to other investments	9,736	53,140
Proceeds from sale of other investments	(14,925)	—
Pay downs of other investments	(24,661)	(3,670)
Income from other investments	4,695	—
Distributions from other investments	(3,802)	—
Origination discount related to other investments paid down	247	37
Effect of exchange-rate changes	19	(455)
Realized loss included in statement of operations	(63)	—
Unrealized loss on other investments	(912)	
Balance at November 30, 2015 and 2014	$ 19,524	$ 49,190

The following table presents the Company’s investments and loan participations sold carried at estimated fair value on a recurring basis in the consolidated statements of financial condition as of November 30, 2015 and November 30, 2014:

	November 30, 2015				November 30, 2014			
Asset Type	**Outstanding Face Amount**	**Cost Basis**	**Unrealized Gain (Loss)**	**Fair Value**	**Outstanding Face Amount**	**Cost Basis**	**Unrealized Gain (Loss)**	**Fair Value**
Fixed rate loans	$ 366,080	$ 366,225	$ (4,750)	$ 361,475	$ 381,725	$ 385,052	$ 6,831	$ 391,883
Adjustable rate loans	1,403,667	1,385,056	262	1,385,318	843,810	834,617	4,235	838,852
Fixed mezzanine loans	81,200	67,995	5,631	73,626	89,495	77,052	5,731	82,783
Adjustable rate mezzanine loans	161,765	157,668	1,476	159,144	105,000	103,043	572	103,615
Total loans held for sale	$ 2,012,712	$ 1,976,944	$ 2,619	$ 1,979,563	$ 1,420,030	$ 1,399,764	$ 17,369	$ 1,417,133
Other investments		20,436	(912)	19,524	—	49,190	—	49,190
Loan participations sold	(370,575)	(368,212)	(2,363)	(370,575)	41,500	(41,045)	(455)	(41,500)

(in thousands - except per unit data)

The following table summarizes the effect of the Company's investments on the consolidated statements of operations and comprehensive income for the years ended November 30, 2015 and November 30, 2014:

		Amount of Gain or (Loss) Recognized in Earnings	
Asset Type	**Location of Gain or (Loss) Recognized in Earnings**	**For the Year ended November 30, 2015**	**For the Year ended November 30, 2014**
Fixed rate loans	Unrealized gain (loss) on loans held for sale and other investments	$ (11,581)	$ 6,023
Fixed rate loans	Realized gain on sales of loans and other investments [(1)]	34,811	29,867
Adjustable rate loans	Unrealized loss on loans held for sale and other investments	(3,973)	(1,092)
Adjustable rate loans	Realized gain (loss) on sales of loans and other investments	(2,971)	4,500
Fixed rate mezzanine loans	Unrealized gain (loss) on loans held for sale and other investments	(100)	3,549
Fixed rate mezzanine loans	Realized gain (loss) on sales of loans and other investments	(997)	205
Adjustable rate mezzanine loans	Unrealized gain on loans held for sale and other investments	904	309
Total loans held for sale		$ 16,093	$ 43,361
Other investments	Unrealized loss on loans held for sale and other investments	(912)	—
Other investments	Realized loss on sales of loans and other investments	(63)	—
Total other investments		$ (975)	$ —

(1) Realized gain on sales of loans and other investments for the year ended November, 30, 2015 includes $404 of realized loss on interest rate locks.

Loans held for sale are measured at estimated fair value based upon a hypothetical securitization model utilizing data from recent securitization spreads and pricing, the application of discount rates to estimated future cash flows using market yields or other valuation methodologies. These valuations are adjusted to consider loan pricing adjustments specific to each loan. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, estimated fair values are not necessarily indicative of the amount the Company could realize on disposition of the loans. The use of different market assumptions or estimation methodologies could have a material effect on the estimated fair value amounts.

The Company has not elected the fair value option related to its bond payable, repurchase facilities and credit facilities. The amortized cost basis of the repurchase facilities and credit facilities presented on the face of the consolidated statements of financial condition at November 30, 2015 and November 30, 2014 approximates fair value, given the short-term nature and interest rate resets of each facility. The estimated fair value of the liability related to bond payable at November 30, 2015 is based on the “ask” price at the last trading day of the period presented. The “ask” price at November 30, 2015 was 98.25, resulting in a fair value of the bond payable of $294,750. The “ask” price at November 30, 2014 was 96.0, resulting in a fair value of the bond payable of $288,000.

The carrying value of other financial instruments including cash and cash equivalents, restricted cash, accrued interest receivable and accounts payable, approximate the fair values of the instruments due to their short-term nature.

13. Derivative Instruments

The Company uses derivatives and interest rate lock commitments primarily to manage the estimated fair value variability of fixed rate loans held for sale caused by market interest rate fluctuations. At times, interest rate swaps are pledged as collateral in the Company's master repurchase agreements. The Company uses foreign currency forwards primarily to manage foreign currency fluctuations.

Goldman Sachs International, Jefferies Derivative Products, LLC, a related party, Jefferies Financial Services, Inc., a related party, Credit Suisse Securities (USA) LLC and Wells Fargo Securities LLC were the counterparties on all of the Company's interest rate swaps, foreign currency forwards and corporate credit index positions as of November 30, 2015 and November 30, 2014 and during the years then ended.

In valuing its derivatives, the Company considers the creditworthiness of both the Company and its counterparties, along with collateral provisions contained in each derivative agreement, from the perspective of both the Company and its counterparties. All of the Company's interest rate swaps, corporate credit index hedges and foreign currency forward contracts are either subject to bilateral collateral arrangements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd Frank Act"). For its derivatives subject to bilateral collateral arrangements, the Company has netting arrangements in place with all derivative counterparties pursuant to the standard documentation developed by the International Swap and Derivatives Association ("ISDA"). For the swaps and credit derivatives cleared under the Dodd Frank Act, a Central Clearing Party ("CCP") stands between the Company and its over-the-counter derivative counterparties. In order to access clearing, the Company has entered into clearing agreements with Future Commission Merchants ("FCMs"). The Company is permitted to net all exposure with a common CCP and FCM under enforceable netting agreements, where a legal right of offset exists. Consequently, no credit valuation adjustment was made in determining the fair value of the Company's derivatives.

On September 11, 2014, the Company originated a loan in the UK in the original principal amount of 13,158 GBP, including future funding commitments, to a third-party borrower. This loan was refinanced by the Company on August 11, 2015. The new floating rate loan has a principal amount of 12,500 GBP, including future funding commitments. As part of the underlying loan agreement, the Company was given a share warrant instrument, which enables the Company to subscribe for shares representing 33.3% of the borrower's ordinary issued share capital. This share warrant instrument is freely transferable and is accounted for as a bifurcated derivative rather than an embedded derivative given the terms of the agreement. The share warrants have a fair value of $1,700 and $0 as of November 30, 2015 and November 30, 2014, respectively. This valuation is based on the Company's internal analysis, which was primarily driven by the net asset value of the share capital at November 30, 2015, assuming a hypothetical liquidation of all assets and liabilities and considering control and liquidity restraints of the instrument.

On January 21, 2015, the Company originated a B-note loan in the UK in the original principal amount of 39,967 GBP, to a third-party borrower. The Company upsized the loan by 13,251 GBP on September 4, 2015, increasing the loan balance to 53,218 GBP as of November 30, 2015. As part of the underlying loan agreement, the Company was given a share warrant instrument, which enables the Company to subscribe for shares representing 25.0% of the borrower's ordinary issued share capital. This share warrant instrument is freely transferable and is accounted for as a bifurcated derivative rather than an embedded derivative given the terms of the agreement. The share warrants have a fair value of $4,202 as of November 30, 2015. This valuation is based on the Company's internal analysis, which was primarily driven by the net asset value of the share capital at November 30, 2015, assuming a hypothetical liquidation of all assets and liabilities and considering control and liquidity restraints of the instrument.

(in thousands - except per unit data)

On May 26, 2015, the Company originated a floating rate loan in the UK in the original principal amount of 74,542 GBP, to a third-party borrower. As part of the underlying loan agreement, the Company was given a share warrant instrument, which enables the Company to subscribe for shares representing 25.0% of the borrower's ordinary issued share capital. This share warrant instrument is freely transferable and is accounted for as a bifurcated derivative rather than an embedded derivative given the terms of the agreement. The share warrants have a fair value of $2,117 as of November 30, 2015. This valuation is based on the Company's internal analysis, which was primarily driven by the net asset value of the share capital at November 30, 2015, assuming a hypothetical liquidation of all assets and liabilities and considering control and liquidity restraints of the instrument.

The following table is a summary of notional amounts and estimated fair values of derivative instruments as of November 30, 2015 and November 30, 2014:

Derivative Contract Type	Notional as of November 30, 2015	Fair Value as of November 30, 2015		Notional as of November 30, 2014	Fair Value as of November 30, 2014	
		Asset Derivatives	Liability Derivatives		Asset Derivatives	Liability Derivatives
Interest rate swaps [1]	$ 313,600	$ 2,278	$ (1,302)	$ 135,200	$ —	$ (3,979)
Total swaps	313,600	2,278	(1,302)	135,200	—	(3,979)
Corporate credit index [2]	141,000	—	(1,358)	50,000	—	(1,034)
Total index position	141,000	—	(1,358)	50,000	—	(1,034)
FX forward contracts [3]	200,604	2,614	—	7,892	237	—
Total FX forward contract	200,604	2,614	—	7,892	237	—
Other derivatives [4]	—	8,019	—	—	—	—
Total other derivatives	—	8,019	—	—	—	—
Total deriva ives	$ 655,204	$ 12,911	$ (2,660)	$ 237	$ 237	$ (5,013)

Note:

1) Interest rate swaps are included in derivative assets and derivative liab lities on the consolidated statements of financial condition as of November 30, 2015 and November 30, 2014.

2) Corporate credit index is included in derivative liabilities on the consolidated statements of financial condition as of November 30 2015 and November 30, 2014.

3) FX Forward contracts are included in derivative assets on the consolidated statements of financial condition as of November 30, 2015 and November 30, 2014, respectively.

4) Other derivatives are included in derivative assets on the consolidated statements of financial condition as of November 30, 2015.

The effect of the Company's derivative instruments on the consolidated statements of operations and comprehensive income for the years ended November 30, 2015 and November 30, 2014 was as follows:

(in thousands - except per unit data)

Derivative Type	Location of Gain or (Loss) Recognized in Earnings	Amount of Gain or (Loss) Recognized in Earnings: For the Year ended November 30, 2015		Amount of Gain or (Loss) Recognized in Earnings: For the Year ended November 30, 2014	
Interest rate swaps	Unrealized gain (loss) on derivative instruments	$	4,956	$	(3,305)
Interest rate swaps	Realized gain (loss) on derivative instruments		1,654		(8,115)
Corporate credit index	Unrealized gain (loss) on derivative instruments		(180)		580
Corporate credit index	Realized loss on derivative instruments		(56)		(3,117)
Interest rate locks	Realized loss on sales of loans held for sale and other investments [(1)]		(404)		—
CMBX	Realized loss on derivative instruments		—		(576)
FX Forward Contracts	Unrealized gain on derivative instruments		2,377		237
FX Forward Contracts	Realized gain on derivative instruments		2,406		365
Other Derivatives	Unrealized gain on derivative instruments		8,167		—
Other investments	Realized gain on derivative instruments		128		—
Total derivatives		**$**	**19,048**	**$**	**(13,991)**

(1) Realized loss on interest rate locks of $404 is reflected in realized gain on sales of loans and other investments in the consolidated statements of operations and comprehensive income.

14. Offsetting Assets and Liabilities

Credit Risk-Related Contingent Features

The Company has agreements with certain of its derivative counterparties that contain a provision whereby if the Company defaults on certain of its indebtedness, the Company could also be declared in default on its derivatives, resulting in an acceleration of payment under the derivatives. As of November 30, 2015 and 2014, the Company was in compliance with these requirements and not in default on its indebtedness. As of November 30, 2015 and 2014, there was $13,922 and $9,233 of cash collateral held by the derivative counterparties for these derivatives, respectively. No additional cash is required to be posted if the acceleration of payment under the derivatives was triggered.

The following tables present both gross and net information about derivatives and other instruments eligible for offset in the statement of financial condition as of November 30, 2015 and November 30, 2014. The Company's accounting policy is to record derivative asset and liability positions on a gross basis, therefore the following table presents the gross derivative asset and liability positions recorded on the statement of financial condition while also disclosing the eligible amounts of financial instruments and cash collateral to the extent those amounts could offset the gross amount of derivative asset and liability positions. The actual amounts of collateral posted by or received from counterparties may be in excess of the amounts disclosed in the following table as the following only discloses amounts eligible to be offset to the extent of the recorded gross derivative positions.

As of November 30, 2015

Offsetting of Financial Assets and Derivative Assets

Description	Gross amounts of recognized assets		Gross amounts offset in the statement of financial condition		Net amounts of assets presented in the statement of financial condition		Gross amounts not offset in the statement of financial condition: Financial Instruments		Gross amounts not offset in the statement of financial condition: Cash collateral received [(2)]		Net amount	
Derivatives	$	12,911	$	—	$	12,911	$	—	$	—	$	12,911
Total	$	12,911	$	—	$	12,911	$	—	$	—	$	12,911

(in thousands - except per unit data)

As of November 30, 2015

Offsetting of Financial Liabilities and Derivative Liabilities

Description	Gross amounts of recognized liabilities	Gross amounts offset in the statement of financial condition	Net amounts of assets presented in the statement of financial condition	Gross amounts not offset in the statement of financial condition: Financial Instruments	Gross amounts not offset in the statement of financial condition: Cash collateral posted/(received) (1)(2)	Net amount
Derivatives	$ 2,660	$ —	$ 2,660	$ —	$ 2,660	$ —
Repurchase Agreements	685,066	—	685,066	685,066	—	—
Total	$ 687,726	$ —	$ 687,726	$ 685,066	$ 2,660	$ —

As of November 30, 2014

Offsetting of Financial Liabilities and Derivative Liabilities

Description	Gross amounts of recognized liabilities	Gross amounts offset in the statement of financial condition	Net amounts of assets presented in the statement of financial condition	Gross amounts not offset in the statement of financial condition: Financial Instruments	Gross amounts not offset in the statement of financial condition: Cash collateral posted/(received) (1)(2)	Net amount
Derivatives	$ 5,013	$ —	$ 5,013	$ —	$ 5,013	$ —
Repurchase Agreements	539,570	—	539,570	539,570	—	—
Total	$ 544,583	$ —	$ 544,583	$ 539,570	$ 5,013	$ —

(1) Included in restricted cash on consolidated statements of financial condition.
(2) The cash collateral not offset in the balance sheet may exceed any gross derivative liability position balance. In that case, the total amount that is reported as cash collateral not offset in the balance sheet is limited to the gross deriva ive liability position balance. In he case of a gross derivative asset position balance, no collateral posted by the Company will be shown in the above table.

Master netting agreements that the Company has entered into with its derivative and repurchase agreement counterparties allow for netting of the same transaction, in the same currency, on the same date. Assets, liabilities, and collateral subject to master netting agreements as of November 30, 2015 and November 30, 2014 are disclosed in the tables above. The Company presents its derivative and repurchase agreements gross on the consolidated statements of financial condition.

15. Commitments

Incentive Compensation

Employees of the Company may be eligible for incentive compensation based upon the performance of the Company per individual employment agreements. The amount of the incentive compensation pool in any fiscal year is based upon a fixed percentage of net income adjusted for certain operating expenses and excess compensation paid in prior periods, subject to available cash, as defined. Under these agreements, the Members may approve an increase in the amount of the incentive compensation pool earned in any fiscal year. The amounts of accrued incentive compensation included in compensation and benefits expense for the years ended November 30, 2015 and November 30, 2014 were $18,857 and $8,789, respectively.

After allocation of the incentive compensation pool under these arrangements, certain officers are subject to a deferral of 20% of any annual incentive compensation allocated to them in a fiscal year, which vests over a three-year period following the fiscal year that the incentive compensation was earned, subject to additional tenure related provisions that may reduce that three year deferral period. Deferred balances accrue a 7% rate of interest during the deferral period. For the years ended November 30, 2015 and 2014, $413 and $386 of interest was accrued and recognized in interest expense, respectively. Incentive compensation that was deferred for the years ended November 30, 2015 and 2014 was $1,217 and $0, respectively. For the years ended November 30, 2015 and 2014, $1,773 and $2,776 were recognized as deferred compensation expense, respectively. The deferred amount of the incentive compensation is recognized in compensation and benefits expense on a straight-line basis over the vesting period. For the year ended November 30, 2016, the deferred compensation expense is anticipated to be $490.

(in thousands - except per unit data)

Obligations under Lease Agreements

The Company is the lessee of three office spaces located in Greenwich, Connecticut, Los Angeles, California and Atlanta, Georgia. The following table presents minimum future rental payments under these contractual lease obligations as of November 30, 2015:

Years Ending November 30:		
2016	$	675
2017		679
2018		684
2019		667
2020		543
Thereafter		1,893
Total minimum lease payments	$	5,141

16. Subsequent Events

On January 19, 2016, the Company's wholly-owned subsidiaries, JLC WH VI, amended its $220,000 Master Repurchase Agreement with Jefferies Funding LLC, a related party, by reducing the size to $200,000 and extending the termination date to July 15, 2016, with an option to extend for an additional six months, subject to certain conditions.

The Company has performed an evaluation of events that have occurred subsequent to November 30, 2015 and through January 25, 2016, the date these financial statements were available for release, and has determined that there were no further material subsequent events that occurred during such period requiring recognition and/or disclosure in these financial statements.

Jefferies LoanCore LLC
Consolidated Statements of Financial Condition
November 30, 2014 and November 30, 2013

(in thousands of dollars)	**2014 ***	**2013 ***
Assets		
Cash and cash equivalents	$ 9,202	$ 11,574
Restricted cash	9,245	8,516
Loans held for sale, at fair value	1,417,133	940,916
Other investments, at fair value	49,190	138
Accrued interest receivable	5,954	3,770
Prepaid expenses and other assets	3,379	764
Derivative assets, at fair value	237	—
Deferred financing fees, net	8,504	9,384
Total assets	$ 1,502,844	$ 975,062
Liabilities and Members' Equity		
Bond payable	$ 300,000	$ 300,000
Accounts payable and accrued expenses	23,464	30,316
Secured borrowings, at fair value	41,500	17,995
Derivative liabilities, at fair value	5,013	2,787
Borrowings under credit facilities	55,000	—
Repurchase agreements	539,570	157,063
Total liabilities	964,547	508,161
Commitments and contingencies (Notes 2, 3, 5, 10 and 15)		
Members' equity	538,297	466,901
Total liabilities and members' equity	$ 1,502,844	$ 975,062

The accompanying notes are an integral part of these consolidated financial statements. * Not covered by the Independent Auditor's Report included herein.

Jefferies LoanCore LLC
Consolidated Statements of Operations and Comprehensive Income
Fiscal Years Ended November 30, 2014 and November 30, 2013

(in thousands of dollars)	**2014 ***	**2013 ***
Net interest income		
Interest income	$ 61,080	$ 57,076
Interest expense	(31,982)	(23,662)
Net interest income	29,098	33,414
Other income and gains (losses)		
Income from other investments	1,040	77
Other income	6,644	2,334
Realized gain on sales of loans	34,572	89,398
Realized loss on derivative instruments	(11,503)	(8,603)
Realized loss on foreign currency, net	(134)	—
Unrealized gain on loans held for sale and other investments	8,789	5,091
Unrealized loss on derivative instruments	(2,488)	(805)
Unrealized gain (loss) on secured borrowings	307	(20)
Total other income and gains (losses)	37,227	87,472
Costs and expenses		
Compensation and benefits	(20,680)	(30,520)
Administrative expenses	(6,840)	(4,655)
Net income before income taxes	38,805	85,711
Income taxes	(129)	(621)
Net income	38,676	85,090
Other comprehensive income		
Foreign currency translation adjustments, net	(515)	—
Total comprehensive income	$ 38,161	$ 85,090

The accompanying notes are an integral part of these consolidated financial statements. * Not covered by the Independent Auditor's Report included herein.

Jefferies LoanCore LLC
Consolidated Statement of Changes in Members' Equity
Fiscal Years Ended November 30, 2014 and November 30, 2013

(in thousands of dollars)	Jefferies JLC Holdings LLC	Finell LLC	LoanCore JLC Holdings LLC and Other Members	Total
Members' equity at November 30, 2012 *	$ 132,684	$ 132,684	$ 8,208	$ 273,576
Contributions from members *	1,098,856	1,098,856	67,970	2,265,682
Distributions to members *	(1,046,362)	(1,046,362)	(64,723)	(2,157,447)
Net income *	41,269	41,269	2,552	85,090
Members' equity at November 30, 2013 *	$ 226,447	$ 226,447	$ 14,007	$ 466,901
Contributions from members *	626,734	626,734	38,767	1,292,235
Distributions to members *	(610,615)	(610,615)	(37,770)	(1,259,000)
Net income *	18,758	18,758	1,160	38,676
Other comprehensive Income (loss) *	(250)	(250)	(15)	(515)
Members' equity at November 30, 2014 *	$ 261,074	$ 261,074	$ 16,149	$ 538,297

The accompanying notes are an integral part of these consolidated financial statements. * Not covered by the Independent Auditor's Report included herein.

Jefferies LoanCore LLC
Consolidated Statements of Cash Flows
Fiscal Years Ended November 30, 2014 and November 30, 2013

(in thousands of dollars)	Year Ended November 30, 2014 *	Year Ended November 30, 2013 *
Cash flows from operating activities		
Net income	$ 38,676	$ 85,090
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Realized gain on sales of loans	(34,572)	(89,398)
Realized loss on derivative instruments	11,503	8,603
Unrealized gain on loans held for sale and other investments	(8,789)	(5,091)
Unrealized (gain) loss on secured borrowing	(307)	20
Unrealized loss on derivative instruments	2,488	805
Non-cash payment-in-kind interest	(521)	—
Amortization of deferred financing fees	3,864	5,628
Origination discount related to loans and other investments paid down	(3,371)	—
Purchases and funding of loans held for sale	(1,770,701)	(2,271,628)
Principal repayments received on loans held for sale	162,328	118,941
Proceeds from sales of loans	1,129,684	1,627,475
Proceeds from secured borrowing	41,500	—
Payments and upfront fees received on derivative instruments	13,675	18,986
Payments on settlement of derivative instruments	(25,677)	(26,310)
Changes in operating assets and liabilities		
Accrued interest receivable	(2,184)	(2,247)
Prepaid expenses and other assets	(2,716)	140
Accounts payable and accrued expenses	(5,448)	3,195
Net cash used in operating activities	(450,568)	(525,791)
Cash flows from investing activities		
Principal repayments on loans held for sale	32,000	35,000
Proceeds from sales of loans	—	2,299
Increase in restricted cash	(729)	(7,423)
Contr butions to other investments	(53,140)	—
Paydowns of other investments	3,670	57
Net cash provided by (used in) investing activities	(18,199)	29,933
Cash flows from financing activities		
Proceeds from bond	—	300,000
Proceeds from repurchase agreements and credit facilities	1,899,478	1,178,234
Paydowns on repurchase agreements and credit facilities	(1,461,971)	(1,074,908)
Payment of deferred financing fees	(3,107)	(10,275)
Contr butions from members	1,253,468	2,211,822
Distribution to members	(1,221,413)	(2,102,670)
Net cash provided by financing activities	466,455	502,203
Effect of exchange-rate changes on cash and cash equivalents	(60)	—
Net increase (decrease) in cash and cash equivalents	(2,372)	6,345
Cash and cash equivalents		
Beginning of period	11,574	5,229
End of period	**$ 9,202**	**$ 11,574**
Supplemental cash flow information		
Cash paid for interest	$ 27,167	$ 17,644
Cash paid for income taxes	148	848
Change in distributions payable to members	617	1,798
Non-cash distr butions applied to contributions from members	38,767	53,860
Non-cash reversal of secured borrowing	17,688	—

The accompanying notes are an integral part of these consolidated financial statements. * Not covered by the Independent Auditor's Report included herein.

1. Organization

Jefferies LoanCore LLC (the “Company”), a Delaware limited liability company, was formed on February 23, 2011 (“Inception”) and its members are Jefferies JLC Holdings LLC (“Jefferies”), FINEII LLC (“GICRE”), LoanCore JLC Holdings LLC (“LoanCore”) and certain other individuals (“LoanCore Investors”). The Company was formed for the purpose of acquiring, originating, syndicating and securitizing real estate related debt. The Company shall remain in existence unless dissolved in accordance with the terms of the Amended and Restated Limited Liability Company Agreement (the “LLC Agreement”). All initially capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the LLC Agreement of the Company dated February 23, 2011 and as amended on August 26, 2014. The LLC agreement was amended to allow for European loan originations and document the insertion of FINEII LLC below FINEII Holdings, Inc. in the Company’s organizational structure.

A board of managers (“Manager”), appointed by Jefferies, GICRE and LoanCore, shall have the sole and exclusive right and authority to manage and control the business and affairs of the Company. A three person credit committee (“Credit Committee”), equally represented by Jefferies, GICRE and LoanCore, has been established to review and approve all new investments, material amendments to existing investments, and the securitization or other sales of investments. Any action of the Credit Committee shall be authorized by a majority of the members of the Credit Committee.

Capital commitments have been made to the Company totaling $600,000. Jefferies and GICRE each have a 48.5% membership interest in the Company, LoanCore with a 0.333% interest and LoanCore Investors with a combined 2.667% interest. The interest held by the Members is represented by Units in the form of Preferred Units, Class A Common Units and Class B Common Units. Capital calls may be made at the discretion of the Manager to fund investments and cover expenses, costs, and liabilities incurred in the conduct of Company business as further specified in the LLC Agreement. Subject to certain limitations, capital returned to the members may be recalled.

To increase its funding capacity, the Company has separately entered into master repurchase agreements with six financial institutions for six loan warehouse facilities. JLC Warehouse I LLC (dissolved on July 30, 2014), JLC Warehouse II LLC, JLC Warehouse III LLC (dissolved on November 4, 2013), JLC Warehouse IV LLC, and JLC Warehouse V LLC, all wholly owned subsidiaries of the Company, were formed to facilitate the transactions under the Company’s repurchase agreements as described in Note 5. The Company also formed JLC Finance Corporation, a wholly owned subsidiary, to co-issue with the Company $300,000 of unsecured senior notes on May 31, 2013 as described in Note 7. During the year ended November 30, 2014 to facilitate European originations, the Company formed Jefferies LoanCore (Luxembourg) S.a.r.l., Jefferies LoanCore (Europe) Limited, and JLC Management (UK) Limited, all wholly owned subsidiaries of the Company.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The accompanying financial statements are presented on a consolidated basis and include all wholly owned subsidiaries of the Company. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions, the Company's most significant estimates include the fair value of financial instruments, including loans held for sale, derivatives, other investments, and secured borrowings, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenue and expenses during the reporting periods. The actual results could differ from those estimates.

Cash and Cash Equivalents
The Company considers highly liquid short-term investments with original maturities of less than ninety days from the date of purchase to be cash equivalents. Cash and cash equivalents are comprised of deposits and money market accounts with commercial banks that each may be in excess of FDIC insurance limits. The Company believes it adequately mitigates this risk by only investing in or through major financial institutions.

Restricted Cash
Restricted cash represents amounts required to be held with the Company's counterparties as collateral under certain requirements of the Company's repurchase agreements and derivative transactions.

Consolidated Statements of Cash Flows
Cash flows related to loans originated or acquired during the period ended November 30, 2011 have been classified as investing activities given uncertainty about the length of their anticipated holding period at origination. During the year ended November 30, 2012, the Company achieved key strategic objectives and the Commercial Mortgage Backed Securities ("CMBS") secondary markets experienced favorable economic conditions that increased the demand for commercial real estate loans. As a result, the Company began classifying cash flows related to loans that were originated subsequent to November 30, 2011 as operating activities. During the year ended November 30, 2014 and November 30, 2013, $32,000 and $35,000, respectively, related to the principal repayment of loans originated or acquired in the period ended November 30, 2011 have been classified as investing activities. As of November 30, 2014 and November 30, 2013, $0 and $32,000, respectively, in loans originated during the period ended November 30, 2011 remained in loans held for sale in the consolidated statements of financial condition.

The Company classifies cash flows from its economic hedges in the same category as the cash flows from the items subject to the economic hedging relationships. Accordingly, cash flows related to derivative instruments are classified as operating activities.

Loans Held for Sale
The Company originates and purchases its loans with the intent to sell them in the secondary market. Loans held for sale consist primarily of first and mezzanine mortgage loans that are collateralized by commercial, mixed use and multifamily residential real estate throughout the United States. Loans held for sale are initially recorded at cost, which approximate fair value and are net of purchase or origination discounts and premiums. Subsequent changes in the estimated fair value of loans are recorded as unrealized gains or losses in the accompanying consolidated statements of operations and comprehensive income. The estimated fair value of loans held for sale is determined using current secondary market prices for loans with similar coupons, maturities and credit quality. Of the loans held for sale, $757,498 and $278,759 are pledged as collateral under the Company's master repurchase agreements as of November 30, 2014 and November 30, 2013, respectively.

The performance of the underlying collateral is considered a key factor in the valuation process. As of November 30, 2014, all loans were performing, with the exception of a $6,198 senior loan and a $2,065 mezzanine loan, which were both originated with the same underlying collateral. The Company considers a loan to be non-performing if it is delinquent on debt service or maturity, or if the loan to value ratio falls below a certain threshold at which the Company does not believe it will recover its investment.

The Company relies substantially on the secondary mortgage market as all of the loans originated may be sold into this market. The secondary mortgage market relies primarily on the CMBS market, into which loans are sold and securitized into CMBS bonds. The CMBS bond market can be very volatile along with other fixed income securities' markets. Fluctuations in values of CMBS bonds will most likely lead to similar fluctuations in the estimated fair value of loans held for sale and could limit the Company's ability to securitize loans.

Transfer of Financial Assets
For a transfer of financial assets to be considered a sale, the transfer must meet the sale criteria of ASC 860 under which the Company must surrender control over the transferred assets which must qualify as recognized financial assets at the time of transfer. The assets must be isolated from the Company, even in bankruptcy or other receivership; the purchaser must have the right to pledge or sell the assets transferred and the Company may not have an option or obligation to reacquire the assets. If the sale criteria are not met, the transfer is considered to be a secured borrowing, the assets remain on the Company's consolidated statements of financial condition and the sale proceeds are recognized as a liability.

Other Investments
At times the Company may invest in special purpose vehicles structured as limited liability companies for the purpose of investing in commercial real estate debt and preferred equity positions. Some of these entities in which the Company may invest in may qualify as Variable Interest Entities ("VIEs") as discussed in Note 11. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its related party affiliates and agents has both the: (i) power to direct the activities that most significantly impact the VIE's economic performance; and (ii) obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. The Company considers the facts and circumstances pertinent to each VIE borrowing under the loan or through the Company's investment, including the relative amount of financing the common equity holders of the VIE are contributing to the overall project cost, decision making rights or control held by the common equity holders, guarantees provided by third parties, and rights to expected residual gains or obligations to absorb expected residual losses that could be significant from the project. If the Company is deemed to be the primary beneficiary of a VIE, consolidation treatment would be required. The Company's exposure to each investment is limited to the fair market value reflected on the consolidated statements of financial condition.

The Company has also evaluated, where appropriate, its loan investments which may have an element of a lending arrangement collateralized by real estate for accounting treatment as investments rather than loans as required by ASC 310. The Company has concluded that it has no decision making authority or power to direct activity, except normal lender or preferred equity rights, which are subordinate to the senior loans on the projects. For each investment described in Note 11, the characteristics, facts and circumstances indicate that investment accounting under the equity method treatment is appropriate.

The Company has elected to account for its other investments at estimated fair value. The fair value option provides an election that allows a company to irrevocably elect fair value for certain financial assets and liabilities on an instrument-by-instrument basis at initial recognition. Under the fair value option, investments are initially recorded at cost which approximates estimated fair value. The estimated fair value of other investments is determined based upon completed or pending transactions involving the underlying investment. In the absence of such evidence, estimated fair value is determined using multiple methodologies, including the market and income approaches.

Income from limited liability companies in which the Company invests is reflected in the accompanying consolidated financial statements as income from other investments and changes in estimated fair value of the investments are reflected as a component of unrealized gains and losses on loans held for sale and other investments.

Other Income
The Company recognizes other income related to origination discounts, termination fees and miscellaneous other fees when loans are paid off per terms of the related loan agreement.

Deferred Financing Fees, Net
Fees and expenses incurred in connection with the Company's repurchase agreements and revolving credit facilities are capitalized and amortized to interest expense over the financing term under the straight-line method. Fees and expenses incurred in connection with Company's bond payable are capitalized and amortized to interest expense over the financing term under the effective interest method.

Derivative Instruments
In the normal course of business, the Company is exposed to the effect of interest rate changes and may undertake a strategy to limit these risks through the use of derivatives. To address exposure to interest rates, the Company uses derivatives primarily to hedge the fair value variability of fixed rate assets caused by interest rate fluctuations. The Company may use a variety of derivative instruments, including interest rate swaps, indices, caps, collars and floors, to manage interest rate and credit risk.

To determine the fair value of derivative instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each statement of financial condition date. Standard market conventions and techniques such as discounted cash flow analysis, option-pricing models, replacement cost, and termination cost may be used to determine fair value. All such methods of measuring fair value for derivative instruments result in an estimate of fair value, and such value may never actually be realized.

The Company recognizes all derivatives on the consolidated statements of financial condition at estimated fair value. The Company does not generally designate derivatives as hedges to qualify for hedge accounting. Any net payments under terminated derivatives are included in realized loss on derivative instruments, and fluctuations in the fair value of derivatives held are recognized in unrealized gain (loss) on derivative instruments in the accompanying consolidated statements of operations and comprehensive income.

Initial payments made or received on open derivatives at November 30, 2014 and November 30, 2013 are included in derivative liabilities and derivative assets, at fair value on the accompanying consolidated statements of financial condition.

As a part of the risk management strategy of the Company, it may enter into Interest Rate Lock Commitments (IRLCs) in connection with its loan origination activities. The Company accounts for IRLCs as derivative instruments and records them at fair value with changes in fair value recorded in unrealized gains and losses on the consolidated statements of operations and comprehensive income. In estimating the fair value of an IRLC, the Company assigns a probability to the loan commitment based on an expectation that it will be exercised and the loan will be funded. The fair value of the commitments is derived from the fair value of related loans which is based on observable market data and includes the expected net future cash flows of the loans. Changes to the fair value of IRLCs are recognized based on interest rate changes, changes in the probability that the commitment will be exercised and the passage of time. Outstanding IRLCs expose the Company to the risk that the price of the loans underlying the commitments might decline from inception of the rate lock to funding of the loan. To protect against this risk, the Company utilizes other derivative instruments, including interest rate swaps and options to economically hedge the risk of potential changes in the value of the loans that would result from the commitments. The changes in the fair value of these derivatives are also recorded in realized and unrealized gains and losses on the consolidated statements of operation and comprehensive income. At the time the related loan is funded, any remaining fair value is transferred to the basis of that loan. As of November 30, 2014 and November 30, 2013, the Company had no IRLC's outstanding, respectively.

The Company enters into foreign currency forward contracts with counterparties primarily as hedges against portfolio positions with each instrument's primary risk exposure being foreign exchange risk. Forward currency contracts are over-the-counter contracts for delayed delivery of currency in which the buyer agrees to buy and the seller agrees to deliver a specified currency at a specified price on a specified date. The Company did not incur an upfront cost to acquire the contracts and all commitments are marked-to-market on each valuation date at the applicable forward exchange rate and adjusted for nonperformance risk of counterparties as appropriate. Any resulting unrealized appreciation or depreciation is recorded on such date in derivative assets, at fair value or derivative liabilities, at fair value on the Company's consolidated statements of financial condition and reflected as unrealized gain/(loss) on the Company's consolidated statements of operations and comprehensive income. The Company realizes gains and losses at the time forward contracts are extinguished or closed upon entering into an offsetting contract or delivering the foreign currency.

Repurchase Agreements
Loans sold under repurchase agreements are treated as collateralized financing transactions unless they meet sales treatment. Loans financed through a repurchase agreement remain on the Company's consolidated statements of financial condition as an asset and cash received from the purchaser is recorded on the Company's consolidated statements of financial condition as a liability. Interest incurred in accordance with repurchase agreements is recorded in interest expense.

Bond Payable
Bond payable is accounted for on an amortized cost basis. Interest incurred in accordance with the indenture agreement is recorded in interest expense and calculated using the effective interest method.

Credit Facilities
Borrowings under the credit facilities are stated at their outstanding principal amount. Interest incurred in accordance with the credit facilities agreements is recorded in interest expense and accrued interest is included in accounts payable and accrued expenses. The Company did not elect the option to account for its credit facilities at fair value. The Company believes the fair value of the debt approximates its carrying value due to the credit facilities' floating market rate of interest and the stability of the Company's creditworthiness.

Fair Value Measurement
In accordance with the authoritative guidance on estimated fair value measurements and disclosures under GAAP (Financial Accounting Standards Board - Accounting Standards Codification Topic 820), the methodologies used for valuing such instruments have been categorized into three broad levels as follows:

Level 1 - Quoted prices in active markets for identical instruments.

Level 2 - Valuations based principally on other observable market parameters, including

- Quoted prices in active markets for similar instruments,
- Quoted prices in less active or inactive markets for identical or similar instruments,
- Other observable inputs (such as interest rates, yield curves, volatilities, prepayment spreads, loss severities, credit risks and default rates), and

- Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 - Valuations based significantly on unobservable inputs.

- Valuations based on third party indications (broker quotes, counterparty quotes or pricing services) which are, in turn, based significantly on unobservable inputs or are otherwise not supportable as Level 2 valuations.
- Valuations based on internal models with significant unobservable inputs.

Pursuant to the authoritative guidance, these levels form a hierarchy. The determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy is performed at the end of each reporting period. The Company considers all available information, including observable market data, indications of market liquidity and orderliness, and its understanding of the valuation techniques and significant inputs. Based upon the specific facts and circumstances of each instrument or instrument category, judgments are made regarding the significance of the Level 3 inputs into the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3. The process for determining fair value using unobservable inputs is generally more subjective and involves a high degree of management judgment and assumptions.

Financial instruments are considered Level 3 when pricing models are used, including discounted cash flow methodologies and at least one significant model assumption or input that is unobservable or has significant variability between sources. The tables in Footnote 12 present a reconciliation for all assets and liabilities that are measured and recognized at fair value on a recurring basis using significant unobservable inputs. When assets and liabilities are transferred between levels, the Company recognizes the transfer as of the end of the period. There were no transfers between levels for the years ended November 30, 2014 and November 30, 2013.

Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, estimated fair values are not necessarily indicative of the amounts the Company could realize upon disposition of the financial instruments. Financial instruments with readily available active quoted prices, or for which an estimated fair value can be measured from actively quoted prices, generally will have a higher degree of pricing observability and will therefore require a lesser degree of judgment to be utilized in measuring estimated fair value. Conversely, financial instruments rarely traded or not quoted will generally have less, or no, pricing observability and will require a higher degree of judgment in measuring estimated fair value. Pricing observability is generally affected by such items as the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and overall market conditions. The use of different market assumptions and/or pricing methodologies may have a material effect on estimated fair value amounts.

Electing the fair value option for loans held for sale, other investments, and liabilities related to secured borrowings reflects the manner in which the business is managed and often allows for an offset of the changes in the estimated fair value of these instruments and the interest rate derivatives used to hedge against market interest fluctuations. For a further discussion regarding the measurement of financial instruments see Note 12.

Revenue Recognition
Interest on loans held for sale is recognized as earned under the contractual terms of the loans and included in interest income in the accompanying consolidated statements of operations and comprehensive income. Interest is only accrued if deemed collectible. Interest is generally deemed uncollectible when a loan becomes three months or more delinquent. Delinquency is calculated based on the contractual interest due date of the loan. For the years ended November 30, 2014 and November 30, 2013, the Company had two loans and no loans deemed delinquent, respectively.

Upon sale of a loan, the Company will reverse previously recorded unrealized gains and losses and recognize realized gains or losses on the loan sold. Any difference between the initial recorded value of the loan, including any discount, and the sales price is recorded as realized gain or loss. For loans that were originated at a discount that are subsequently paid down by the borrower, the origination discount is recognized in other income.

Certain Risks and Concentrations
Due to the nature of the mortgage lending industry, changes in interest rates and spreads on commercial-mortgage backed securities may significantly impact the estimated fair value of the Company’s investments, revenue from originating mortgages and subsequent sales of loans, which is the primary source of income for the Company.

The Company uses third parties to provide loan servicing on its portfolio of investments. There is a credit risk associated with using these third parties. The Company believes it mitigates this risk by using nationally recognized third parties to service loans and other investments. Management also monitors each loan or other investment independently.

Concentration of Credit Risk
The Company invests its cash primarily in demand deposits and money market accounts with commercial banks. At times, cash balances at a limited number of banks and financial institutions may exceed federally insured amounts. The Company believes it mitigates credit risk by depositing cash in or investing through major financial institutions having capital ratios that exceed the regulatory standards defined for a well-capitalized financial institution. To date, there have been no losses from these investments.

In the normal course of its activities, the Company may utilize derivative financial instruments. These derivatives are predominantly used for managing risk associated with the Company’s portfolio of investments. Credit risk includes the possibility that a loss may occur from the failure of counterparties or issuers to make payments according to the term of the contract. The Company’s exposure to credit risk at any point in time is generally limited to amounts recorded as derivative assets on the consolidated statements of financial condition.

Concentrations of credit risks arise when a number of properties related to the Company's loans and other investments are located in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions. The Company monitors various segments of its investments to assess potential concentrations of credit risks. Management believes the current investments are reasonably well diversified and do not contain any significant concentration of credit risks. Collateral for all of the Company's loans and other investments is located in the United States and the UK, with New York 22.3% and Florida 15.1% representing the only two states with concentration greater than 10.0% as of November 30, 2014. As of November 30, 2013, the only states with collateral concentration greater than 10.0% were California 25.5% and New York 20.4%.

Income Taxes
No provision has been made in the accompanying consolidated financial statements for federal income taxes as the Company has elected to be treated as a partnership for federal income tax purposes. Each member is responsible for its allocable share of income taxes generated by the activities of the Company.

The Company files various state and local income tax returns. For the years ended November 30, 2014 and November 30, 2013 a state tax provision of $129 and $621 was recorded and included in income taxes, respectively. State withholding payments of $157 and $74 were made on behalf of its members at November 30, 2014 and November 30, 2013, respectively.

The Company recognizes tax positions in the consolidated financial statements only when it is more-likely-than-not, based on the technical merits, that the position would be sustained upon examination by the relevant taxing authority. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of tax benefit that is greater than fifty percent likely of being realized upon settlement. As of November 30, 2014 and November 30, 2013, unrecognized tax benefits were $765 and $850, respectively.

Interest related to unrecognized tax benefits is recognized in income tax expense. Penalties, if any, are recognized in other expenses. At November 30, 2014 and November 30, 2013, the Company has accrued interest expense of approximately $350 and $90, respectively. No penalties have been accrued for both years ended November 30, 2014 and November 30, 2013.

The Company is not under examination by any taxing authorities. The earliest tax year which remains subject to examination by major taxing authorities is 2011.

Foreign Currency
In the normal course of business, the Company enters into transactions not denominated in United States, or (U.S.), dollars. Foreign exchange gains and losses arising on such transactions are recorded as a gain or loss in the Company’s consolidated statements of operations and comprehensive income. As of November 30, 2014, the Company held 563 GBP in cash and cash equivalents. In addition, the Company consolidates wholly owned subsidiaries that have non-US dollar functional currency. Non-US dollar denominated assets and liabilities are translated to U.S. dollars at the exchange rate prevailing at the reporting date and income, expenses, gains, and losses are translated at the prevailing exchange rate on the dates that they were recorded. Cumulative translation adjustments arising from translation of non-U.S. dollar denominated subsidiaries are recorded in other comprehensive income. The Company has recorded a $515 loss and $0 of foreign currency translation adjustments, respectively, as of November 30, 2014 and November 30, 2013.

Indemnifications
The Company enters into contracts that contain a variety of indemnifications under certain representations and warranties, which primarily relate to sales of loans as part of securitization transactions. The Company’s maximum exposure under these arrangements is unknown. However, the Company has not had claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Recent Accounting Pronouncements
In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (“ASU 2014-08”). The objective of this update is to change the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under this guidance, a disposal of a component of an entity, or a group of components of an entity, is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major impact on an entity’s operations and financial results. This update requires expanded disclosures for discontinued operations reporting and is effective for annual and interim periods beginning after December 15, 2014 with early adoption permitted for disposals that have not been reported in financial statements previously issued or available for issuance. The adoption of this FASB guidance did not have a material impact on the Company’s consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), or (“ASU 2014-09”). ASU 2014-09 broadly amends the accounting guidance for revenue recognition. ASU 2013-08 is effective for the first interim or annual period beginning after December 15, 2016, and is to be applied prospectively. The Company does not anticipate that the adoption of ASU 2014-09 will have a material impact on its consolidated historical financial statements.

In June 2014, FAS issued ASU 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The pronouncement changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The pronouncement also requires two new disclosures. The first disclosure requires an entity to disclose information on transfers accounted for as sales in transactions that are economically similar to repurchase agreements. The second disclosure provides increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The pronouncement is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The adoption of this pronouncement is not expected to have a material impact on the Company's consolidated financial condition or results of operations.

In August 2014, FAS issued ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The new ASU disclosure requirement explicitly requires management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. In connection with each annual and interim period, management will assess if there is substantial doubt about an entity's ability to continue as a going concern within one year after the issuance date by considering relevant conditions that are known (and reasonably knowable) at the issuance date. If significant doubt exists, management will need to assess if its plans will or will not alleviate substantial doubt in order to determine the specific disclosures. The ASU is effective for annual periods beginning after December 15, 2016. Earlier application is permitted. The Company is currently evaluating the impact of ASU 2014-15 on the consolidated financial statements.

In August 2014, the FASB issued ASU 2014-13, Consolidation (Topic 810) – "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity," which establishes a measurement alternative allowing qualifying entities to measure both the collateralized financing entity's, or CFE's, financial assets and financial liabilities based on the fair value of the financial assets or financial liabilities, whichever is more observable. The measurement alternative is available upon initial consolidation of the CFE or adoption of this ASU and can be applied on a CFE-by-CFE basis. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2015. Early application is permitted. The Company does not expect that the application of this ASU will have a material impact on the Company's consolidated historical financial statements.

3. Members' Equity

As described in Note 1, interests held by the Members are represented by Units in the form of Preferred Units, Class A Common Units and Class B Common Units. Issued at inception and outstanding as of November 30, 2014 were 600 Preferred Units, 10,000 Class A Common Units and 2,195 Class B Common Units, of which 11.5 Preferred Units, 191.668 Class A Common Units and 1,770 Class B Common Units were held by employees.

Class B Common Units were granted at inception to GICRE and one key employee ("Key Employee"). All such Class B Common Units shall become vested units immediately before the consummation of a Company sale that results in an annualized rate of return, realized entirely in cash, on the Preferred Units and Class A Common Units, of at least 15%, an IPO that results in gross proceeds of at least $150,000 and an annualized rate of return, realized entirely in cash, on the Preferred Units and Class A Common Units, of at least 15%, a liquidity event or a transfer, as defined. To the extent the return is not entirely realized in cash in the case of a qualifying IPO, 50% of the Class B Common Units shall become vested and the remainder will vest contingent upon the performance of the Company's stock price over the two years immediately following the IPO. Upon vesting, each Class B Common Unit will convert into one Class A Common Unit. Prior to vesting, Class B Common Units have no voting rights.

In the event that the Company terminates the Key Employee for Cause or he resigns without Good Reason, as defined, all unvested Class B Common Units owned by either party will be forfeited. In the event that the Company terminates the Key Employee without Cause, he resigns for Good Reason, or his employment with the Company ends due to death or disability, the employee and GICRE may retain 20% of the unvested Class B Common Units for each full year the Key Employee was employed by the Company. As of the date of grant, February 23, 2011, the Company has determined the fair value of the Class B Common units held by the Key Employee to be $3,145, in aggregate. The fair value was determined utilizing a Black-Scholes model, discounted to account for the inherent lack of marketability of the units. Significant inputs and assumptions utilized in determining the fair value of the units include the term, expected volatility, dividend yield and risk-free rate.

With respect to Preferred Units and Class A Common Units held by employees, upon termination of employment without Cause or for Good Reason as defined, the Company shall redeem promptly all Preferred Units and, at the option of such employee, all Class A Common Units held by such employee at Book Value, as defined.

Under the LLC agreement, a 7% capital charge (“Capital Charge”) accrues as a preference to the Preferred Units on unreturned Capital Contributions.

On an accumulated basis through November 30, 2014 and November 30, 2013, respectively, the Company called $5,453,718 and $4,161,483 of capital from its members to fund new investment acquisitions and working capital. Cumulatively through November 30, 2014 and November 30, 2013, respectively, the Company distributed $5,120,234 and $3,861,234, of which $80,685 and $61,659 is considered payments of the Capital Charge. Of the distributions declared, $617 and $1,798 were due and payable to LoanCore and LoanCore Investors at November 30, 2014 and November 30, 2013, respectively, and are included in accounts payable and accrued expenses on the consolidated statements of financial condition.

The total capital commitments of the Company are $600,000 as further described in Note 1. Certain amounts of capital previously returned to Members are considered recallable, resulting in net callable, unfunded commitments of $185,831 and $238,091 at November 30, 2014 and November 30, 2013, respectively.

Pursuant to the LLC Agreement, GICRE has the first right to purchase subordinate loans and investments based on market terms. For the year ended November 30, 2014 and November 30, 2013, no loans or investments were sold to GICRE.

Allocation of Net Income and Net Losses
Net income and net losses are allocated to the members in a manner consistent with the LLC Agreement, which provides for a hypothetical liquidation at net book value of the Company’s assets and liabilities as of the date of presentation and as recorded on the accompanying consolidated statement of changes in members’ equity.

Distributions
Non-liquidating Distributions
No less often than semi-monthly (or more frequently as requested by GICRE or Jefferies), the Company shall distribute the Company’s Available Cash, as defined in the LLC agreement, as follows:

1) First, to the extent available, to the holders of the Preferred Units, pro rata in accordance with their respective Preferred Percentage Interest until each holder of Preferred Units shall have received an amount equal to, but not in excess of, the unpaid accrued 7% Capital Charge attributable to the Preferred Units;

2) Second, to the extent available, to the holders of the Preferred Units, pro rata in accordance with their respective Preferred Percentage Interests until each holder of Preferred Units shall have received an amount equal to, but not in excess of, their Unreturned Capital Contribution; and

3) Third, to the extent available, to the holders of the Class A Common Units, pro rata in accordance with their respective Common Percentage Interests (calculated by excluding from the numerator and the denominator the number of Class B Common Units issued and outstanding).

Liquidating Distributions
Upon a Liquidity Event, the proceeds of such sale, disposition or liquidation and any other available cash shall be applied and distributed as follows:

1) First, to the extent available, proceeds shall be applied to the payment of liabilities of the Company (including all expenses of the Company incident to the Liquidity Event and all other liabilities that the Company owes to the Members or any Affiliates of a Member in accordance with the terms hereof);

2) Second, to the extent available, proceeds shall be applied to the setting up of any reserves which are reasonably necessary for contingent, un-matured or unforeseen liabilities or obligations of the Company;

3) Third, to the extent available, to the holders of the Preferred Units, pro rata in accordance with their respective Preferred Percentage Interests until each holder of Preferred Units shall have received an amount equal to, but not in excess of, their unpaid accrued 7% Capital Charge attributable to the Preferred Units;

4) Fourth, to the extent available, to the holders of the Preferred Units, pro rata in accordance with their respective Preferred Percentage Interests until each holder of Preferred Units shall have received an amount equal to, but not in excess of, their Unreturned Capital Contribution; and

5) Fifth, to the extent available, to the holders of the Common Units, pro rata in accordance with their respective Common Percentage Interests.

4. Transfers of Financial Assets

During the years ended November 30, 2014 and November 30, 2013, the Company sold loans, with limited recourse or retention of servicing, to unaffiliated third parties, as part of securitization transactions. The Company received only cash proceeds from these transactions.

Transfers of loans as part of securitization transactions that qualified as sales, were derecognized from the consolidated statements of financial condition, resulting in the recognition of aggregate realized gains of $28,417 and $89,280 for the years ended November 30, 2014 and November 30, 2013, respectively.

Additionally, during the year ended November 30, 2014, fifteen loans were sold for $474,087 to the DivCore CLO 2013-1, Ltd (the “CLO”), a related party, and two additional loans were sold for $13,492 to unrelated third parties. The sale of these seventeen additional loans resulted in a net realized gain of $4,705, which is included in realized gain on sales of loans in the accompanying consolidated statements of operation and comprehensive income. During the year ended November 30, 2013, four additional loans were sold for $90,208 to unrelated third parties. The sale of these additional loans resulted in a net realized gain of $118, which is included in realized gain on sales of loans in the accompanying consolidated statements of operations and comprehensive income.

In June 2012, one loan, although legally transferred in connection with its securitization, did not qualify as a sale for accounting purposes because the Company retained a junior participation in the whole loan, and accordingly remained on the Company's consolidated statements of financial condition with a corresponding liability recorded as secured borrowing. In July 2014, as a result of the junior participation loan payoff, the senior participation of the whole loan was qualified and treated as a sale by the Company under ASC 860. As a result, the Company recognized a $1,450 realized gain on sales of loans and reversed a $2,070 unrealized gain on fixed rate loans and a $620 unrealized loss on secured borrowings during the year ended November 30, 2014.

One loan, originated in December 2013, with a fair value of $41,500 at November 30, 2014, remains on the Company's consolidated statements of financial condition with a corresponding liability for the proceeds received. The loan was legally sold to the CLO, a related party, in May 2014, however it did not qualify as a sale for accounting purposes because the Company retained a junior participation in the whole loan. The Company has elected to measure these liabilities at fair value, with subsequent changes in fair value reflected as unrealized loss on secured borrowings in the accompanying consolidated statements of operations and comprehensive income. The estimated fair value of these liabilities is determined using current secondary market prices for loans with similar coupons, maturities, and credit quality, which approximates the estimated fair value of the liability related to the financial asset retained.

5. Repurchase Facilities

The Company has entered into multiple committed master repurchase agreements in order to finance its lending activities. As of November 30, 2014, the Company has four committed master repurchase agreements, as outlined in the table below, with multiple counterparties totaling $900,000 of credit capacity. Assets pledged as collateral under these facilities are limited to whole mortgage loans or participation interests in mortgage loans collateralized by first liens on commercial properties. The Company's repurchase facilities include covenants covering net worth requirements, minimum liquidity levels, and maximum leverage ratios including a ratio of total indebtedness to total assets of .83 to 1. The Company believes it is in compliance with all covenants as of November 30, 2014 and November 30, 2013 and for the years then ended.

The Company's wholly-owned subsidiary, JLC Warehouse I LLC ("JLCWHI") entered into a $300,000 Master Repurchase Agreement on June 24, 2011 with an initial maturity of June 24, 2013. On May 7, 2013, the Company exercised its one year extension option to extend the termination date of the facility to June 24, 2014. As per the terms of the Master Repurchase Agreement, the facility terminated on June 24, 2014.

The Company's wholly-owned subsidiary, JLC Warehouse II LLC ("JLCWHII") entered into a $300,000 Master Repurchase Agreement on August 25, 2011. This facility was scheduled to terminate on August 25, 2014 with the option to extend for an additional year, subject to certain conditions. On February 14, 2014, this master repurchase agreement was amended. The facility amount was increased to $350,000 and the termination date was extended to February 14, 2017 with an option to extend for up to two one year extensions, subject to certain conditions.

The Company's wholly-owned subsidiary, JLC Warehouse III LLC ("JLCWHIII") entered into a $350,000 Master Repurchase Agreement on October 11, 2012. On June 4, 2013, JLCWHIII terminated its $350,000 Master Repurchase Agreement.

The Company's wholly-owned subsidiary, JLC Warehouse IV LLC ("JLCWHIV") entered into a $200,000 Master Repurchase Agreement on December 16, 2013. The facility terminates on December 16, 2016 and has rolling one year extension options, subject to certain conditions.

(in thousands - except per unit data)

The Company's wholly-owned subsidiary, JLC Warehouse V LLC ("JLCWHV") entered into a $350,000 Master Repurchase Agreement on August 25, 2014. The facility terminates on August 25, 2017 and has rolling one year extension options, subject to certain conditions.

On August 7, 2013 the Company entered into a Master Repurchase Agreement with Jefferies Mortgage Funding, LLC, a related party. The terms of the agreement are negotiable and determinable on a transaction by transaction basis. A transaction is an agreement between JLC ("Seller") and Jefferies Mortgage Funding, LLC ("Buyer") in which the Seller agrees to transfer to the Buyer securities or other assets ("Securities") against the transfer of funds by buyer, with a simultaneous agreement by Buyer to transfer to Seller such Securities at a specified date or on demand, against the transfer of funds by Seller. This Agreement may be terminated by either party upon giving written notice to the other, except that this Agreement shall, notwithstanding such notice, remain applicable to any transactions then outstanding.

A summary of the Company's repurchase facilities as of November 30, 2014 and 2013 were as follows:

At November 30, 2014

Name	Committed Amount	Outstanding Amount	Committed but Unfunded	Average Interest Rate(s) at November 30, 2014	Advance Rate	Maturity	Remaining Extension Options	Current Balance of Coll Pledged
JLC WH II LLC	$350,000	$134,280	$215,720	2.53%	60-75%, depending on loan collateral	2/14/2017	Two additional one-year periods at Company's option subject to an extension fee and other certain requirements	$196,040
JLC WH IV LLC	$200,000	$94,302	$105,698	2.69%	65-75%, depending on loan collateral	12/16/2016	Rolling one-year extensions at lender and Company's option subject to and extension fee and other certain requirements	$135,883
JLC WH V LLC	$350,000	$310,988	$39,012	2.77%	60-80%, depending on loan collateral	8/25/2017	Rolling one-year extensions at lender and Company's option subject to and extension fee and other certain requirements	$425,575
JLC	No maximum commitment amount	—	No maximum commitment amount	N/A	60-75%, depending on loan collateral	N/A	N/A	—
	$900,000	**$539,570**	**$360,430**					**$757,498**

At November 30, 2013

Name	Committed Amount	Outstanding Amount	Committed but Unfunded	Average Interest Rate(s) at November 30, 2013	Advance Rate	Maturity	Remaining Extension Options	Current Balance of Coll Pledged
JLC WH I LLC	$300,000	$75,606	$224,394	2.89%	60-75%, depending on loan collateral	6/24/2014	None remaining. All extension options exercised.	$130,156
JLC WH II LLC	$300,000	$81,457	$218,543	2.92%	55-75%, depending on loan collateral	2/14/2017	One additional one-year period at Company's option subject to an extension fee an other certain requirements	$148,602
JLC	No maximum commitment amount	—	No maximum commitment amount	N/A	60-75%, depending on loan collateral	N/A	N/A	—
	$600,000	**$157,063**	**$442,937**					**$278,758**

The repurchase agreements require principal repayments on the financings as principal payments are received on loans held for sale or upon sale or transfer of the loans. All principal and interest payments from borrowers on the Company's loans held for sale are collected by the Company's third party servicers. Under the terms of the Company's repurchase agreements, all such loan payments are applied toward interest and principal due on the repurchase agreements first with any excess remitted to the Company.

Amortization of deferred financing fees for all facilities is included as interest expense in the accompanying consolidated statement of operations and was $2,465 and $5,139 for the years ended November 30, 2014 and November 30, 2013, respectively.

6. Credit Facilities

On March 19, 2014, the Company entered into two committed subscription credit agreements, collateralized by the Company's available commitments, in the aggregate principal amount of $60,000. The Credit Facilities are available on a revolving basis to finance the Company's working capital needs and for general corporate purposes. The terms of the facilities are for one year with two one year extension options, subject to an extension fee. The subscription credit facilities have an upfront fee, an unused fee and a stated interest rate based on a spread to LIBOR or a spread to prime. The Company had borrowings of $55,000 outstanding under the facilities at November 30, 2014. The average rate at November 30, 2014 was 2.16%. The Company incurred interest expense of $475 for the year ended November 30, 2014, including the unused fee.

As of November 30, 2014 and for the year ended November 30, 2014, the Company believes it was in compliance with all covenants, which include maintaining leverage policies detailed in the LLC agreement and maintaining a sufficient borrowing base consisting of uncalled capital commitments of members to collateralize the credit facilities borrowings.

Amortization of deferred financing fees for the credit facilities is included as interest expense in the accompanying consolidated statements of operations and comprehensive income and was $365 for the year ended November 30, 2014.

7. Bond Payable

On May 31, 2013, the Company issued $300,000 of unregistered senior unsecured notes maturing on June 1, 2020 and bearing interest at 6.875%. The unsecured notes are governed by the indenture agreement, dated May 31, 2013, among Jefferies LoanCore LLC, JLC Finance Corporation, and Wilmington Trust, National Association, as trustee.

The Company may redeem the notes in whole or in part on and after June 1, 2016 at the redemption prices described in Section 3.07 of the indenture agreement. Prior to June 1, 2016, the Company may redeem the notes in whole or in part at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, to, but not including, the date of redemption, plus a "make-whole" premium. In addition, the Company may redeem up to 35% of the aggregate principal amount of the notes before June 1, 2016 with the net cash proceeds of certain equity offerings at a redemption price equal to 106.875% of the principal amount thereof plus accrued and unpaid interest, if any, to, but not including, the date of redemption.

Under the terms of the indenture agreement, the Company is subject to various financial and operating covenants, including maintaining a non-funding debt to equity ratio of less than 1.75x and a $300,000 minimum GAAP equity requirement, which may be reduced down by subsequent GAAP losses. The Company believes it was in compliance with all of the debt covenants as of November 30, 2014 and November 30, 2013.

Amortization of bond deferred financing fees included as interest expense in the accompanying consolidated statements of operations and comprehensive income for the year ended November 30, 2014 and November 30, 2013 was $1,034 and $489, respectively.

8. Related Party Transactions

As provided for in the LLC Agreement, LoanCore provides management services to the Company. The Company reimburses LoanCore for its costs allocable to such activities. For the years ended November 30, 2014 and November 30, 2013, compensation, benefits and administrative costs allocable to the Company and reimbursable to Loancore were $19,891 and $30,400, respectively. As of November 30, 2014 and November 30, 2013, net amounts owed to LoanCore were $13,620 and $23,557, respectively, and are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial condition.

As provided for in the LLC Agreement, the Company engages affiliated entities to provide financial advisory, underwriting, investment banking, loan servicing, insurance, real estate, due diligence, accounting or other services.

The Company has an agreement in place with Divco West Services, LLC (“DWS”), an affiliate, related to the provision of administration, accounting, advisory, financial reporting, and technology services, which is subject to approval by the Manager. Amounts incurred for services provided by DWS were $240 and $436 for the years ended November 30, 2014 and November 30, 2013, respectively. As of November 30, 2014 and November 30, 2013, there were no amounts payable to DWS for these services, respectively.

The Company reimburses DWS for amounts paid on the Company’s behalf for certain administrative and payroll-related expenses. The total reimbursements paid to DWS were $361 and $153, for the years ended November 30, 2014 and November 30, 2013, respectively. As of November 30, 2014 and November 30, 2013, $57 and $16 were payable from the Company to DWS for these services, respectively, which are recorded in accounts payable and accrued expenses in the consolidated statements of financial condition.

On October 28, 2011, the Company also entered into a service agreement with Jefferies & Company, Inc. (“Jefferies & Co”), an affiliate of Jefferies, to obtain services for facilities operations, legal and compliance, technology and other services (“Jefferies Services”). Amounts incurred to Jefferies & Co for Jefferies Services for the year ended November 30, 2014 and November 30, 2013 were $129 and $290, respectively. As of November 30, 2014 and November 30, 2013, amounts owed to Jefferies & Co totaled $9 and $230, respectively, which were recorded in accounts payable and accrued expenses in the consolidated statements of financial condition.

On August 24, 2012, the Company originated a $6,000 loan collateralized by Larchmont Lofts, a multifamily apartment building which was released as collateral for a different loan held by an affiliate of the Company. Interest income earned on the Company's loan were $0 and $543 for the years ended November 30, 2014 and 2013, respectively. On June 25, 2013, the Larchmont Lofts loan was paid off at par.

On December 6, 2013, the Company sold a portfolio of thirteen mortgage loans with a total principal balance of $404,488 to the CLO, a related party. The total sale price was $406,583, which included $1,996 of accrued interest. On February 5, 2014, the Company sold an additional loan with a principal balance of $28,000 to the CLO. The total sale price was $28,147, which included $147 of accrued interest. On May 30, 2014, the Company sold an additional loan with a principal balance of $41,500 to the CLO. The total sale price of the loan was $41,614, which included $114 of accrued interest.

During the years ended November 30, 2014 and November 30, 2013, the Company paid Jefferies & Co. $1,225 and $2,915, respectively, in underwriting fees related to the securitization of loans that the Company sold or transferred as disclosed in Note 4. Jefferies & Co. was also joint lead book-running manager in the Company’s bond offering and received $6,000 in underwriting fees during the year ended November 30, 2013.

As discussed in Note 5, on August 7, 2013 the Company entered into a Master Repurchase Agreement with Jefferies Mortgage Funding, LLC. For the years ended November 30, 2014 and

(in thousands - except per unit data)

November 30, 2013, the Company incurred $1,243 and $360 of interest expense related to this Master Repurchase Agreement. At November 30, 2014 and November 30, 2013, there was no balance outstanding on this master repurchase agreement.

9. Loans Held for Sale

The Company has originated and purchased loans mainly consisting of first mortgage and mezzanine positions. The loans are collateralized by various asset types such as office, multi-family, hospitality, industrial, and retail properties. A summary of the Company's loans held for sale at November 30, 2014 and November 30, 2013, respectively, is as follows:

Loan Type	Maturity Date	November 30, 2014 Principal Balance	November 30, 2014 Fair Value	November 30, 2013 Principal Balance	November 30, 2013 Fair Value
Fixed Rate	Less than 1 year	—	—	24,946	24,946
Fixed Rate	1 to 5 years	11,798	12,004	59,000	94,369
Fixed Rate	6 to 11 years	369,927	379,879	173,058	136,793
Sub-total Fixed Rate Loans		381,725	391,883	257,004	256,108
Adj Rate	Less than 1 year	78,060	77,674	196,633	196,521
Adj Rate	1 to 5 years	765,750	761,178	421,595	420,668
Adj Rate	6 to 11 years	—	—	—	—
Sub-total Adj Rate Loans		843,810	838,852	618,228	617,189
Fixed Rate Mezz	Less than 1 year	—	—	—	—
Fixed Rate Mezz	1 to 5 years	22,746	22,738	20,518	19,721
Fixed Rate Mezz	6 to 11 years	66,749	60,045	45,390	39,398
Sub-total Fixed Rate Mezz Loans		89,495	82,783	65,908	59,119
Adj Rate Mezz	Less than 1 year	1,000	542	6,000	6,000
Adj Rate Mezz	1 to 5 years	104,000	103,073	3,000	2,500
Adj Rate Mezz	6 to 11 years	—	—		
Sub-total Adj Rate Mezz Loans		105,000	103,615	9,000	8,500
Total Loans Held for Sale		**$ 1,420,030**	**$ 1,417,133**	**$ 950,140**	**$ 940,916**

On July 31, 2014, the Company purchased a non-performing and credit impaired senior loan with a principal balance of $6,198. As of November 30, 2014, the loan's outstanding balance, including principal, interest, fees, and penalties was $7,118.

At November 30, 2014 and November 30, 2013, the aggregate fair value of loans in non-performing status amounted to $7,948 and $1,551, respectively. Because the Company believes the value of the collateral securing the non-performing loans is sufficient to allow the Company to recover its investment in the loans, the Company has not permanently reduced its basis in the loans.

10. Unfunded Lending Commitments

The Company enters into commitments to extend variable credit that are legally binding conditional agreements having fixed expirations or termination dates and purposes. These commitments generally require customers to maintain certain credit standards. Collateral requirements and loan-to-value ratios are the same as those for funded transactions and are established based on management's credit assessment of the customer. These commitments may expire without being drawn upon. Therefore, the total commitment amount does not necessarily represent future funding requirements. The outstanding unfunded floating rate commitments to extend credit were approximately $43,510 and $16,385, as of November 30, 2014 and November 30, 2013, respectively.

11. Other Investments

On April 24, 2012, the Company originated a $1,000 preferred equity investment for $500. At the time of acquisition, the Company elected to account for the investment under the fair value option. At November 30, 2013, this is the only other investment on the statement of financial condition.

On September 11, 2014, the Company originated a loan in the UK in the original principal amount of $13,158, including future funding commitments, to a third party borrower. The loan is considered to be a VIE because it is thinly capitalized; however, the Company is not considered to be the primary beneficiary. Accordingly, the investment is not consolidated. At the time of origination, the Company elected to account for its interest therein under the fair value option.

On October 10, 2014, the Company, through its wholly owned subsidiary JLC AP PE LLC, originated a $28,500 Preferred Equity Investment ("AP PE") by entering into the operating agreement of P2 Portfolio Investor Holdings, LLC ("P2 LLC"). AP PE is considered to be a VIE; however, JLC AP PE LLC is not considered to be the primary beneficiary. Accordingly, the investment is not consolidated. At the time of investment, the Company elected to account for its interest therein under the fair value option.

P2 LLC was formed for the purpose of originating and holding equity interests in two multi-family properties located in Orlando, Florida. Under the terms of the P2 LLC operating agreement, JLC AP PE LLC is entitled to a 16.0% preferred return per annum based on its unreturned preferred capital amount balance. Pursuant to the P2 LLC operating agreement the expected repayment date was November 25, 2014. AP PE was not fully repaid on November 25, 2014 triggering a breach in the operating agreement and an increase in the preferred return rate to 36.0%. The Company believes AP PE is well collateralized and will collect its initial investment as well as the accumulated preferred return. Therefore AP PE is not considered to be non-performing as of November 30, 2014.

On October 30, 2014, the Company, through its wholly owned subsidiary JLC HS PE LLC, originated a $15,000 Preferred Equity Investment ("HS PE") by entering into the operating agreements of Student Housing JV Preferred 1201, LLC, Student Housing JV Preferred A-B, LLC and Student Housing JV Preferred P-V, LLC (collectively the "HS Housing JVs"). The HS Housing JVs were formed for the purpose of originating and holding preferred equity interests in five student housing properties located in various locations within the United States. HS PE is not considered to be a VIE. At the time of investment, the Company elected to account for its interest therein under the fair value option. The Company believes that HS PE is well collateralized and will collect its initial investment as well as any accumulated preferred return.

The following summarizes the activity in other investments for the period from December 1, 2012 to November 30, 2014:

(in thousands - except per unit data)

Balance at December 1, 2012, at fair value	$	195
Contributions to other investments		—
Paydowns of other investments		(57)
Sales and transfers of investment interest		—
Unrealized gain/ (loss) on other investments		—
Balance at November 30, 2013, at fair value	$	138
Contributions to other investments		53,140
Paydowns of other investments		(3,670)
Origination discount related to other investments paid down		37
Effect of exchange-rate changes on other investments		(455)
Sales and transfers of investment interests		—
Unrealized gain / (loss) on other investments		—
Balance at November 30, 2014, at fair value	$	49,190

12. Fair Value

The following table presents the financial instruments carried on the consolidated statements of financial condition by level within the valuation hierarchy as of November 30, 2014:

	Level 1	Level 2	Level 3	Total
As of November 30, 2014				
Fixed rate loans	$ —	$ —	$ 391,883	$ 391,883
Adjustable rate loans	—	—	838,852	838,852
Fixed rate mezzanine loans	—	—	82,783	82,783
Adjustable rate mezzanine loans	—	—	103,615	103,615
Total loans held for sale	—	—	1,417,133	1,417,133
Other investments	—	—	49,190	49,190
Total investments	—	—	1,466,323	1,466,323
Derivative assets	—	237	—	237
Derivative liabilities	—	(5,013)	—	(5,013)
Secured borrowings	—	—	(41,500)	(41,500)
	$ —	$ (4,776)	$ 1,424,823	$ 1,420,047

The following table presents the financial instruments carried on the consolidated statements of financial condition by level within the valuation hierarchy as of November 30, 2013:

(in thousands - except per unit data)

	Level 1	Level 2	Level 3	Total
As of November 30, 2013				
Fixed rate loans	$ —	$ —	$ 256,108	$ 256,108
Adjustable rate loans	—	—	617,189	617,189
Fixed rate mezzanine loans	—	—	59,119	59,119
Adjustable rate mezzanine loans	—	—	8,500	8,500
Total loans held for sale	—	—	940,916	940,916
Other investments	—	—	138	138
Total investments	—	—	941,054	941,054
Derivative liabilities	—	2,787	—	(2,787)
Secured borrowing	—	—	(17,995)	(17,995)
	$ —	$ (2,787)	$ 923,059	$ 920,272

Level 3 Fair Value Asset and Liability Input Sensitivity

Changes in unobservable inputs may have a significant impact on fair value. Certain of the unobservable inputs will, in isolation, have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value may move in the opposite direction for a given change in another input. In general, an increase in the discount rate and credit spreads, in isolation, would result in a decrease in the fair value measurement and a decrease in these same inputs would result in an increase in the fair value measurement.

The following table shows quantitative information about significant unobservable inputs related to the Level 3 fair value measurements at November 30, 2014 and November 30, 2013:

At November 30, 2014						Weighted Average	
	Outstanding Face Amount	**Cost Basis**	**Fair Value**	**Valuation Technique**	**Profit Range**	**Yield %**	**Remaining Maturity (Years)**
Assets							
Fixed rate loans held for sale	$ 381,725	$ 385,052	$ 391,883	Discounted cash flows (1)	1 00%-3 00% (2)	4.76% (6)	9.33 (6)
Mezzanine loans held for sale	194,495	180,095	186,398	Discounted cash flows	N/A	11.79% (6)	4.43 (6)
Adjustable rate loans held for sale	843,810	834,617	838,852	Discounted cash flows	0.00%-1.00%	6.10% (5)	1.86 (5)
Other Investments	—	49,190	49,190	Discounted cash flows (3)	(3)	(3)	1 55
Secured borrowing - floating	41,500	(41,045)	(41,500)	Discounted cash flows	0.00%-1.00%	N/A	1 61

At November 30, 2013						Weighted Average	
	Outstanding Face Amount	**Cost Basis**	**Fair Value**	**Valuation Technique**	**Profit Range**	**Yield %**	**Remaining Maturity (Years)**
Assets							
Fixed rate loans held for sale	$ 257,004	$ 255,300	$ 256,108	Discounted cash flows (1)	1 00%-5 00% (2)	5.86% (4)	7.05 (4)
Mezzanine loans held for sale	74,908	65,174	67,619	Discounted cash flows	N/A	12.84%	6 55
Adjustable rate loans held for sale	618,228	611,862	617,189	Discounted cash flows	0.00%-1.00%	6.71%	1 56
Other Investments	—	138	138	Discounted cash flows (3)	(3)	(3)	0 93
Secured borrowing - fixed	16,000	(17,688)	(17,995)	Discounted cash flows (1)	1 00%-5 00% (2)	N/A	3.10

(1) Fixed rate loans held for sale and secured borrowing-fixed are measured at fair value using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing
(2) Represents profit margin range on hypothetical securitization scenario on fixed rate loans
(3) Other investments consist of three preferred equity investments and one loan for which the Company believes fair value approximates cost as the estimated future cash flows from each investment are expected to recover the cost of each investment.
(4) The Company has excluded a $16,000 A-note from the calculation of Yield and Remaining Maturity as it was legally transferred in connection with a securitization, but did not qualify as a sale for accounting purposes as described in Footnote 4, and therefore still remains on the Company's statements of financial condition.
(5) The Company has excluded a $41,500 senior participation from the calculation of Yield and Remaining Maturity as it was legally transferred in connection with a sale, but did not qualify as a sale for accounting purposes as described in Footnote 4, and therefore still remains on the Company's statements of financial condition.

(in thousands - except per unit data)

(6) A senior rate loan with a principal balance of $6,198 and a mezzanine loan with a principal balance of $2,068, both collateralized by the same asset, were not included in the calculation of yield or remaining maturity because they were in a non-accrual status.

The following is a reconciliation of the beginning and ending balances for loans held for sale and other investments, as well as loan participations sold measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended November 30, 2014 and November 30, 2013:

Loans held for sale, at fair value and other investments, at fair value		**2014**		**2013**
Balance at November 30, 2013 and 2012	$	941,054	$	358,709
Purchases and fundings of loans held for sale, including capitalized interest		1,771,222		2,271,628
Principal paydowns on loans held for sale		(194,328)		(153,941)
Proceeds from sale of loans held for sale		(1,129,684)		(1,629,774)
Contr butions to other investments		53,140		—
Paydowns of other investments		(3,670)		(57)
Origination discount related to loans and other investments paid off		3,371		—
Unrealized gain (loss) included in statement of operations		8,789		5,091
Effect of exchange rate changes		(455)		—
Realized gain included in statement of operations		34,572		89,398
Reversal of loan participation sold		(17,688)		—
Balance at November 30, 2014 and 2013	$	1,466,323	$	941,054

Secured borrowings, at fair value		**2014**		**2013**
Balance at November 30, 2013 and 2012	$	17,995	$	17,975
Proceeds from secured borrowings		41,500		—
Reversal of secured borrowing		(17,688)		—
Unrealized loss on secured borrowings		(307)		20
Balance at November 30, 2014 and 2013	$	41,500	$	17,995

The following table presents the Company's investments and loan participations sold carried at estimated fair value on a recurring basis in the consolidated statements of financial condition as of November 30, 2014 and November 30, 2013:

	November 30, 2014				**November 30, 2013**			
Asset Type	**Outstanding Face Amount**	**Cost Basis**	**Unrealized Gain (Loss)**	**Fair Value**	**Outstanding Face Amount**	**Cost Basis**	**Unrealized Gain (Loss)**	**Fair Value**
Fixed rate loans	$ 381,725	$ 385,052	$ 6,831	$ 391,883	$ 257,004	$ 255,300	$ 808	$ 256,108
Adjustable rate loans	843,810	834,617	4,235	838,852	618,228	611,862	5,327	617,189
Fixed mezzanine loans	89,495	77,052	5,731	82,783	65,908	56,937	2,182	59,119
Adjustable rate mezzanine loans	105,000	103,043	572	103,615	9,000	8,237	263	8,500
Total loans held for sale	$ 1,420,030	$ 1,399,764	$ 17,369	$ 1,417,133	$ 950,140	$ 932,336	$ 8,580	$ 940,916
Other investments	—	49,190	—	49,190	—	138	—	138
Secured borrowings	41,500	(41,045)	(455)	(41,500)	16,000	(17,688)	(307)	(17,995)

The following table summarizes the effect of the Company's investments on the consolidated statements of operations and comprehensive income for the years ended November 30, 2014 and November 30, 2013:

(in thousands - except per unit data)

		Amount of Gain or (Loss) Recognized in Earnings	
Asset Type	**Location of Gain or (Loss) Recognized in Earnings**	**For the Year ended November 30, 2014**	**For the Year ended November 30, 2013**
Fixed rate loans	Unrealized gain (loss) on loans held for sale and other investments	$ 6,023	$ (1,389)
Fixed rate loans	Realized gain on sales of loans	29,867	88,979
Adjustable rate loans	Unrealized gain (loss) on loans held for sale and other investments	(1,092)	3,834
Adjustable rate loans	Realized gain on sales of loans	4,500	—
Fixed rate mezzanine loans	Unrealized gain on loans held for sale and other investments	3,549	2,383
Fixed rate mezzanine loans	Realized gain on sales of loans	205	419
Adjustable rate mezzanine loans	Unrealized gain on loans held for sale and other investments	309	263
Total loans held for sale		$ 43,361	$ 94,489
Other investments	Unrealized gain (loss) on loans held for sale and other investments	—	—
Secured borrowings	Unrealized gain (loss) on secured borrowings	$ 307	$ (20)

Loans held for sale are measured at estimated fair value based upon a hypothetical securitization model utilizing data from recent securitization spreads and pricing, the application of discount rates to estimated future cash flows using market yields or other valuation methodologies. These valuations are adjusted to consider loan pricing adjustments specific to each loan. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, estimated fair values are not necessarily indicative of the amount the Company could realize on disposition of the loans. The use of different market assumptions or estimation methodologies could have a material effect on the estimated fair value amounts.

The Company has not elected the fair value option related to its bond payable, repurchase facilities and credit facilities. The amortized cost basis of the repurchase facilities and credit facilities presented on the face of the consolidated statements of financial condition at November 30, 2014 and November 30, 2013 approximates fair value, given the short-term nature and interest rate resets of each facility. The estimated fair value of the liability related to bond payable at November 30, 2014 is based on the “ask” price at the last trading day of the period presented. The “ask” price at November 30, 2014 was 96.0, resulting in a fair value of the bond payable of $288,000. The “ask” price at November 30, 2013 was 99.50, resulting in a fair value of the bond payable of $298,000.

The carrying value of other financial instruments including cash and cash equivalents, restricted cash, accrued interest receivable and accounts payable, approximate the fair values of the instruments due to their short-term nature.

13. Derivative Instruments

The Company uses derivatives and interest rate lock commitments primarily to manage the estimated fair value variability of fixed rate loans held for sale caused by market interest rate fluctuations. Interest rate swaps are pledged as collateral in the repurchase agreements. The Company uses forward currency forwards primarily to manage foreign currency fluctuations.

Goldman Sachs International, Jefferies Derivative Products, LLC, a related party, Jefferies Bache Financial Services, Inc., a related party, Credit Suisse Securities (USA) LLC and Wells Fargo

(in thousands - except per unit data)

Securities LLC were the counterparties on all of the Company's interest rate swaps, foreign currency forwards and corporate credit index positions as of November 30, 2014 and November 30, 2013 and during the years then ended.

In valuing its derivatives, the Company considers the creditworthiness of both the Company and its counterparties, along with collateral provisions contained in each derivative agreement, from the perspective of both the Company and its counterparties. All of the Company's derivatives are either subject to bilateral collateral arrangements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd Frank Act"). For its derivatives subject to bilateral collateral arrangements, the Company has netting arrangements in place with all derivative counterparties pursuant to the standard documentation developed by the International Swap and Derivatives Association ("ISDA"). For the swaps and credit derivatives cleared under the Dodd Frank Act, a Central Clearing Party ("CCP") stands between the Company and its over-the-counter derivative counterparties. In order to access clearing, the Company has entered into clearing agreements with Future Commission Merchants ("FCMs"). The Company is permitted to net all exposure with a common CCP and FCM under enforceable netting agreements, where a legal right of offset exists. Consequently, no credit valuation adjustment was made in determining the fair value of the Company's derivatives.

On July 22, 2013, the Company entered into a profit share agreement with a third party that was treated as a derivative. The Company funded a loan in the original principal amount of $150,000 and agreed to split all profit and loss recognized from this loan with this third party, including all earned interest income. The third party agreed to pay the Company an interest charge for funding this loan with the Company's capital. As of November 30, 2013, the profit share derivative had been fully settled, resulting in a $209 realized loss on derivative instruments.

On September 11, 2014, the Company originated a loan in the UK in the original principal amount of $13,158, including future funding commitments, to a third party borrower. This loan has been classified as an other investment as described in Note 11 as of November 30, 2014. As part of the underlying loan agreement, the Company was given a share warrant instrument, which enables the Company to subscribe for shares representing 25% of the third parties ordinary issued share capital. This share warrant instrument is freely transferable and is accounted for as a bifurcated derivative rather than an embedded derivative given the terms of the agreement. The share warrants have a fair value of $0 as of November 30, 2014 based on the Company's analysis, which was primarily driven by the uncertainty of future cash flows related to the underlying collateral as well as the thinly capitalized nature of the venture as of November 30, 2014.

The following table is a summary of notional amounts and estimated fair values of derivative instruments as of November 30, 2014 and November 30, 2013:

Derivative Contract Type	Notional as of November 30, 2014	Fair Value as of November 30, 2014		Notional as of November 30, 2013	Fair Value as of November 30, 2013	
		Asset Derivatives	Liability Derivatives		Asset Derivatives	Liability Derivatives
Interest rate swaps [1]	$ 135,200	$ —	$ (3,979)	$ 140,100	$ —	$ (674)
Total swaps	135,200	—	(3,979)	140,100	—	(674)
Corporate credit index [2]	50,000	—	(1,034)	125,000	—	(2,113)
Total index position	50,000	—	(1,034)	125,000	—	(2,113)
FX Forward Contract [3]	7,892	237	—	—	—	—
Total FX Forward Contract	7,892	237	—	—	—	—
Total deriva ives	$ 193,092	$ 237	$ (5,013)	$ 265,100	$ —	$ (2,787)

Note:

1) Interest rate swaps are included in derivative assets and derivative liab lities on the consolidated statements of financial condition as of November 30, 2014 and November 30, 2013.

2) Corporate credit index is included in derivative liabilities on the consolidated statements of financial condition as of November 30 2014 and November 30, 2013.

3) FX Forward contracts are included in derivative assets on the consolidated statements of financial condition as of November 30, 2014 and November 30, 2013, respectively.

(in thousands - except per unit data)

The effect of the Company's derivative instruments on the consolidated statements of operations and comprehensive income for the years ended November 30, 2014 and November 30, 2013 was as follows:

		Amount of Gain or (Loss) Recognized in Earnings	
Derivative Type	**Location of Gain or (Loss) Recognized in Earnings**	**For the Year ended November 30, 2014**	**For the Year ended November 30, 2013**
Interest rate swaps	Unrealized loss on derivative instruments	$ (3,305)	$ (156)
Interest rate swaps	Realized gain (loss) on derivative instruments	(8,115)	1,268
Corporate credit index	Unrealized gain (loss) on derivative instruments	580	(649)
Corporate credit index	Realized loss on derivative instruments	(3,177)	(9,661)
CMBX	Realized loss on derivative instruments	(576)	—
Other Derivatives	Realized loss on derivative instruments	—	(210)
FX Forward Contracts	Unrealized gain on derivative instruments	237	—
FX Forward Contracts	Realized gain on derivative instruments	365	—
Total derivatives		**$ (13,991)**	**$ (9,408)**

14. Offsetting Assets and Liabilities

Credit Risk-Related Contingent Features

The Company has agreements with certain of its derivative counterparties that contain a provision whereby if the Company defaults on certain of its indebtedness, the Company could also be declared in default on its derivatives, resulting in an acceleration of payment under the derivatives. As of November 30, 2014 and 2013, the Company was in compliance with these requirements and not in default on its indebtedness. As of November 30, 2014 and 2013, there was $9,233 and $8,506 of cash collateral held by the derivative counterparties for these derivatives, respectively. No additional cash is required to be posted if the acceleration of payment under the derivatives was triggered.

The following tables present both gross and net information about derivatives and other instruments eligible for offset in the statement of financial condition as of November 30, 2014 and November 30, 2013. The Company's accounting policy is to record derivative asset and liability positions on a gross basis, therefore the following table presents the gross derivative asset and liability positions recorded on the statement of financial condition while also disclosing the eligible amounts of financial instruments and cash collateral to the extent those amounts could offset the gross amount of derivative asset and liability positions. The actual amounts of collateral posted by or received from counterparties may be in excess of the amounts disclosed in the following table as the following only discloses amounts eligible to be offset to the extent of the recorded gross derivative positions.

(in thousands - except per unit data)

As of November 30, 2014

Offsetting of Financial Liabilities and Derivative Liabilities

Description	Gross amounts of recognized liabilities	Gross amounts offset in the statement of financial condition	Net amounts of liabilities presented in the statement of financial condition	Gross amounts not offset in the statement of financial condition: Financial Instruments	Gross amounts not offset in the statement of financial condition: Cash collateral posted/(received) (1)(2)	Net amount
Derivatives	$ 5,013	$ —	$ 5,013	$ —	$ 5,013	$ —
Repurchase Agreements	$ 539,570	$ —	$ 539,570	$ 539,570	$ —	$ —
Total	$ 544,583	$ —	$ 544,583	$ 539,570	$ 5,013	$ —

As of November 30, 2013

Offsetting of Financial Liabilities and Derivative Liabilities

Description	Gross amounts of recognized liabilities	Gross amounts offset in the statement of financial condition	Net amounts of liabilities presented in the statement of financial condition	Gross amounts not offset in the statement of financial condition: Financial Instruments	Gross amounts not offset in the statement of financial condition: Cash collateral posted/(received) (1)(2)	Net amount
Derivatives	$ 2,787	$ —	$ 2,787	$ —	$ 2,787	$ —
Repurchase Agreements	157,063	—	157,063	157,063	—	—
Total	$ 159,850	$ —	$ 159,850	$ 157,063	$ 2,787	$ —

(1) Included in restricted cash on consolidated statements of financial condition.

(2) The cash collateral not offset in the balance sheet may exceed any gross derivative liability position balance. In that case, the total amount that is reported as cash collateral not offset in the balance sheet is limited to the gross deriva ive liability position balance. In he case of a gross derivative asset position balance, no collateral posted by the Company will be shown in the above table.

Master netting agreements that the Company has entered into with its derivative and repurchase agreement counterparties allow for netting of the same transaction, in the same currency, on the same date. Assets, liabilities, and collateral subject to master netting agreements as of November 30, 2014 and November 30, 2013 are disclosed in the tables above. The Company presents its derivative and repurchase agreements gross on the consolidated statements of financial condition.

15. Commitments

Incentive Compensation

Employees of the Company may be eligible for incentive compensation based upon the performance of the Company per individual employment agreements. The amount of the incentive compensation pool in any fiscal year is based upon a fixed percentage of net income adjusted for certain operating expenses and excess compensation paid in prior periods, subject to available cash, as defined. Under these agreements, the Members may approve an increase in the amount of the incentive compensation pool earned in any fiscal year. The amounts of incentive compensation included in compensation and benefits expense for the year ended November 30, 2014 and November 30, 2013 were $8,789 and $21,834, respectively.

After allocation of the incentive compensation pool under these arrangements, certain officers are subject to a deferral of 20% of any annual incentive compensation allocated to them in a fiscal year, which vests over a three year period following the fiscal year that the incentive compensation was earned, subject to additional tenure related provisions that may reduce that three year deferral period. Deferred balances accrue a 7% rate of interest during the deferral period. For the years ended November 30, 2014 and 2013, $386 and $202 of interest was accrued and recognized in interest expense, respectively. Incentive compensation that was deferred for the years ended November 30, 2014 and 2013 was $0 and $2,429, respectively. For the years ended November 30, 2014 and 2013, $2,776 and $1,497 were recognized as deferred compensation expense, respectively. The deferred amount of the bonus will be recognized in compensation and benefits expense on a straight line basis over the vesting period. For the years ended November 30, 2015 and 2016 the deferred compensation expense is anticipated to be $961 and $84, respectively.

(in thousands - except per unit data)

Obligations under Lease Agreements
The Company is the lessee of three office spaces located in Greenwich, Connecticut, Los Angeles, California and Atlanta, Georgia. The following table presents minimum future rental payments under these contractual lease obligations as of November 30, 2014:

Years Ending November 30:		
2015	$	545
2016		675
2017		679
2018		684
2019		667
Thereafter		2,436
Total minimum lease payments	$	5,686

The Company recognized $567 and $345 in rental expense for its offices for the years ended November 30, 2014 and 2013, respectively.

16. Subsequent Events

The Company has performed an evaluation of events that have occurred subsequent to November 30, 2014 and through January 27, 2015, the date these financial statements were available for release, and has determined that there were no further material subsequent events that occurred during such period requiring recognition and/or disclosure in these financial statements.

(Back To Top)

Section 2: EX-12 (EX-12)

Exhibit 12

JEFFERIES GROUP LLC
Ratio of Earnings to Fixed Charges and
Ratio of Earnings to Combined Fixed Charges and Preferred Dividends
(Dollar amounts in thousands)

	Successor			Predecessor		
	Year Ended November 30, 2015	**Year Ended November 30, 2014**	**Nine Months Ended November 30, 2013**	**Three Months Ended February 28, 2013**	**Year Ended November 30, 2012**	**Year Ended November 30, 2011**
Fixed Charges:						
Interest expense on long-term indebtedness	$ 250,101	$ 250,424	$ 184,954	$ 79,918	$ 292,987	$ 280,046
Interest portion of rent expense	19,136	19,130	14,400	4,024	16,137	14,774
Total fixed charges	$ 269,237	$ 269,554	$ 199,354	$ 83,942	$ 309,124	$ 294,820
Convertible Preferred Stock Dividends	$ —	$ —	$ —	$ 1,016	$ 4,063	$ 4,063
Earnings:						
Earnings before income taxes	$ 114,227	$ 303,021	$ 264,295	$ 139,487	$ 491,795	$ 419,334
Total fixed charges	269,237	269,554	199,354	83,942	309,124	294,820
Total earnings before income taxes and fixed charges	$ 383,464	$ 572,575	$ 463,649	$ 223,429	$ 800,919	$ 714,154
Ratio of Earnings to Fixed Charges (1)	1.4	2.1	2.3	2.7	2.6	2.4
Ratio of Earnings to Combined Fixed Charges and Convertible Preferred Stock Dividends (2)	1.4	2.1	2.3	2.6	2.6	2.4

(1) 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).

(2) The ratio of earnings to combined fixed charges and preferred dividends is computed by dividing (a) income from continuing operations before income taxes plus fixed charges by the sum of (b) fixed charges and (c) convertible preferred stock dividends. 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.)

(Back To Top)

Section 3: EX-23.1 (EX-23.1)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3ASR (No. 333-187653) and of our reports dated January 29, 2016 relating to the financial statements and the effectiveness of internal control over financial reporting of Jefferies Group LLC, and the financial statements of Jefferies Group, Inc., which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

New York, New York

January 29, 2016

(Back To Top)

Section 4: EX-23.2 (EX-23.2)

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statements on Form S-8 (Nos. 333-169377, 333-51494, and 333-143770), Form S-3 (No. 333-169379) and Form S-4 (No. 333-185318) of our report dated January 28, 2016 relating to the consolidated financial statements of Jefferies Finance LLC and Subsidiaries appearing in the Annual Report on Form 10-K of Jefferies Group LLC and its subsidiaries for the year ended November 30, 2015.

/s/ DELOITTE & TOUCHE LLP

New York, New York
January 29, 2016

(Back To Top)

Section 5: EX-23.3 (EX-23.3)

Exhibit 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3ASR (No. 333-187653) of our report dated January 22, 2016 relating to the consolidated financial statements of Jefferies LoanCore LLC, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

New York, New York

January 29, 2016

(Back To Top)

Section 6: EX-31.1 (EX-31.1)

Exhibit 31.1

RULE 13a-14(a)/15d-14(a)
CERTIFICATION BY THE CHIEF FINANCIAL OFFICER

I, Peregrine C. Broadbent, certify that:

1. I have reviewed this annual report on Form 10-K of Jefferies Group LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2016

By: [redacted]

Peregrine C. Broadbent
Chief Financial Officer

(Back To Top)

Section 7: EX-31.2 (EX-31.2)

Exhibit 31.2

RULE 13a-14(a)/15d-14(a)
CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

I, Richard B. Handler, certify that:

1. I have reviewed this annual report on Form 10-K of Jefferies Group LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2016

By: [redacted]
Richard B. Handler
Chief Executive Officer

(Back To Top)

Section 8: EX-32.1 (EX-32.1)

Exhibit 32

Rule 13a-14(b)/15d-14(b) and Section 1350 of Title 18 U.S.C.
CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

I, Richard B. Handler, Chief Executive Officer, and I, Peregrine C. Broadbent, Chief Financial Officer, of Jefferies Group LLC, a Delaware limited liability company (the "Company"), each hereby certifies, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Company's periodic report on Form 10-K for the period ended November 30, 2015 (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER
[redacted]	[redacted]
Richard B. Handler	Peregrine C. Broadbent
Date: January 29, 2016	Date: January 29, 2016

A signed original of this written statement required by Section 906 has been provided to Jefferies Group LLC and will be retained by Jefferies Group LLC and furnished to the Securities and Exchange Commission or its staff upon request.

(Back To Top)

JEF 10-K/A 11/30/2015

Section 1: 10-K/A (10-K/A)

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended November 30, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 1-14947

JEFFERIES GROUP LLC
(Exact name of registrant as specified in its charter)

Delaware	**95-4719745**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
520 Madison Avenue, New York, New York	**10022**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (212) 284-2550

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	**Name of each exchange on which registered:**
5.125% Senior Notes Due 2023	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: Limited Liability Company Interests

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $0 as of May 31, 2015.

The Registrant is a wholly-owned subsidiary of Leucadia National Corporation and meets the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with a reduced disclosure format as permitted by Instruction I(2).

JEFFERIES GROUP LLC
(PARENT COMPANY ONLY)
NOTES TO CONDENSED FINANCIAL STATEMENTS - CONTINUED

Explanatory Note

In reliance on General Instruction A. (4) to Form 10-K, we are filing this Amendment to our Form 10-K solely to add Schedule I as required pursuant to Rule 5.04 of Regulation S-X. This Amendment No. 1 on Form 10-K/A amends Jefferies Group LLC's Annual Report on Form 10-K for the fiscal year ended November 30, 2015, filed with the U.S. Securities and Exchange Commission on January 29, 2016 ("Original Report").

This Amendment does not reflect events occurring after the filing of the Original Report and does not modify or update disclosures as originally filed, except as required to reflect the additional information provided herein.

Part IV

Item 15. Exhibits and Financial Statement Schedules.

(a)1. Financial Statements

Report of Independent Registered Public Accounting Firm	52	*
Report of Independent Registered Public Accounting Firm	53	*
Consolidated Statements of Financial Condition at November 30, 2015 and 2014	54	*
Consolidated Statements of Earnings for the Year Ended November 30, 2015, Year Ended November 30, 2014, Nine Months Ended November 30, 2013 and for the Three Months Ended February 28, 2013	55	*
Consolidated Statements of Comprehensive Income for the Year Ended November 30, 2015, Year ended November 30, 2014, Nine Months Ended November 30, 2013 and for the Three Months Ended February 28, 2013	56	*
Consolidated Statements of Changes in Equity for the Year Ended November 30, 2015, Year Ended November 30, 2014, Nine Months Ended November 30, 2013 and for the Three Months Ended February 28, 2013	57	*
Consolidated Statements of Cash Flows for the Year Ended November 30, 2015, Year Ended November 30, 2014, Nine Months Ended November 30, 2013 and for the Three Months Ended February 28, 2013	58	*
Notes to Consolidated Financial Statements	60	*

(a)2. Financial Statement Schedules

Schedule I—Condensed Financial Information of Jefferies Group LLC (Parent Company Only) at November 30, 2015 and 2014 and for the Year Ended November 30, 2015, Year Ended November 30, 2014, Nine Months Ended November 30, 2013 and for the Three Months Ended February 28, 2013	3

(a)3. Exhibits

23** Consent of PricewaterhouseCoopers LLP.

31.1** Rule 13a-14(a)/15d-14(a) Certification by Chief Financial Officer.

31.2** Rule 13a-14(a)/15d-14(a) Certification by Chief Executive Officer.

32** Rule 13a-14(b)/15d-14(b) and Section 1350 of Title 18 U.S.C. Certification by the Chief Executive Officer and Chief Financial Officer.

101** Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Statements of Financial Condition as of November 30, 2015 and November 30, 2014; (ii) the Condensed Statements of Earnings and Comprehensive Income for the year ended November 30, 2015, the year ended November 30, 2014, the nine months ended November 30, 2013 and for the three months ended February 28, 2013; (iii) the Condensed Statements of Cash Flows for the year ended November 30, 2015, the year ended November 30, 2014, the nine months ended November 30, 2013 and for the three months ended February 28, 2013; and (iv) the Notes to Condensed Financial Statements.

Signature	11

* Included in Part II in Jefferies Group LLC's Annual Report on Form 10-K for the fiscal year ended November 30, 2015, which was initially filed with the U.S. Securities and Exchange Commission on January 29, 2016.

** Filed herewith

JEFFERIES GROUP LLC
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF FINANCIAL CONDITION
(In thousands)

	November 30, 2015	November 30, 2014
ASSETS		
Cash and cash equivalents	$ 824,239	$ 971,182
Cash and securities segregated and on deposited for regulatory purposes or deposited with clearing and depository organizations	66,203	61,489
Financial instruments owned, at fair value	138,820	192,110
Investments in managed funds	34,933	54,840
Loans to and investments in related parties	520,550	501,289
Investment in subsidiaries	4,892,454	5,226,946
Advances to subsidiaries	1,423,175	1,904,013
Subordinated notes receivable	2,924,479	2,485,000
Other assets	591,751	671,653
Total assets	$ 11,416,604	$ 12,068,522
LIABILITIES AND EQUITY		
Financial instruments sold, not yet purchased, at fair value	$ 21,024	$ 29,826
Accrued expenses and other liabilities	271,779	300,496
Long-term debt	5,641,892	6,313,617
Total liabilities	5,934,695	6,643,939
EQUITY		
Member’s paid-in capital	5,526,855	5,439,256
Accumulated other comprehensive loss:		
Currency translation adjustments	(36,811)	(9,654)
Additional minimum pension liability	(8,135)	(5,019)
Total accumulated other comprehensive loss	(44,946)	(14,673)
Total member’s equity	5,481,909	5,424,583
Total liabilities and equity	$ 11,416,604	$ 12,068,522

See accompanying notes to condensed financial statements.

JEFFERIES GROUP LLC
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Revenues:				
Principal transactions	$ 68,720	$ 46,416	$ 13,171	$ 6,330
Asset management fees and investment income (loss) from managed funds	(20,889)	(7,452)	13,239	879
Interest	201,632	194,568	138,720	47,831
Other	33,193	81,511	53,778	19,162
Total revenues	282,656	315,043	218,908	74,202
Interest expense	250,919	251,020	186,338	84,105
Net revenues	31,737	64,023	32,570	(9,903)
Non-interest expenses:				
Total non-interest expenses	5,984	9,263	17,196	4,192
Earnings (loss) before income taxes	25,753	54,760	15,374	(14,095)
Income tax expense (benefit)	3,958	22,650	7,934	(4,915)
Net earnings (loss) before undistributed earnings of subsidiaries	21,795	32,110	7,440	(9,180)
Undistributed earnings of subsidiaries	71,739	125,450	153,751	89,318
Net earnings	93,534	157,560	161,191	80,138
Other comprehensive income (loss), net of tax:				
Currency translation and other adjustments	(27,157)	(30,995)	21,341	(10,018)
Minimum pension liability adjustments, net of tax	(3,116)	(7,778)	2,759	—
Total other comprehensive income (loss), net of tax	(30,273)	(38,773)	24,100	(10,018)
Comprehensive income	$ 63,261	$ 118,787	$ 185,291	$ 70,120

See accompanying notes to condensed financial statements.

JEFFERIES GROUP LLC
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Cash flows from operating activities:				
Net earnings	$ 93,534	$ 157,560	$ 161,191	$ 80,138
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:				
Amortization	(76,945)	(80,424)	(62,305)	3,666
Undistributed earnings of subsidiaries	(71,739)	(125,450)	(153,751)	(89,318)
Income on loans to and investments in related parties	(40,460)	(67,965)	(58,197)	—
Distributions received on investments in related parties	40,500	35,562	—	—
Other adjustments	(98,870)	(78,064)	(15,471)	22,350
Net change in assets and liabilities:				
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	(4,714)	(28,155)	(7,151)	(5,000)
Financial instruments owned	53,290	(45,950)	76,724	(63,244)
Loans to and investments in related parties	—	—	—	(111,022)
Investments in managed funds	19,907	(1,028)	3,230	(2,300)
Other assets	77,064	47,666	108,877	(1,544)
Financial instruments sold, not yet purchased	(8,802)	21,462	107	1,054
Accrued expenses and other liabilities	(36,397)	38,477	(52,944)	5,529
Net cash (used in) provided by operating activities	(53,632)	(126,309)	310	(159,691)
Cash flows from investing activities:				
Investments in, advances to and subordinated notes receivable from subsidiaries	420,797	82,143	(74,742)	(235,097)
Loans to and investments in related parties	(19,301)	(469)	128,638	—
Cash received from contingent consideration	4,444	6,253	3,796	1,203
Net cash provided by (used in) investing activities	405,940	87,927	57,692	(233,894)

JEFFERIES GROUP LLC
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)

	Successor			Predecessor
	Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Three Months Ended February 28, 2013
Cash flows from financing activities:				
Excess tax benefits from the issuance of share-based awards	$ 749	$ 1,921	$ 3,054	$ 5,682
Proceeds from short-term borrowings	750,000	1,160,000	—	—
Payments on short-term borrowings	(750,000)	(1,160,000)	—	—
Net proceeds from issuance of senior notes, net of issuance costs	—	681,222	—	991,469
Repayment of long-term debt	(500,000)	(250,000)	—	—
Payments on repurchase of common stock	—	—	—	(166,541)
Payments on dividends	—	—	—	(15,799)
Proceeds from exercise of stock options, not including tax benefits	—	—	—	57
Net cash (used in) provided by financing activities	(499,251)	433,143	3,054	814,868
Net (decrease) increase in cash and cash equivalents	(146,943)	394,761	61,056	421,283
Cash and cash equivalents at beginning of period	971,182	576,421	515,365	94,082
Cash and cash equivalents at end of period	$ 824,239	$ 971,182	$ 576,421	$ 515,365
Supplemental disclosures of cash flow information:				
Cash paid (received) during the period for:				
Interest	$ 329,926	$ 330,261	$ 238,817	$ 70,385
Income taxes, net	(5,859)	111,542	56,130	(33,103)

Noncash financing activities:

In connection with the transaction with Leucadia National Corporation, Jefferies Group LLC recorded accounting adjustments for the Leucadia Transaction, which resulted in changes to equity. Refer to Note 1, Organization and Basis of Presentation, herein, and Note 4, Leucadia and Related Transactions, to the Company's consolidated financial statements included in the Company's Annual Report on From 10-K for the year ended November 30, 2015, for further details.

On March 31, 2013, Leucadia contributed its mandatorily redeemable preferred interests in JHYH to Jefferies Group, LLC. The contribution was recorded as a capital contribution and increased member's equity by $362.3 million. For further details, refer to Note 4, Leucadia and Related Transactions, to the Company's consolidated financial statements included in the Company's Annual Report on From 10-K for the year ended November 30, 2015.

See accompanying notes to condensed financial statements.

JEFFERIES GROUP LLC
(PARENT COMPANY ONLY)
NOTES TO CONDENSED FINANCIAL STATEMENTS

Note 1. Introduction and Basis of Presentation

The accompanying condensed financial statements (the "Parent Company Financial Statements"), including the notes thereto, should be read in conjunction with the consolidated financial statements of Jefferies Group LLC (the "Company") and the notes thereto found in the Company's Annual Report on Form 10-K for the year ended November 30, 2015. For purposes of these condensed non-consolidated financial statements, the Company's wholly owned and majority owned subsidiaries are accounted for using the equity method of accounting ("equity method subsidiaries").

On March 1, 2013, Jefferies Group LLC, through a series of transactions, became an indirect wholly owned subsidiary of Leucadia National Corporation (“Leucadia”) (referred to herein as the “Leucadia Transaction”). Each outstanding share of Jefferies Group LLC was converted into 0.81 of a share of Leucadia common stock (the “Exchange Ratio”). Leucadia did not assume nor guarantee any of the Company's outstanding debt securities. The Company's 3.875% Convertible Senior Debentures due 2029 are convertible into Leucadia common shares. The Leucadia Transaction is accounted for using the acquisition method of accounting, which requires that the assets, including identifiable intangible assets, and liabilities of Jefferies Group LLC be recorded at their fair values. The application of the acquisition method of accounting has been pushed down and reflected in the financial statements of Jefferies Group LLC as a wholly-owned subsidiary of Leucadia. The application of push down accounting represents the termination of the prior reporting entity and the creation of a new reporting entity, which do not have the same bases of accounting. As a result, the Company's financial statements are presented for periods subsequent to March 1, 2013 for the new reporting entity (the “Successor”), and before March 1, 2013 for the prior reporting entity (the “Predecessor.”) The Predecessor and Successor periods are separated by a vertical line to highlight the fact that the financial information for such periods has been prepared under two different cost bases of accounting.

The Parent Company Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for financial information. The significant accounting policies of the Parent Company Financial Statements are those used by the Company on a consolidated basis, to the extent applicable. For further information regarding the significant accounting policies refer to Note 2, Summary of Significant Accounting Policies in the Company's consolidated financial statements included in the Annual Report on Form 10-K for the year ended November 30, 2015.

The Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. GAAP. The most important of these estimates and assumptions relate to fair value measurements, goodwill and intangible assets, the ability to realize deferred tax assets and the recognition and measurement of uncertain tax positions. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Note 2. Transactions with Subsidiaries

The Parent Company has transactions with its equity method subsidiaries, Leucadia and certain other affiliated entities determined on an agreed upon basis and has guaranteed certain unsecured lines of credit and contractual obligations of certain equity method subsidiaries. The Parent Company received cash distributions from its equity method subsidiaries totaling $176.7 million, $54.0 million, $677.7 million and $20.1 million for the years ended November 30, 2015 and 2014, the nine months ended November 30, 2013 and the three months ended February 28, 2013, respectively.

Note 3. Guarantees

In the normal course of its business, the Parent Company issues guarantees in respect of obligations of certain of its wholly owned subsidiaries under trading and other financial arrangements, including guarantees to various trading counterparties and banks. The Parent Company records all derivative contracts and Financial instruments owned and Financial instruments sold, not yet purchased at fair value on its consolidated statements of financial condition.

Certain of the Parent Company's equity method subsidiaries are members of various exchanges and clearing houses.In the normal course of business, the Parent Company provides guarantees to securities clearinghouses and exchanges. These guarantees generally are required under the standard membership agreements, such that members are required to guarantee the performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet these shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. The Parent Company's obligations under such guarantees could exceed the collateral amounts posted. The maximum potential liability under these arrangements cannot be quantified; however, the potential for the Parent Company to be required to make payments under such guarantees is deemed remote. Accordingly no liability has been recognized for these arrangements.

The Parent Company has provided a guarantee in respect of certain obligations of Jefferies Finance LLC that matures in January 2021, whereby the Parent Company is required to make certain payments to an SPE sponsored by Jefferies Finance in the event that Jefferies Finance is unable to meet its obligations to the SPE and a guarantee of a credit agreement for a fund owned by employees. At November 30, 2015, the maximum amount payable under these guarantees is $21.8 million.

The Parent Company guarantees certain financing arrangements of subsidiaries. The financing arrangements totaled a maximum obligation of $62.0 million at November 30, 2015.

Note 4. Regulatory Requirements

For a discussion of the Company’s regulatory requirements, see Note 21 to the Company’s consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended November 30, 2015. At November 30, 2015 and 2014, $5,203 million and $5,358 million, respectively, of net assets of the Parent Company's equity method subsidiaries are restricted as they reflect regulatory capital requirements or require regulatory approval prior to the payment of cash dividends and advances to the Parent Company.

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

To the Board of Directors and Member of Jefferies Group LLC,

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting of Jefferies Group LLC referred to in our report dated January 29, 2016 appearing in the 2015 Annual Report on Form 10-K also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K/A. In our opinion, this financial statement schedule, which consists of the condensed statements of financial condition as of November 30, 2015 and 2014 and the related condensed statements of operations and comprehensive income, and of cash flows of Jefferies Group LLC (Successor company) for the years ended November 30, 2015 and 2014 and the nine months ended November 30, 2013, present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
New York, NY
March 10, 2016

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

To the Board of Directors and Shareholders of Jefferies Group, Inc.

Our audit of the consolidated financial statements of Jefferies Group, Inc. referred to in our report dated January 29, 2016 appearing in the 2015 Annual Report on Form 10-K also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K/A. In our opinion, this financial statement schedule, which consists of the condensed statements of operations and comprehensive income, and of cash flows of Jefferies Group, Inc.(Predecessor company) for the three months ended February 28, 2013, present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
New York, NY
March 10, 2016

Table of Contents

JEFFERIES GROUP LLC
(PARENT COMPANY ONLY)
NOTES TO CONDENSED FINANCIAL STATEMENTS - CONTINUED

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K/A report to be signed on its behalf by the undersigned, thereunto duly authorized.

JEFFERIES GROUP LLC
(Registrant)

Dated: March 10, 2016

By: [redacted]

Peregrine C. Broadbent
Chief Financial Officer
(duly authorized officer)

(Back To Top)

Section 2: EX-23 (EX-23)

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3ASR (No. 333- 209385) and of our reports dated March 10, 2016 related to the financial statement schedules listed in Item 15(a)(2), which appear in this Form 10-K/A.

/s/ PricewaterhouseCoopers LLP

New York, New York

March 10, 2016

(Back To Top)

Section 3: EX-31.1 (EX-31.1)

Exhibit 31.1

RULE 13a-14(a)/15d-14(a)
CERTIFICATION BY THE CHIEF FINANCIAL OFFICER

I, Peregrine C. Broadbent, certify that:

1. I have reviewed this annual report on Form 10-K/A of Jefferies Group LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2016 By: [redacted]

Peregrine C. Broadbent
Chief Financial Officer

(Back To Top)

Section 4: EX-31.2 (EX-31.2)

Exhibit 31.2

RULE 13a-14(a)/15d-14(a)
CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

I, Richard B. Handler, certify that:

1. I have reviewed this annual report on Form 10-K/A of Jefferies Group LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2016

By: [redacted]

Richard B. Handler
Chief Executive Officer

(Back To Top)

Section 5: EX-32 (EX-32)

Exhibit 32

Rule 13a-14(b)/15d-14(b) and Section 1350 of Title 18 U.S.C.
CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

I, Richard B. Handler, Chief Executive Officer, and I, Peregrine C. Broadbent, Chief Financial Officer, of Jefferies Group LLC, a Delaware limited liability company (the "Company"), each hereby certifies, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Company's periodic report on Form 10-K/A for the period ended November 30, 2015 (the "Form 10-K/A") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-K/A fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER
[redacted]	[redacted]
Richard B. Handler	Peregrine C. Broadbent
Date: March 10, 2016	Date: March 10, 2016

A signed original of this written statement required by Section 906 has been provided to Jefferies Group LLC and will be retained by Jefferies Group LLC and furnished to the Securities and Exchange Commission or its staff upon request.

(Back To Top)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended November 30, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 1-14947

JEFFERIES GROUP LLC
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**95-4719745** **(I.R.S. Employer Identification No.)**
520 Madison Avenue, New York, New York **(Address of principal executive offices)**	**10022** **(Zip Code)**

Registrant's telephone number, including area code: (212) 284-2550

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
5.125% Senior Notes Due 2023	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Limited Liability Company Interests

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $0 as of May 31, 2016.

The Registrant is a wholly-owned subsidiary of Leucadia National Corporation and meets the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with a reduced disclosure format as permitted by Instruction I(2).

JEFFERIES GROUP LLC
INDEX TO QUARTERLY REPORT ON FORM 10-K
November 30, 2016

PART I.

	Page
Item 1. Business	**3**
Item 1A. Risk Factors	**6**
Item 1B. Unresolved Staff Comments	**11**
Item 2. Properties	**11**
Item 3. Legal Proceedings	**12**
Item 4. Mine Safety Disclosures	**12**

PART II. FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases Equity Securities	**13**
Item 6. Selected Financial Data	**13**
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	**13**
Consolidated Results of Operations	14
Executive Summary	14
Revenues by Source	16
Non-interest Expenses	21
Accounting Developments	23
Critical Accounting Policies	24
Liquidity, Financial Condition and Capital Resources	26
Risk Management	37
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	**44**
Item 8. Financial Statements and Supplementary Data	**45**
Index to Consolidated Financial Statements	45
Management's Report on Internal Control Over Financial Reporting	46
Report of Independent Registered Public Accounting Firm	47
Consolidated Statements of Financial Condition	48
Consolidated Statements of Earnings	49
Consolidated Statements of Comprehensive Income	50
Consolidated Statements of Changes in Equity	51
Consolidated Statements of Cash Flows	52
Notes to Consolidated Financial Statements	54
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	**120**
Item 9A. Controls and Procedures	**120**
Item 9B. Other Information	**120**

PART III. OTHER INFORMATION

Item 10. Directors, Executive Officers and Corporate Governance	120
Item 11. Executive Compensation	120
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	120
Item 13. Certain Relationships and Related Transactions, and Director Independence	120
Item 14. Principal Accountant Fees and Services	121

PART IV. EXHIBTS AND SIGNATURES

Item 15. Exhibits and Financial Statement Schedules	122
Item 16. Form 10-K Summary	122
Signatures	123

PART I

Item 1. Business

Introduction

Jefferies Group LLC and its subsidiaries operate as a global full service, integrated securities and investment banking firm. Our largest subsidiary, Jefferies LLC ("Jefferies"), was founded in the U.S. in 1962 and our first international operating subsidiary, Jefferies International Limited ("Jefferies Europe"), was established in the U.K. in 1986. On March 1, 2013, we became an indirect wholly owned subsidiary of Leucadia National Corporation ("Leucadia") (referred to herein as the "Leucadia Transaction"). Richard Handler, our Chief Executive Officer and Chairman, is Leucadia's Chief Executive Officer and Brian P. Friedman, our Chairman of the Executive Committee, is Leucadia's President. Messrs. Handler and Friedman are also Leucadia Directors. We are an SEC reporting company and retain a credit rating separate from Leucadia.

At November 30, 2016, we had 3,329 employees in the Americas, Europe, the Middle East and Asia. Our global headquarters and executive offices are located at 520 Madison Avenue, New York, New York 10022. We also have regional headquarters in London and Hong Kong. Our primary telephone number is (212) 284-2550 and our Internet address is jefferies.com.

The following documents and reports are available on our public website:

- Earnings Releases and Other Public Announcements
- Annual and interim reports on Form 10-K;
- Quarterly reports on Form 10-Q;
- Current reports on Form 8-K;
- Code of Ethics;
- Reportable waivers, if any, from our Code of Ethics by our executive officers;
- Board of Directors Corporate Governance Guidelines;
- Charter of the Corporate Governance and Nominating Committee of the Board of Directors;
- Charter of the Compensation Committee of the Board of Directors;
- Charter of the Audit Committee of the Board of Directors; and
- Any amendments to the above-mentioned documents and reports.

We expect to use our website as a main form of communication of significant news. We encourage you to visit our website for additional information. In addition, you may also obtain a printed copy of any of the above documents or reports by sending a request to Investor Relations, Jefferies Group LLC, 520 Madison Avenue, New York, NY 10022, by calling 221-284-2550 or by sending an email to info@jefferies.com.

Business Segments

We report our activities in two business segments: *Capital Markets and Asset Management*.

- *Capital Markets* includes our investment banking, sales and trading and other related services. Investment banking provides capital markets and financial advisory services to our clients across most industry sectors in the Americas, Europe and Asia. Our sales and trading businesses include market-making, sales and financing across the spectrum of equities, fixed income and foreign exchange products. Related services include, among other things, prime brokerage, research and corporate lending.
- *Asset Management* provides investment management services to investors in the U.S. and overseas.

Financial information regarding our reportable business segments for the years ended November 30, 2016, 2015 and 2014 is set forth in Note 20, Segment Reporting in our consolidated financial statements included within this Annual Report on Form 10-K in Part II, Item 8.

Our Businesses

Capital Markets

Our Capital Markets segment focuses on Equities, Fixed Income and Investment Banking. We primarily serve institutional investors, corporations and government entities.

Equities

Equities Research, Sales and Trading

We provide our clients full-service equities research, sales and trading capabilities across global securities markets. We earn commissions or spread revenue by executing, settling and clearing transactions for clients across these markets in equity and equity-related products, including common stock, American depository receipts, global depository receipts, exchange-traded funds, exchange-traded and over-the-counter ("OTC") equity derivatives, convertible and other equity-linked products and closed-end funds. Our equity research, sales and trading efforts are organized across three geographical regions: the Americas; Europe and the Middle East and Africa ("EMEA"); and Asia Pacific. Our main product lines within the regions are cash equities, electronic trading, equity derivatives and convertibles. Our clients are primarily institutional market participants such as mutual funds, hedge funds, investment advisors, pension and profit sharing plans and insurance companies. Through our global research team and sales force, we maintain relationships with our clients, distribute investment research and strategy, trading ideas, market information and analyses across a range of industries and receive and execute client orders. Our equity research covers over 2,000 companies around the world and a further nearly 700 companies are covered by nine leading local firms in Asia Pacific with whom we maintain alliances.

Equity Finance

Our Equity Finance business provides financing, securities lending and other prime brokerage services. We offer prime brokerage services in the U.S. that provide hedge funds, money managers and registered investment advisors with execution, financing, clearing, reporting and administrative services. We finance our clients' securities positions through margin loans that are collateralized by securities, cash or other acceptable liquid collateral. We earn an interest spread equal to the difference between the amount we pay for funds and the amount we receive from our clients. We also operate a matched book in equity and corporate bond securities, whereby we borrow and lend securities versus cash or liquid collateral and earn a net interest spread. We offer selected prime brokerage clients the option of custodying their assets at an unaffiliated U.S. broker-dealer that is a subsidiary of a bank holding company. Under this arrangement, we directly provide our clients with all customary prime brokerage services.

Wealth Management

We provide tailored wealth management services designed to meet the needs of high net worth individuals, their families and their businesses, private equity and venture funds and small institutions. Our advisors provide access to all of our institutional execution capabilities and deliver other financial services. Our open architecture platform affords clients access to products and services from both our firm and from a variety of other major financial services institutions.

Fixed Income

Fixed Income Sales and Trading

We provide our clients with sales and trading of investment grade corporate bonds, U.S. and European government and agency securities, municipal bonds, mortgage- and asset-backed securities, leveraged loans, high yield and distressed securities, emerging markets debt, interest rate derivative products, as well as foreign exchange trade execution. Jefferies is designated as a Primary Dealer by the Federal Reserve Bank of New York and Jefferies International Limited is designated in similar capacities for several countries in Europe. Additionally, through the use of repurchase agreements, we act as an intermediary between borrowers and lenders of short-term funds and obtain funding for various of our inventory positions. We trade and make markets globally in cleared and uncleared swaps and forwards referencing, among other things, interest rates, investment grade and non-investment grade corporate credits, credit indexes and asset-backed security indexes.

Our strategists and economists provide ongoing commentary and analysis of the global fixed income markets. In addition, our fixed income desk strategists provide ideas and analysis across a variety of fixed income products.

Futures

In April 2015 we entered into a definitive agreement to transfer certain of our futures activities to Société Générale S.A. That transaction closed in the second quarter of 2015 and we completed the exit of our Futures business during the second quarter of 2016.

Investment Banking

We provide our clients around the world with a full range of equity capital markets, debt capital markets and financial advisory services. Our services are enhanced by our deep industry expertise, our global distribution capabilities and our senior level commitment to our clients.

Approximately 760 investment banking professionals operate in the Americas, Europe and Asia, and are organized into industry, product and geographic coverage groups. Our industry coverage groups include: Consumer & Retail, Energy, Financial Institutions, Healthcare, Industrials, Real Estate, Gaming & Lodging, Technology, Media & Telecommunications, Financial Sponsors and

Public Finance. Our product coverage groups include equity capital markets, debt capital markets, and advisory, which includes both mergers and acquisitions and restructuring and recapitalization expertise. Our geographic coverage groups include coverage teams based in major cities in the United States, Toronto, London, Frankfurt, Paris, Milan, Stockholm, Mumbai, Hong Kong, Singapore and Dubai.

Equity Capital Markets

We provide a broad range of equity financing capabilities to companies and financial sponsors. These capabilities include private equity placements, initial public offerings, follow-on offerings, block trades and equity-linked convertible securities transactions.

Debt Capital Markets

We provide a wide range of debt and acquisition financing capabilities for companies, financial sponsors and government entities. We focus on structuring, underwriting and distributing public and private debt, including investment grade debt, high yield bonds, leveraged loans, municipal debt, mortgage and other asset-backed securities, and liability management solutions.

Advisory Services

We provide mergers and acquisition and restructuring and recapitalization services to companies, financial sponsors and government entities. In the mergers and acquisition area, we advise sellers and buyers on corporate sales and divestitures, acquisitions, mergers, tender offers, spinoffs, joint ventures, strategic alliances and takeover and proxy fight defense. In the restructuring and recapitalization area, we provide to companies, bondholders and lenders a full range of restructuring advisory capabilities as well as expertise in the structuring, valuation and placement of securities issued in recapitalizations.

Asset Management

Through Jefferies Investment Advisers, LLC ("JIA") and partnerships with Leucadia Asset Management, LLC ("LAM"), we manage and provide services to a diverse group of alternative asset management platforms across a spectrum of investment strategies and asset classes. We are supporting and developing focused strategies managed by distinct management teams. Strategies currently offered by JIA to pension funds, insurance companies, sovereign wealth funds, and other institutional investors through these platforms include systematic quant and global equity event-driven.

Leucadia has made investments in certain managed accounts and funds managed by these programs and, accordingly, a portion of the net results are allocated directly to Leucadia.

Competition

All aspects of our business are intensely competitive. We compete primarily with large global bank holding companies that engage in capital markets activities, but also with firms listed in the NYSE Arca Securities Broker/Dealer Index, other brokers and dealers, and investment banking firms. The large global bank holding companies have substantially greater capital and resources than we do. We believe that the principal factors affecting our competitive standing include the quality, experience and skills of our professionals, the depth of our relationships, the breadth of our service offerings, our ability to deliver consistently our integrated capabilities, and our culture, tenacity and commitment to serve our clients.

Regulation

Regulation in the United States. The financial services industry in which we operate is subject to extensive regulation. In the U.S., the Securities and Exchange Commission ("SEC") is the federal agency responsible for the administration of federal securities laws, and the Commodity Futures Trading Commission ("CFTC") is the federal agency responsible for the administration of laws relating to commodity interests (including futures and swaps). In addition, self-regulatory organizations, principally Financial Industry Regulatory Authority ("FINRA") and the National Futures Association ("NFA"), are actively involved in the regulation of financial services businesses. The SEC, CFTC and self-regulatory organizations conduct periodic examinations of broker-dealers, investment advisers, futures commission merchants ("FCMs") and swap dealers. The applicable self-regulatory authority for Jefferies' activities as a broker-dealer is FINRA, and the applicable self-regulatory authority for Jefferies' FCM activities is the National Futures Association ("NFA"). Financial services businesses are also subject to regulation by state securities commissions and attorneys general in those states in which they do business.

Broker-dealers are subject to SEC and FINRA regulations that cover all aspects of the securities business, including sales and trading methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure of securities firms, anti-money laundering efforts, recordkeeping and the conduct of directors, officers and employees. Registered advisors are subject to, among other requirements, SEC regulations concerning marketing, transactions with affiliates, disclosure to clients, and recordkeeping; and advisors that are also registered as commodity trading advisors or commodity pool operators are also subject to regulation by the CFTC and the NFA. FCMs, introducing brokers and swap dealers that engage in commodities, futures or swap transactions are subject to regulation by the CFTC and the NFA. Additional legislation, changes in rules promulgated by the SEC, CFTC and self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules may directly affect the operations and profitability of broker-dealers, investment advisers, FCMs and swap dealers. The SEC, the CFTC, self-regulatory organizations, state securities commissions and state attorneys general may conduct administrative proceedings or initiate civil litigation that can result in censure, fine, suspension, expulsion of a firm, its officers or employees, or revocation of a firm's licenses.

Regulatory Capital Requirements. Several of our entities are subject to financial capital requirements that are set by regulation. Jefferies and Jefferies Execution Services, Inc. ("Jefferies Execution"), are registered broker-dealers and are subject to the SEC's Uniform Net Capital Rule (the "Net Capital Rule"). Jefferies and Jefferies Execution have elected to compute their minimum net capital requirement in accordance with the "Alternative Net Capital Requirement" as permitted by the Net Capital Rule, which provides that a broker-dealer shall not permit its net capital, as defined, to be less than the greater of 2% of its aggregate debit balances (primarily customer-related receivables) or $250,000 ($1.5 million for prime brokers). Compliance with the Net Capital Rule could limit operations of our broker-dealers, such as underwriting and trading activities, that could require the use of significant amounts of capital, and may also restrict their ability to make loans, advances, dividends and other payments.

Jefferies is also registered as an FCM and is therefore subject to the minimum financial requirements for FCMs set by the CFTC. Jefferies as an FCM is required to maintain minimum net capital being the greater of $1.0 million or its risk-based capital requirements computed as 8% of the total risk margin requirements for positions carried by the FCM in customer accounts and non-customer accounts. Jefferies, as a dually registered broker-dealer and FCM, is required to maintain net capital in excess of the greater of the SEC or CFTC minimum financial requirements.

Our subsidiaries that are registered swap dealers will become subject to capital requirements under the Dodd-Frank Act once the relevant rules become final. For additional information see Item 1A. Risk Factors - "Recent legislation and new and pending regulation may significantly affect our business."

Jefferies Group LLC is not subject to any regulatory capital rules.

See Net Capital within Item 7. Management's Discussion and Analysis and Note 19, Net Capital Requirements in this Annual Report on Form 10-K for additional discussion of net capital calculations.

Regulation outside the United States. We are an active participant in the international capital markets and provide investment banking services internationally, primarily in Europe and Asia. As is true in the U.S., our subsidiaries are subject to extensive regulations proposed, promulgated and enforced by, among other regulatory bodies, the European Commission and European Supervisory Authorities (including the European Banking Authority and European Securities and Market Authority), U.K. Financial Conduct Authority, Hong Kong Securities and Futures Commission, the Japan Financial Services Agency and the Monetary Authority of Singapore. Every country in which we do business imposes upon us laws, rules and regulations similar to those in the U.S., including with respect to some form of capital adequacy rules, customer protection rules, data protection regulations, anti-money laundering and anti-bribery rules, compliance with other applicable trading and investment banking regulations and similar regulatory reform. For additional information see Item 1A. Risk Factors - "Extensive international regulation of our business limits our activities, and, if we violate these regulations, we may be subject to significant penalties."

Item 1A. Risk Factors

Factors Affecting 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 specific factors mentioned in this report, we may also be affected by other factors that affect businesses generally such as global or regional changes in economic, business or political conditions, acts of war, terrorism and natural disasters.

Recent legislation and new and pending regulation may significantly affect our business.

In recent years, there has been significant legislation and increased regulation affecting the financial services industry. These legislative and regulatory initiatives affect not only us, but also our competitors and certain of our clients. These changes could have an effect on our revenue and profitability, limit our ability to pursue certain business opportunities, impact the value of assets that we hold, require us to change certain business practices, impose additional costs on us and otherwise adversely affect our business. Accordingly, we cannot provide assurance that legislation and regulation will not eventually have an adverse effect on our business, results of operations, cash flows and financial condition.

Many of these new laws and rules are the result of commitments made since 2008 by leaders of the G-20 nations to reduce the systemic risk arising from financial derivatives. Title VII of the Dodd-Frank Act and the rules and regulations adopted and to be adopted by the SEC and CFTC introduce a comprehensive regulatory regime for swaps and security-based swaps and parties that deal in such swaps and security-based swaps. Two of our subsidiaries are registered as swap dealers with the CFTC and are members of the NFA. We may also register one or more additional subsidiaries as security-based swap dealers with the SEC in the future. Title VII and related impending regulations subject certain swaps and security-based swaps to clearing and exchange trading requirements and subject swap dealers and security-based swap dealers to significant new burdens. We have already incurred significant compliance and operational costs as a result of the Dodd-Frank Act, and when all the final rules contemplated by Title VII have been implemented, our swap dealer entities will also be subject to mandatory capital and margin requirements that will likely have an effect on our business. While there continues to be uncertainty about the full impact of these changes, we will continue to be subject to a more complex regulatory framework, and will incur costs to comply with new requirements as well as to monitor for compliance in the future.

Section 619 of the Dodd-Frank Act (Volcker Rule) limits certain proprietary trading by banking entities such as banks, bank holding companies and similar institutions. Although we are not a banking entity and are not otherwise subject to these rules, some of our clients and many of our counterparties are banks or entities affiliated with banks and are subject to these restrictions. The effects of the Volcker Rule and related regulations on the depth, liquidity and pricing in swaps and securities markets has yet to be completely assessed. Negative effects could result from an expansive extraterritorial application of the Dodd-Frank Act in general or the Volcker Rule in particular and/or insufficient international coordination with respect to adoption of rules for derivatives and other financial reforms in other jurisdictions.

In addition, the scope, timing and final implementation of regulatory reform, including as a result of the recent U.S. presidential and congressional elections, is uncertain and could negatively impact our business.

Extensive international regulation of our business limits our activities, and, if we violate these regulations, we may be subject to significant penalties.

The financial services industry is subject to extensive laws, rules and regulations in every country in which we operate. Firms that engage in securities and derivatives trading, wealth and asset management and investment banking must comply with the laws, rules and regulations imposed by national and state governments and regulatory and self-regulatory bodies with jurisdiction over such activities. Such laws, rules and regulations cover all aspects of the financial services business, including, but not limited to, sales and trading methods, trade practices, use and safekeeping of customers' funds and securities, capital structure, anti-money laundering and anti-bribery and corruption efforts, recordkeeping and the conduct of directors, officers and employees.

Each of our regulators supervises our business activities to monitor compliance with such laws, rules and regulations in the relevant jurisdiction. In addition, if there are instances in which our regulators question our compliance with laws, rules, and regulations, they may investigate the facts and circumstances to determine whether we have complied. At any moment in time, we may be subject to one or more such investigation or similar reviews. At this time, all such investigations and similar reviews are insignificant in scope and immaterial to us. However, there can be no assurance that, in the future, the operations of our businesses will not violate such laws, rules, or regulations and such investigations and similar reviews will not result in adverse regulatory requirements, regulatory enforcement actions and/or fines.

The European Market Infrastructure Regulation ("EMIR") relating to derivatives was enacted in August 2012 and, in common with the Dodd-Frank Act in the U.S., is intended, among other things, to reduce counterparty risk by requiring standardized over-the-counter derivatives be cleared through a central counterparty and reported to registered trade repositories and making uncleared OTC derivatives subject to mandatory margining. EMIR is being introduced in phases in the European Union (including the U.K.), with implementation of additional requirements expected through 2019. The European Union finalized the Markets in Financial Instruments Regulation and a revision of the Market in Financial Instruments Directive, both of which are expected to become effective in January 2018. These give effect to the commitments of the Group of Twenty Finance Ministers and Central Bank Governors, including new market structure-related, reporting, investor protection-related and organizational requirements, requirements on pre- and post-trade transparency, requirements to use certain venues when trading financial instruments (which includes certain derivative instruments), requirements affecting the way investment managers can obtain research, powers of regulators to impose position limits and provisions on regulatory sanctions. The European Union is also currently considering or executing upon significant revisions to laws covering: resolution of banks, investment firms and market infrastructure; administration of financial benchmarks; credit rating activities; anti-money-laundering controls; data security and privacy; remuneration principles and proportionality; disclosures under the Basel regime aiming to increase market transparency and consistency and corporate governance in financial firms.

Additional legislation, changes in rules, changes in the interpretation or enforcement of existing laws and rules, or the entering into businesses that subject us to new rules and regulations may directly affect our business, results of operations and financial condition. We continue to monitor the impact of new U.S. and international regulation on our businesses.

Changing financial, economic and political conditions could result in decreased revenues, losses or other adverse consequences.

As a global securities and investment banking firm, global or regional changes in the financial markets or economic and political conditions could adversely affect our business in many ways, including the following:

- A market downturn could lead to a decline in the volume of transactions executed for customers and, therefore, to a decline in the revenues we receive from commissions and spreads.
- Unfavorable conditions or changes in general political, economic or market conditions, including general uncertainty regarding the U.S. economic environment as a result of the recent U.S. presidential election, could reduce the number and size of transactions in which we provide underwriting, financial advisory and other services. Our investment banking revenues, in the form of financial advisory and sales and trading or placement fees, are directly related to the number and size of the transactions in which we participate and could therefore be adversely affected by unfavorable financial, economic or political conditions.
- Adverse changes in the market could lead to losses from principal transactions and inventory positions.
- Adverse changes in the market could also lead to a reduction in revenues from asset management fees and investment income from managed funds and losses on our own capital invested in managed funds. Even in the absence of a market downturn, below-market investment performance by our funds and portfolio managers could reduce asset management revenues and assets under management and result in reputational damage that might make it more difficult to attract new investors.
- Limitations on the availability of credit can affect our ability to borrow on a secured or unsecured basis, which may adversely affect our liquidity and results of operations. Global market and economic conditions have been particularly disrupted and volatile in the last several years and may be in the future. Our cost and availability of funding could be affected by illiquid credit markets and wider credit spreads.
- New or increased taxes on compensation payments such as bonuses or on balance sheet items may adversely affect our profits.
- Should one of our customers or competitors fail, our business prospects and revenue could be negatively impacted due to negative market sentiment causing customers to cease doing business with us and our lenders to cease loaning us money, which could adversely affect our business, funding and liquidity.

The U.K.'s exit from the European Union could adversely affect our business.

The referendum held in the U.K. on June 23, 2016 resulted in a determination that the U.K. should exit the European Union. Such an exit from the European Union is unprecedented and it is unclear how the U.K.'s access to the EU Single Market, and the wider trading, legal and regulatory environment in which we, our customers and our counterparties operate, will be impacted and how this will affect our and their businesses and the global macroeconomic environment. The uncertainty surrounding the timing, terms and consequences of the U.K.'s exit could adversely impact customer and investor confidence, result in additional market volatility and adversely affect our businesses, including our revenues from trading and investment banking activities, particularly in Europe, and our results of operations and financial condition.

We may be adversely affected by changes in U.S. and non-U.S. tax laws in the countries in which we operate.

The U.S. Congress and the Administration have indicated a desire to reform the U.S. corporate income tax. As part of any tax reform, it is possible that the 35 percent corporate income tax rate may be reduced. Additionally, there may be other potential changes including modifying the taxation of income earned outside the U.S., and/or limiting or eliminating various other deductions, credits or tax preferences. At this time, it is not possible to measure the potential impact on the value of Jefferies' deferred tax assets, business, prospects or results of operations that might result upon enactment.

Unfounded allegations about us could result in extreme price volatility and price declines in our securities and loss of revenue, clients, and employees.

Our reputation and business activity can be affected by statements and actions of third parties, even false or misleading statements by them. In addition, our operations in the past have been impacted as some clients either ceased doing business or temporarily slowed down the level of business they do, thereby decreasing our revenue stream. Although we were able to reverse the negative impact of past unfounded allegations and false rumors, there is no assurance that we will be able to do so successfully in the future and our potential failure to do so could have a material adverse effect on our business, financial condition and liquidity.

A credit-rating agency downgrade could significantly impact our business.

Maintaining an investment grade credit rating is important to our business and financial condition. We intend to access the capital markets and issue debt securities from time to time; and a decrease in our credit rating would not only increase our borrowing costs, but could also decrease demand for our debt securities and make a successful financing more difficult. In addition, in connection with certain over-the-counter derivative contract arrangements and certain other trading arrangements, we may be required to provide additional collateral to counterparties, exchanges and clearing organizations in the event of a credit rating downgrade. Such a downgrade could also negatively impact our debt-securities prices. There can be no assurance that our credit ratings will not be downgraded.

Our principal trading and investments expose us to risk of loss.

A considerable portion of our revenues is derived from trading in which we act as principal. We may incur trading losses relating to the purchase, sale or short sale of fixed income, high yield, international, convertible, and equity securities and futures and commodities for our own account. In any period, we may experience losses on our inventory positions as a result of the level and volatility of equity, fixed income and commodity prices (including oil prices), lack of trading volume and illiquidity. From time to time, we may engage in a large block trade in a single security or maintain large position concentrations in a single security, securities of a single issuer, securities of issuers engaged in a specific industry, or securities from issuers located in a particular country or region. In general, because our inventory is marked to market on a daily basis, any adverse price movement in these securities could result in a reduction of our revenues and profits. In addition, we may engage in hedging transactions that if not successful, could result in losses.

We may incur losses if our risk management is not effective.

We seek to monitor and control our risk exposure. Our risk management processes and procedures are designed to limit our exposure to acceptable levels as we conduct our business. We apply a comprehensive framework of limits on a variety of key metrics to constrain the risk profile of our business activities. The size of the limit reflects our risk tolerance for a certain activity. Our framework includes inventory position and exposure limits on a gross and net basis, scenario analysis and stress tests, Value-at-Risk, sensitivities, exposure concentrations, aged inventory, amount of Level 3 assets, counterparty exposure, leverage, cash capital, and performance analysis. See Risk Management within Item 7. Management's Discussion and Analysis in this Annual Report on Form 10-K for additional discussion. While we employ various risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application, including risk tolerance determinations, cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. As a result, we may incur losses notwithstanding our risk management processes and procedures.

As a holding company, we are dependent for liquidity from payments from our subsidiaries, many of which are subject to restrictions.

As a holding company, we depend on dividends, distributions and other payments from our subsidiaries to fund payments on our obligations, including debt obligations. Many of our subsidiaries, including our broker-dealer subsidiaries, are subject to regulation that restrict dividend payments or reduce the availability of the flow of funds from those subsidiaries to us. In addition, our broker-dealer subsidiaries are subject to restrictions on their ability to lend or transact with affiliates and to minimum regulatory capital requirements.

Increased competition may adversely affect our revenues, profitability and staffing.

All aspects of our business are intensely competitive. We compete directly with a number of bank holding companies and commercial banks, other brokers and dealers, investment banking firms and other financial institutions. In addition to competition from firms currently in the securities business, there has been increasing competition from others offering financial services, including automated trading and other services based on technological innovations. We believe that the principal factors affecting competition involve market focus, reputation, the abilities of professional personnel, the ability to execute the transaction, relative price of the service and products being offered, bundling of products and services and the quality of service. Increased competition or an adverse change in our competitive position could lead to a reduction of business and therefore a reduction of revenues and profits.

Competition also extends to the hiring and retention of highly skilled employees. A competitor may be successful in hiring away employees, which may result in our losing business formerly serviced by such employees. Competition can also raise our costs of hiring and retaining the employees we need to effectively operate our business.

Operational risks may disrupt our business, result in regulatory action against us or limit our growth.

Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies, and the transactions we process have become increasingly complex. If any of our financial, accounting or other data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer an impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage. These systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

Certain of our financial and other data processing systems rely on access to and the functionality of operating systems maintained by third parties. If the accounting, trading or other data processing systems on which we are dependent are unable to meet increasingly demanding standards for processing and security or, if they fail or have other significant shortcomings, we could be adversely affected. Such consequences may include our inability to effect transactions and manage our exposure to risk.

In addition, despite the contingency plans we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with which we conduct business.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and devote significant resources to maintaining and upgrading our systems and networks with measures such as intrusion and detection prevention systems, monitoring firewalls to safeguard critical business applications and supervising third party providers that have access to our systems, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, and other events that could have a security impact. Additionally, if a client's computer system, network or other technology is compromised by unauthorized access, we may face losses or other adverse consequences by unknowingly entering into unauthorized transactions. If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks. Furthermore, such events may cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations, including the transmission and execution of unauthorized transactions. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. The increased use of smartphones, tablets and other mobile devices as well as cloud computing may also heighten these and other operational risks. Similar to other firms, we and our third party providers continue to be the subject of attempted unauthorized access, computer viruses and malware, and cyber attacks designed to disrupt or degrade service or cause other damage and denial of service. Additional challenges are posed by external parties, including foreign state actors. There can be no assurance that such unauthorized access or cyber incidents will not occur in the future, and they could occur more frequently and on a larger scale.

We are also subject to laws and regulations relating to the privacy of the information of clients, employees or others, and any failure to comply with these regulations could expose us to liability and/or reputational damage. In addition, our businesses are increasingly subject to laws and regulations relating to surveillance, encryption and data on-shoring in the jurisdictions in which we operate. Compliance with these laws and regulations may require us to change our policies, procedures and technology for information security, which could, among other things, make us more vulnerable to cyber attacks and misappropriation, corruption or loss of information or technology.

We face numerous risks and uncertainties as we expand our business.

We expect the growth of our business to come primarily from internal expansion and through acquisitions and strategic partnering. As we expand our business, there can be no assurance that our financial controls, the level and knowledge of our personnel, our operational abilities, our legal and compliance controls and our other corporate support systems will be adequate to manage our business and our growth. The ineffectiveness of any of these controls or systems could adversely affect our business and prospects. In addition, as we acquire new businesses and introduce new products, we face numerous risks and uncertainties integrating their controls and systems into ours, including financial controls, accounting and data processing systems, management controls and other operations. A failure to integrate these systems and controls, and even an inefficient integration of these systems and controls, could adversely affect our business and prospects.

Certain business initiatives, including expansions of existing businesses, may bring us into contact directly or indirectly, with individuals and entities that are not within our traditional client and counterparty base and may expose us to new asset classes and new markets. These business activities expose us to new and enhanced risks, greater regulatory scrutiny of these activities, increased credit-related, sovereign and operational risks, and reputational concerns regarding the manner in which these assets are being operated or held.

Legal liability may harm our business.

Many aspects of our business involve substantial risks of liability, and in the normal course of business, we have been named as a defendant or codefendant in lawsuits involving primarily claims for damages. The risks associated with potential legal liabilities often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. The expansion of our business, including increases in the number and size of investment banking transactions and our expansion into new areas impose greater risks of liability. In addition, unauthorized or illegal acts of our employees could result in substantial liability to us. Substantial legal liability could have a material adverse financial effect or cause us significant reputational harm, which in turn could seriously harm our business and our prospects.

Our business is subject to significant credit risk.

In the normal course of our businesses, we are involved in the execution, settlement and financing of various customer and principal securities and derivative transactions. These activities are transacted on a cash, margin or delivery-versus-payment basis and are subject to the risk of counterparty or customer nonperformance. Even when transactions are collateralized by the underlying security or other securities, we still face the risks associated with changes in the market value of the collateral through settlement date or during the time when margin is extended and collateral has not been secured or the counterparty defaults before collateral or margin can be adjusted. We may also incur credit risk in our derivative transactions to the extent such transactions result in uncollateralized credit exposure to our counterparties.

We seek to control the risk associated with these transactions by establishing and monitoring credit limits and by monitoring collateral and transaction levels daily. We may require counterparties to deposit additional collateral or return collateral pledged. In the case of aged securities failed to receive, we may, under industry regulations, purchase the underlying securities in the market and seek reimbursement for any losses from the counterparty. However, there can be no assurances that our risk controls will be successful.

Item 1B.Unresolved Staff Comments

None.

Item 2. Properties

We maintain offices in over 30 cities throughout the world. Our principal offices include our global headquarters in New York City, our European headquarters in London and our Asia headquarters in Hong Kong. In addition, we maintain backup data center facilities with redundant technologies for each of our three main data center hubs in Jersey City, London and Hong Kong. We lease all of our office space, or contract via service arrangement, which management believes is adequate for our business.

Item 3. Legal Proceedings

Many aspects of our business involve substantial risks of legal and regulatory liability. In the normal course of business, we have been named as defendants or co-defendants in lawsuits involving primarily claims for damages. We are also involved in a number of regulatory matters, including exams, investigations and similar reviews, arising out of the conduct of our business. Based on currently available information, we do not believe that any pending matter will have a material adverse effect on our financial condition.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

None.

Item 6. Selected Financial Data

Omitted pursuant to general instruction I(2)(a) to Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This report contains or incorporates 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 results, 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. It is possible that the actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Information regarding important factors that could cause actual results to differ, perhaps materially, from those in our forward looking statements is contained in this report and other documents we file. You should read and interpret any forward looking statement together with these documents, including the following:

- the description of our business contained in this report under the caption "Business";
- the risk factors contained in this report under the caption "Risk Factors";
- the discussion of our analysis of financial condition and results of operations contained in this report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein;
- the discussion of our risk management policies, procedures and methodologies contained in this report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" herein;
- the notes to the consolidated financial statements contained in this report; 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, except as required by applicable law.

The Company's results of operations for the 12 months ended November 30, 2016 ("2016"), November 30, 2015 ("2015") and November 30, 2014 ("2014") are discussed below.

Consolidated Results of Operations

The following table provides an overview of our consolidated results of operations (dollars in thousands):

	2016	2015	2014	% Change from Prior Year 2016	% Change from Prior Year 2015
Net revenues	$ 2,414,614	$ 2,475,241	$ 2,990,138	(2.4)%	(17.2)%
Non-interest expenses	2,384,642	2,361,014	2,687,117	1.0 %	(12.1)%
Earnings before income taxes	29,972	114,227	303,021	(73.8)%	(62.3)%
Income tax expense	14,566	18,898	142,061	(22.9)%	(86.7)%
Net earnings	15,406	95,329	160,960	(83.8)%	(40.8)%
Net earnings to noncontrolling interests	(28)	1,795	3,400	(101.6)%	(47.2)%
Net earnings attributable to Jefferies Group LLC	15,434	93,534	157,560	(83.5)%	(40.6)%
Effective tax rate	48.6%	16.5%	46.9%	194.5 %	(64.8)%

Executive Summary

2016 Compared with 2015

Consolidated Results

- Net revenues for 2016 were $2,414.6 million, compared with $2,475.2 million for 2015, a decrease of $60.6 million, or 2.4%.
- The results for 2016 were impacted by an extremely volatile bear market environment during the first three months of the year, with meaningful improvement over the rest of the year. Net revenues for the first quarter of 2016 declined $292.7 million, or 49.5%, compared to the first quarter of 2015.
- Throughout 2016, we continued to maintain strong leverage ratios, capital base and liquidity.

Business Results

- The decrease in total net revenues for 2016, as compared to 2015, primarily reflects a 17% decline in investment banking net revenues, and lower results in non-core equities net revenues, partially offset by meaningfully increased net revenues in fixed income.
- Lower investment banking results are attributable to lower new issue equity and leveraged finance capital markets revenues, partially offset by higher advisory revenues. Our investment banking results benefited from a record quarter of advisory fees in the fourth quarter of 2016, as well as improvement in our capital markets activity, which began in the late summer of 2016, leading to an increase in new issue transaction volume.
- The increase in fixed income revenues was across most products, as a result of new hires, a reduction in our downside risk profile since mid-2015 and improved market conditions in 2016. 2015 was adversely impacted by lower levels of liquidity and deterioration in the global energy and distressed markets.
- The decline in equities net revenues was primarily attributable to a net loss of $17.9 million recognized during 2016 from our investment in two equity positions, including KCG Holdings, Inc. (“KCG”), compared with a net gain of $49.2 million in 2015 from these two positions. The decline in results was also due to net mark-to-market gains from certain equity inventory positions during 2015, which were not repeated during 2016. Equities revenues also include a net loss of $9.3 million from our share of our Jefferies Finance joint venture in 2016, compared with net revenues of $41.4 million in 2015.
- Net revenues for 2016 included investment income from managed funds of $4.7 million, compared with investment losses from managed funds of $23.8 million in 2015, primarily due to lower valuations in the energy and shipping sectors in 2015.

Expenses

- Non-interest expenses for 2016 increased $23.6 million, or 1.0%, to $2,384.6 million, compared with $2,361.0 million for 2015, reflecting an increase in Compensation and benefits expense, partially offset by a decrease in Non-compensation expenses.

- Compensation and benefits expense for 2016 was $1,568.9 million, an increase of $101.8 million, or 6.9%, from 2015. Compensation and benefits expense as a percentage of Net revenues was 65.0% for 2016 compared with 59.3% in 2015. The increase in the compensation ratio for 2016 as compared to 2015 is primarily due to the composition of revenue by business line in the first quarter of 2016.
- Non-compensation expenses for 2016 were $815.7 million, a decrease of $78.2 million, or 8.7%, from 2015. The decrease in 2016 was due to our exiting the Bache business, which in 2015 generated $127.2 million of non-compensation expenses. There were no meaningful non-compensation expenses related to the Bache business in 2016. This reduction was partially offset by higher technology and professional fees related to investments in our trading platforms.

Jefferies Bache

- On April 9, 2015, we entered into an agreement to transfer certain of the client activities of our Jefferies Bache business to Société Générale S.A. During the second quarter of 2016, we completed the exit of the Futures business.
- Net revenues globally from this business activity, which are included within our fixed income results, and expenses directly related to the Bache business, which are included within non-interest expenses, were $80.2 million and $214.8 million, respectively, for 2015. There were no meaningful revenues or expenses from the Bache business for 2016.
- For further information, refer to Note 22, Exit Costs, in our consolidated financial statements included within this Annual Report on Form 10-K.

Headcount

- At November 30, 2016, we had 3,329 employees globally, a decrease of 228 employees from our headcount of 3,557 at November 30, 2015. Our headcount decreased, primarily as a result of exiting the Bache business, as well as continued discipline in headcount and productivity management and corporate services outsourcing.

2015 Compared with 2014

Consolidated Results

- Net revenues for 2015 were $2,475.2 million, compared with $2,990.1 million for 2014, a decrease of $514.9 million, or 17.2%.
- The results primarily reflect challenging market conditions in fixed income throughout 2015 and lower revenues in investment banking, partially offset by increased revenues in equities. We saw record revenues in investment banking for 2014. In addition, net revenues from our Bache business for 2015, which are included within our fixed income results, were $80.2 million compared with $202.8 million in 2014.

Business Results

- Almost all our fixed income credit businesses were impacted by lower levels of liquidity due to the expectations of interest rate increases by the Federal Reserve and deterioration in the global energy and distressed markets. There were a number of periods of extreme volatility, which were followed by periods of low trading volumes.
- Results in 2015 also include a net gain of $49.1 million from our investment in KCG, compared with a loss of $14.7 million from our investment in KCG and a gain of $19.9 million from our investment in Harbinger Group Inc. ("HRG") in 2014. We sold HRG to Leucadia in March 2014.
- Net revenues for 2015 included investment losses from managed funds of $23.8 million, compared with investment losses from managed funds of $9.6 million in 2014, primarily due to lower valuations in the energy and shipping sectors during 2015.

Expenses

- Non-interest expenses decreased $326.1 million, or 12.1%, to $2,361.0 million for 2015 compared with $2,687.1 million for 2014, reflecting a decrease in both Compensation and benefits expense and Non-compensation expenses.
- Compensation and benefits expense for 2015 was $1,467.1 million, a decrease of $231.4 million, or 13.6%, from 2014. Compensation and benefits expenses as a percentage of Net revenues was 59.3% for 2015 compared with 56.8% in 2014.
- Non-compensation expenses for 2015 were $893.9 million, a decrease of $94.7 million, or 9.6%, from 2014, primarily due to a goodwill impairment loss of $51.9 million related to our Jefferies Bache business during 2014. In addition, during the fourth quarter of 2014, we recognized a bad debt provision, which primarily relates to a receivable of $52.3 million from a client to which we provided futures clearing and execution services, which declared bankruptcy.

Jefferies Bache

- Total non-interest expenses, since the agreement on April 9, 2015, include costs of $73.1 million, on a pre-tax basis, related to our exit of the Bache business. The after-tax impact of these costs is $52.6 million. These costs consist primarily of severance, retention and benefit payments for employees, incremental amortization of outstanding restricted stock and cash awards, contract termination costs and incremental amortization expense of capitalized software expected to no longer be used subsequent to the wind-down of the business.
- Net revenues from this business activity for 2015, which are included within our fixed income results, were $80.2 million compared with $202.8 million in 2014. This is comprised of commissions, principal transaction revenues and net interest revenues. Expenses directly related to the Bache business, which are included within non-interest expenses, for 2015 were $214.8 million compared with $348.2 million in 2014.
- For further information, refer to Note 22, Exit Costs in our consolidated financial statements included within this Annual Report on Form 10-K.

Headcount

- At November 30, 2015, we had 3,557 employees globally, a decrease of 358 employees from our headcount at November 30, 2014 of 3,915. Since November 30, 2014, our headcount has decreased due to headcount reductions related to the exiting of the Bache business and corporate services outsourcing, partially offset by increases across our investment banking, equities and asset management businesses.

Revenues by Source

For presentation purposes, the remainder of "Results of Operations" is presented on a detailed product and expense basis, rather than on a business segment basis. Net revenues presented for our equities and fixed income businesses include allocations of interest income and interest expense as we assess the profitability of these businesses inclusive of the net interest revenue or expense associated with the respective activities, which is a function of the mix of each business's associated assets and liabilities and the related funding costs.

The composition of our net revenues has varied over time as financial markets and the scope of our operations have changed. The composition of net revenues can also vary from period to period due to fluctuations in economic and market conditions, and our own performance. The following provides a summary of "Revenues by Source" (dollars in thousands):

	2016		2015		2014		% Change from Prior Year	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	2016	2015
Equities	$ 549,553	22.8%	$ 757,447	30.7%	$ 696,221	23.3%	(27.4)%	8.8 %
Fixed income	640,026	26.5	270,772	10.9	747,596	25.0	136.4 %	(63.8)%
Total sales and trading	1,189,579	49.3	1,028,219	41.6	1,443,817	48.3	15.7 %	(28.8)%
Equity	235,207	9.7	408,474	16.5	339,683	11.4	(42.4)%	20.3 %
Debt	304,576	12.6	398,179	16.1	627,536	21.0	(23.5)%	(36.5)%
Capital markets	539,783	22.3	806,653	32.6	967,219	32.4	(33.1)%	(16.6)%
Advisory	654,190	27.1	632,354	25.5	562,055	18.8	3.5 %	12.5 %
Total investment banking	1,193,973	49.4	1,439,007	58.1	1,529,274	51.2	(17.0)%	(5.9)%
Asset management fees and investment income (loss) from managed funds:								
Asset management fees	26,412	1.1	31,819	1.3	26,682	0.9	(17.0)%	19.3 %
Investment income (loss) from managed funds	4,650	0.2	(23,804)	(1.0)	(9,635)	(0.4)	119.5 %	(147.1)%
Total	31,062	1.3	8,015	0.3	17,047	0.5	287.5 %	(53.0)%
Net revenues	$ 2,414,614	100.0%	$ 2,475,241	100.0%	$ 2,990,138	100.0%	(2.4)%	(17.2)%

JEFFERIES GROUP LLC AND SUBSIDIARIES

The following table sets forth our total sales and trading net revenues (dollars in thousands):

				% Change from Prior Year	
	2016	2015	2014	2016	2015
Commissions and other fees	$ 611,574	$ 659,002	$ 668,801	(7.2)%	(1.5)%
Principal transactions	519,652	172,608	532,292	201.1 %	(67.6)%
Other	19,724	74,074	78,881	(73.4)%	(6.1)%
Net interest	38,629	122,535	163,843	(68.5)%	(25.2)%
Total sales and trading net revenues	$ 1,189,579	$ 1,028,219	$ 1,443,817	15.7 %	(28.8)%

Equities Net Revenue

Equities net revenues include equity commissions, equity security principal trading and investments (including our investments in KCG and other equity securities) and net interest revenue generated by our equities sales and trading, prime services and wealth management businesses relating to the following products:

- cash equities,
- electronic trading,
- equity derivatives,
- convertible securities,
- prime brokerage,
- securities finance and
- alternative investment strategies.

Equities net revenue also includes our share of the net earnings from our joint venture investments in Jefferies Finance, LLC ("Jefferies Finance") and Jefferies LoanCore, LLC ("Jefferies LoanCore"), which are accounted for under the equity method. Equities revenues also included our investment in HRG, which we sold to Leucadia in March 2014, at fair market value.

2016 Compared with 2015

- Total equities net revenues were $549.6 million for 2016, a decrease of $207.9 million, compared with $757.4 million for 2015.
- Results during 2016 include a net loss of $17.9 million from our investment in two equity positions, including KCG, compared with a net gain of $49.2 million in 2015 from these two positions. In addition, equities net revenues for 2015 included significant gains on additional securities positions, which were not repeated during 2016.
- Equities commission revenues gained slightly with improved market share across various product and client segments. Commissions in our U.S. cash equities and equity derivatives businesses held firm, while global electronic trading commissions gained from increased volumes and client market share. In our global electronic trading business, we have market leading customized algorithms in over 40 countries. European equities commissions increased due to improved market share, while commissions in our Asia Pacific cash equities business declined because of a challenging market environment. Our global cash businesses were among the highest market share gainers compared with our peers and, in the U.S. and U.K., our platform remains in the top 10.
- Equities trading revenues were solid across most of our equities sales and trading businesses in 2016. Trading revenues from client market making improved in our U.S. and European cash equities businesses. Equity derivatives trading revenues declined due to a difficult volatility trading climate and convertibles trading revenues declined driven by weakness in the energy sector during 2016. In addition, certain strategic investments gained from exposures to energy, volatility, financial and currency markets.
- Equities net revenues during 2016 included a net loss of $9.3 million from our share of Jefferies Finance, primarily due to the mark down of certain loans held for sale during the first part of 2016, compared with net revenues of $41.4 million in 2015. Net revenues from our share of Jefferies LoanCore also decreased during 2016 as compared to 2015 due to a decrease in loan closings and syndications.

2015 Compared with 2014

- Total equities net revenues were $757.4 million for 2015, an increase of $61.2 million compared with $696.2 million for 2014.
- Results in 2015 include a net gain of $49.1 million from our investment in KCG compared with a loss of $14.7 million from our investment in KCG and a gain of $19.9 million from our investment in HRG in 2014. We sold HRG to Leucadia in March 2014.
- Strong revenues in 2015, as a result of increased trading volumes, from our electronic trading platform contributed to higher commissions revenues. Total equities net revenue also includes higher revenues from the Asia Pacific cash equities business and net mark-to-market gains from equity investments, as well as growth from our wealth management platform. This was partially offset by lower revenues from equity block trading results from our U.S. cash equities business and lower commissions in our European cash equities business.
- Equities net revenue from our Jefferies LoanCore joint venture during 2015 includes higher revenues from an increase in loan closings and securitizations by the venture over 2014. Equities net revenue from our Jefferies Finance joint venture during 2015 includes lower revenues as a result of syndicate costs associated with the sell down of commitments, as well as reserves taken on certain loans held for investment as compared with 2014.

Fixed Income Net Revenues

Fixed income net revenues includes commissions, principal transactions and net interest revenue generated by our fixed income sales and trading businesses from the following products:

- investment grade corporate bonds,
- mortgage- and asset-backed securities,
- government and agency securities,
- interest rate derivatives,
- municipal bonds,
- emerging markets debt,
- high yield and distressed securities,
- bank loans,
- foreign exchange and
- commodities trading activities.

2016 Compared with 2015

- Fixed income net revenues totaled $640.0 million for 2016, an increase of $369.3 million, compared with net revenues of $270.8 million in 2015.
- 2015 included $80.2 million of net revenues globally from the Bache business activity. There were no meaningful revenues from the Bache business during 2016, as we completed the exit of the Bache business during the second quarter of 2016. Excluding revenues from the Bache business activity, revenues increased $449.5 million, or 235.8%.
- We recorded higher revenues in 2016 as compared with 2015 due to improved trading conditions across most core businesses, partially offset by lower revenues in our international rates business due to lower trading volumes.
- Revenues in our leveraged credit business were strong on increased trading volumes within high yield and distressed, as a result of an improved credit environment, as well as strategic growth in the business, compared with mark-to-market write-downs in 2015. Results in our emerging markets business during 2016 were higher due to an upgraded sales and trading team and increased levels of volatility and improved market conditions. Revenues from our corporates businesses increased as compared to 2015 due to increased client activity and higher demand for new issuances and higher yielding investments. Our mortgages businesses were positively impacted by increased demand for spread products, compared with the negative impact of market volatility as credit spreads tightened for these asset classes and expectations of future rate increases in 2015. The municipal securities business performed well during 2016, as improved trading activity was driven by market technicals, compared with net outflows in 2015. Volatility during 2016 due to fluctuating expectations as to future Federal Reserve interest rate increases contributed to increased revenues in our U.S. rates business.

2015 Compared with 2014

- Fixed income net revenues were $270.8 million for 2015, a decrease of $476.8 million, compared with net revenues of $747.6 million in 2014.
- 2015 included $80.2 million of net revenues globally from the Bache business activity compared with $202.8 million in 2014. Excluding revenues from the Bache business activity, revenues decreased $354.2 million.
- The lower revenues in 2015 were primarily due to tighter trading conditions across most core businesses and losses in our high yield distressed sales and trading business and international mortgages business, partially offset by higher revenues in our U.S. and international rates businesses, as well as our U.S. investment grade corporate credit business.
- The higher revenues in our U.S. and international rates businesses, as well as our U.S. investment grade corporate credit business, resulted from higher transaction volumes as volatility caused attractive yields and interest in new issuances. However, that same volatility negatively impacted the municipal securities business as prices declined and the sector experienced overall net cash outflows. Most of our credit fixed income businesses were negatively impacted during 2015 by periods of extreme volatility and market conditions, as investors focused on liquidity, resulting in periods of low trading volume. In addition, results in our distressed trading businesses were negatively impacted by our position in the energy sector and led to mark-to-market write-downs in our inventory and results in our emerging markets business were lower due to slower growth in the emerging markets during 2015. Our mortgages business was also negatively impacted by market volatility as credit spreads tightened for these asset classes and expectations of future rate increases resulted in lower trading volumes and revenues.

Investment Banking Revenue

Investment banking revenues include the following businesses:

- Capital markets revenues include underwriting and placement revenues related to corporate debt, municipal bonds, mortgage- and asset-backed securities and equity and equity-linked securities.
- Advisory revenues consist primarily of advisory and transaction fees generated in connection with merger, acquisition and restructuring transactions.

The following table sets forth our investment banking revenue (dollars in thousands):

				% Change from Prior Year	
	2016	2015	2014	2016	2015
Equity	$ 235,207	$ 408,474	$ 339,683	(42.4)%	20.3 %
Debt	304,576	398,179	627,536	(23.5)%	(36.5)%
Capital markets	539,783	806,653	967,219	(33.1)%	(16.6)%
Advisory	654,190	632,354	562,055	3.5 %	12.5 %
Total	$ 1,193,973	$ 1,439,007	$ 1,529,274	(17.0)%	(5.9)%

The following table sets forth our Investment banking activities (dollars in billions):

	Deals Completed			Aggregate Value		
	2016	2015	2014	2016	2015	2014
Public and private debt financings	892	1,003	1,109	$ 188.6	$ 199.8	$ 250.0
Public and private equity and convertible offerings (1)	117	191	193	20.8	53.9	66.0
Advisory transactions (2)	179	171	144	135.2	141.0	176.0

(1) We acted as sole or joint bookrunner on 113, 176 and 159 offerings during 2016, 2015 and 2014, respectively.
(2) The number of advisory deals completed includes 18, 13 and 12 restructuring and recapitalization transactions during 2016, 2015 and 2014, respectively.

2016 Compared with 2015

- Total investment banking revenues were $1,194.0 million for 2016, 17.0% lower than 2015. Lower investment banking results were attributable to lower new issue equity and leveraged finance capital markets revenues. This was primarily as a result of the capital markets slowdown, which began in the second half of 2015 and continued for much of 2016. We generated $235.2 million and $304.6 million in equity and debt capital market revenues, respectively, for 2016, a decrease of 42.4% and 23.5%, respectively, from 2015.
- Our reduced capital markets activity for 2016 was partially offset by record advisory revenues. Specifically, our advisory revenues for 2016 increased 3.5% compared to 2015, primarily through an increase in the number of M&A and restructuring transactions, including closing a record number of M&A transactions in excess of $1 billion.
- Our investment banking results benefited both from a record fourth quarter of advisory fees in 2016, with our M&A and restructuring and recapitalization businesses showing continued momentum, and from improvement in capital markets activity, which began in the late summer of 2016, leading to an increase in new issue transaction volume.

2015 Compared with 2014

- Total investment banking revenue was $1,439.0 million for 2015, $90.3 million lower than 2014*,* reflecting lower debt capital market revenues, partially offset by record equity capital markets and advisory revenues.
- Overall, capital markets revenues for 2015 decreased 16.6% from 2014, primarily due to significantly lower transaction volume in the leveraged finance market. From equity and debt capital raising activities, we generated $408.5 million and $398.2 million in revenues, respectively, an increase of 20.3% and a decrease of 36.5%, respectively, from 2014. Record advisory revenues of $632.4 million for 2015, an increase of 12.5% from 2014, were primarily due to higher transaction volume.

Asset Management Fees and Investment Income (Loss) from Managed Funds

Asset management revenue includes the following:

- management and performance fees from funds and accounts managed by us,
- management and performance fees from related party managed funds and
- accounts and investment income (loss) from our investments in these funds, accounts and related party managed funds.

The key components of asset management revenues are the level of assets under management and the performance return, whether on an absolute basis or relative to a benchmark or hurdle. These components can be affected by financial markets, profits and losses in the applicable investment portfolios and client capital activity. Further, asset management fees vary with the nature of investment management services. The terms under which clients may terminate our investment management authority, and the requisite notice period for such termination, varies depending on the nature of the investment vehicle and the liquidity of the portfolio assets.

The following summarizes the results of our Asset Management businesses by asset class (in thousands):

				% Change from Prior Year	
	2016	2015	2014	2016	2015
Asset management fees:					
Fixed income (1)	$ 2,482	$ 4,090	$ 6,087	(39.3)%	(32.8)%
Equities	1,757	4,875	9,212	(64.0)%	(47.1)%
Multi-asset	22,173	20,173	8,863	9.9 %	127.6 %
Convertibles (2)	—	2,681	2,520	(100.0)%	6.4 %
Total asset management fees	26,412	31,819	26,682	(17.0)%	19.3 %
Investment income (loss) from managed funds	4,650	(23,804)	(9,635)	119.5 %	(147.1)%
Total	$ 31,062	$ 8,015	$ 17,047	287.5 %	(53.0)%

(1) Fixed income asset management fees represent ongoing consideration we receive from the sale of contracts to manage certain collateralized loan obligations ("CLOs") to Barings, LLC (formerly known as Babson Capital Management, LLC) in January 2010. As sale consideration, we are entitled to a portion of the asset management fees earned under the contracts for their remaining lives. Investment income (loss) from managed funds primarily is comprised of net unrealized markups (markdowns) in private equity funds managed by related parties.

(2) During the fourth quarter of 2014, as part of a strategic review of our business, we decided to liquidate our International Asset Management business, which provided long only investment solutions in global convertible bonds to institutional investors. Asset management fees from this business comprise our convertibles asset strategy in the table above.

Assets under Management

Period end assets under management by predominant asset class were as follows (in millions):

	November 30, 2016	November 30, 2015
Assets under management (1):		
Equities	$ 170	$ 18
Multi-asset	884	688
Total	$ 1,054	$ 706

(1) Assets under management include assets actively managed by us, including hedge funds and certain managed accounts. Assets under management do not include the assets of funds that are consolidated due to the level or nature of our investment in such funds.

Non-interest Expenses

Non-interest expenses were as follows (dollars in thousands):

	2016	2015	2014	% Change from Prior Year 2016	% Change from Prior Year 2015
Compensation and benefits	$ 1,568,948	$ 1,467,131	$ 1,698,530	6.9 %	(13.6)%
Non-compensation expenses:					
Floor brokerage and clearing fees	167,205	199,780	215,329	(16.3)%	(7.2)%
Technology and communications	262,396	313,044	268,212	(16.2)%	16.7 %
Occupancy and equipment rental	101,133	101,138	107,767	— %	(6.2)%
Business development	93,105	105,963	106,984	(12.1)%	(1.0)%
Professional services	112,562	103,972	109,601	8.3 %	(5.1)%
Bad debt provision	7,365	(396)	55,355	N/M	N/M
Goodwill impairment	—	—	54,000	N/M	(100.0)%
Other	71,928	70,382	71,339	2.2 %	(1.3)%
Total non-compensation expenses	815,694	893,883	988,587	(8.7)%	(9.6)%
Total non-interest expenses	$ 2,384,642	$ 2,361,014	$ 2,687,117	1.0 %	(12.1)%

N/M — Not Meaningful

Compensation and Benefits

- Compensation and benefits expense consists of salaries, benefits, cash bonuses, commissions, annual cash compensation awards and the amortization of certain non-annual share-based and cash compensation awards to employees.
- Cash and historical share-based awards and a portion of cash awards granted to employees as part of year end compensation generally contain provisions such that employees who terminate their employment or are terminated without cause may continue to vest in their awards, so long as those awards are not forfeited as a result of other forfeiture provisions (primarily non-compete clauses) of those awards. Accordingly, the compensation expense for a portion of awards granted at year end as part of annual compensation is recorded in the year of the award.

- Included within Compensation and benefits expense are share-based amortization expense for senior executive awards granted in September 2012 and February 2016, non-annual share-based and cash-based awards to other employees and certain year end awards that contain future service requirements for vesting. Senior executive awards contain market and performance conditions and are being amortized over their respective future service periods.
- Refer to Note 15, Compensation Plans included within this Annual Report on Form 10-K, for further details on compensation and benefits.

2016 Compared with 2015

- Compensation and benefits expense was $1,568.9 million for 2016 compared with $1,467.1 million for 2015.
- Compensation and benefits expense as a percentage of Net revenues was 65.0% for 2016 and 59.3% for 2015. The increase in the compensation ratio for 2016 as compared to 2015 is due to the composition of revenue by business line in the first quarter of 2016.
- Compensation expense related to the amortization of share- and cash-based awards amounted to $287.3 million for 2016 compared with $307.1 million 2015.
- Compensation and benefits expense directly related to the activities of our Bache business was $87.7 million for 2015 and not meaningful for 2016. Included within compensation and benefits expense for the Bache business for 2015 are severance, retention and related benefits costs of $38.2 million incurred as part of decisions surrounding the exit of this business.
- Employee headcount was 3,329 globally at November 30, 2016, a decrease of 228 employees from our headcount of 3,557 at November 30, 2015. Our headcount has decreased, primarily as a result of exiting the Bache business, as well as continued discipline in headcount, productivity management and corporate services outsourcing.

2015 Compared with 2014

- Compensation and benefits expense was $1,467.1 million for 2015 compared with $1,698.5 million for 2014.
- Compensation and benefits expense as a percentage of Net revenues was 59.3% for 2015 and 56.8% for 2014.
- Compensation expense related to the amortization of share- and cash-based awards amounted to $307.1 million for 2015 compared with $284.3 million for 2014.
- Compensation and benefits expense directly related to the activities of our Bache business was $87.7 million for 2015 and $98.6 million for 2014. Included within compensation and benefits expense for the Bache business for 2015 are severance, retention and related benefits costs of $38.2 million incurred as part of decisions surrounding the exit of this business.
- At November 30, 2015, we had 3,557 employees globally, a decrease of 358 employees from our headcount at November 30, 2014 of 3,915. Since November 30, 2014, our headcount has decreased due to headcount reductions related to the exiting of the Bache business and corporate services outsourcing, partially offset by increases across our investment banking, equities and asset management businesses.

Non-Compensation Expenses

2016 Compared with 2015

- Non-compensation expenses were $815.7 million for 2016, a decrease of $78.2 million, or 8.7%, compared with $893.9 million for 2015.
- Non-compensation expenses as a percentage of Net revenues was 33.8% and 36.1% for 2016 and 2015, respectively.

- Non-compensation expenses for 2016 were $815.7 million, a decrease of $78.2 million, or 8.7%, from 2015. The decrease in 2016 was due to our exiting the Bache business, which in 2015 generated $127.2 million of non-compensation expenses, including accelerated amortization expense of $19.7 million related to capitalized software, $11.2 million in contract termination costs and professional services costs of approximately $2.5 million in connection with our actions related to exiting the Bache business. There were no meaningful non-compensation expenses related to the Bache business in 2016. This reduction in 2016 was partially offset by higher Technology and communications expenses, excluding the Bache business, and higher Professional services expenses, excluding the Bache business. Technology and communications expenses, excluding the Bache business, increased due to higher costs associated with the development of the various trading systems and projects associated with corporate support infrastructure. In both years, we continued to incur legal and consulting fees as part of implementing various regulatory requirements, which are recognized in Professional services expenses. During 2015, we also released $4.4 million in reserves related to the resolution of bankruptcy claims against Lehman Brothers Holdings, Inc., which is presented within Bad debt expenses.

2015 Compared with 2014

- Non-compensation expenses were $893.9 million for 2015, a decrease of $94.7 million, or 9.6%, compared with $988.6 million in 2014.
- Non-compensation expenses as a percentage of Net revenues was 36.1% and 33.1% for 2015 and 2014, respectively.
- The decrease in non-compensation expenses was primarily due to lower other expenses primarily related to impairment losses and bad debt expenses recognized for 2014. Non-compensation expenses for 2014 include a goodwill impairment loss of $51.9 million related to our Jefferies Bache business, which constitutes our global futures sales and trading operations. In addition, a goodwill impairment loss of $2.1 million was recognized in 2014 related to our International Asset Management business. Additionally, $7.6 million in impairment losses were recognized related to customer relationship intangible assets within our Jefferies Bache and International Asset Management businesses, which is presented within Other expenses. During 2015, we also released $4.4 million in reserves related to the resolution of bankruptcy claims against Lehman Brothers Holdings, Inc., which is presented within Bad debt expenses. During the fourth quarter of 2014, we recognized a bad debt provision, which primarily relates to a receivable of $52.3 million from a client to which we provided futures clearing and execution services, which declared bankruptcy.
- Non-compensation expenses associated directly with the activities of the Bache business were $127.2 million for 2015 and $249.6 million for 2014. Technology and communications expenses for 2015 included accelerated amortization expense of $19.7 million related to capitalized software and $11.2 million in contract termination costs related to our Jefferies Bache business. During 2015, we incurred professional services costs of approximately $2.5 million in connection with our actions related to exiting the Bache business.

Income Taxes

2016 Compared with 2015

- For 2016, the provision for income taxes was $14.6 million, an effective tax rate of 48.6%, compared with a provision for income taxes of $18.9 million, an effective tax rate of 16.5%, for 2015.
- The change in the effective tax rate during 2016 as compared with 2015 is primarily attributable to excess stock detriments related to share-based compensation that was less than the compensation cost recognized for financial reporting purposes.
- Given the uncertainty surrounding tax reform in the U.S., in December 2016, we repatriated earnings and associated foreign taxes from certain foreign subsidiaries. This will have a positive impact on our effective tax rate in 2017.

2015 Compared with 2014

- For 2015, the provision for income taxes was $18.9 million, an effective tax rate of 16.5%, compared with a provision for income taxes of $142.1 million, an effective tax rate of 46.9%, for 2014.
- The change in the effective tax rate during 2015 as compared with 2014 is primarily due to net tax benefits related to the resolution of state income tax examinations and statute expirations during 2015, a change in the geographical mix of earnings and the impact of the goodwill impairment charge that was non-deductible in 2014.

Accounting Developments

For a discussion of recently issued accounting developments and their impact on our consolidated financial statements, see Note 3, Accounting Developments, in our consolidated financial statements included within this Annual Report on Form 10-K.

Critical Accounting Policies

The consolidated financial statements are prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Actual results can and may differ from estimates. These differences could be material to the financial statements.

We believe our application of U.S. GAAP and the associated estimates are reasonable. Our accounting estimates are constantly reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

We believe our critical accounting policies (policies that are both material to the financial condition and results of operations and require our most subjective or complex judgments) are our valuation of financial instruments, assessment of goodwill and our use of estimates related to compensation and benefits during the year.

For further discussion of the following significant accounting policies and other significant accounting policies, see Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included within this Annual Report on Form 10-K.

Valuation of Financial Instruments

Financial instruments owned and Financial instruments sold, not yet purchased are recorded at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Unrealized gains or losses are generally recognized in Principal transaction revenues in our Consolidated Statements of Earnings.

For information on the composition of our financial instruments owned and financial instruments sold, not yet purchased recorded at fair value, see Note 4, Fair Value Disclosures, in our consolidated financial statements included within this Annual Report on Form 10-K.

Fair Value Hierarchy – In determining fair value, we maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect our assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. We apply a hierarchy to categorize our fair value measurements broken down into three levels based on the transparency of inputs, where Level 1 uses observable prices in active markets and Level 3 uses valuation techniques that incorporate significant unobservable inputs and broker quotes that are considered less observable. Greater use of management judgment is required in determining fair value when inputs are less observable or unobservable in the marketplace, such as when the volume or level of trading activity for a financial instrument has decreased and when certain factors suggest that observed transactions may not be reflective of orderly market transactions. Judgment must be applied in determining the appropriateness of available prices, particularly in assessing whether available data reflects current prices and/or reflects the results of recent market transactions. Prices or quotes are weighed when estimating fair value with greater reliability placed on information from transactions that are considered to be representative of orderly market transactions.

Fair value is a market based measure; therefore, when market observable inputs are not available, our judgment is applied to reflect those judgments that a market participant would use in valuing the same asset or liability. The availability of observable inputs can vary for different products. We use prices and inputs that are current as of the measurement date even in periods of market disruption or illiquidity. The valuation of financial instruments classified in Level 3 of the fair value hierarchy involves the greatest amount of management judgment. (See Note 2, Summary of Significant Accounting Policies, and Note 4, Fair Value Disclosures, in our consolidated financial statements included within this Annual Report on Form 10-K for further information on the definitions of fair value, Level 1, Level 2 and Level 3 and related valuation techniques.)

Level 3 Assets and Liabilities – For information on the composition and activity of our Level 3 assets and Level 3 liabilities, see Note 4, Fair Value Disclosures, in our consolidated financial statements included within this Annual Report on Form 10-K.

Controls Over the Valuation Process for Financial Instruments – Our Independent Price Verification Group, independent of the trading function, plays an important role in determining that our financial instruments are appropriately valued and that fair value measurements are reliable. This is particularly important where prices or valuations that require inputs are less observable. In the event that observable inputs are not available, the control processes are designed to assure that the valuation approach utilized is appropriate and consistently applied and that the assumptions are reasonable. Where a pricing model is used to determine fair value, these control processes include reviews of the pricing model's theoretical soundness and appropriateness by risk management personnel with relevant expertise who are independent from the trading desks. In addition, recently executed comparable transactions and other observable market data are considered for purposes of validating assumptions underlying the model.

Goodwill

At November 30, 2016, goodwill recorded on our Consolidated Statement of Financial Condition is $1,640.7 million (4.4% of total assets). The nature and accounting for goodwill is discussed in Note 2, Summary of Significant Accounting Policies and Note 10, Goodwill and Other Intangible Assets, in our consolidated financial statements included within this Annual Report on Form 10-K. Goodwill must be allocated to reporting units and tested for impairment at least annually, or when circumstances or events make it more likely than not that an impairment occurred. Goodwill is tested by comparing the estimated fair value of each reporting unit with its carrying value. Our annual goodwill impairment testing date is August 1, which did not indicate any goodwill impairment in any of our reporting units at August 1, 2016.

We use allocated tangible equity plus allocated goodwill and intangible assets for the carrying amount of each reporting unit. The amount of equity allocated to a reporting unit is based on our cash capital model deployed in managing our businesses, which seeks to approximate the capital a business would require if it were operating independently. For further information on our Cash Capital Policy, refer to the Liquidity, Financial Condition and Capital Resources section herein. Intangible assets are allocated to a reporting unit based on either specifically identifying a particular intangible asset as pertaining to a reporting unit or, if shared among reporting units, based on an assessment of the reporting unit’s benefit from the intangible asset in order to generate results.

Estimating the fair value of a reporting unit requires management judgment and often involves the use of estimates and assumptions that could have a significant effect on whether or not an impairment charge is recorded and the magnitude of such a charge. Estimated fair values for our reporting units utilize market valuation methods that incorporate price-to-earnings and price-to-book multiples of comparable public companies. Under the market approach, the key assumptions are the selected multiples and our internally developed forecasts of future profitability, growth and return on equity for each reporting unit. The weight assigned to the multiples requires judgment in qualitatively and quantitatively evaluating the size, profitability and the nature of the business activities of the reporting units as compared to the comparable publicly-traded companies. In addition, as the fair values determined under the market approach represent a noncontrolling interest, we apply a control premium to arrive at the estimate fair value of each reporting unit on a controlling basis.

The carrying values of goodwill by reporting unit at November 30, 2016 are as follows: $563.2 million in Investment Banking, $159.9 million in Equities and Wealth Management, $914.6 million in Fixed Income and $3.0 million in Strategic Investments.

The results of our assessment on August 1, 2016 indicated that all our reporting units had a fair value in excess of their carrying amounts based on current projections. While no goodwill impairment was identified, the valuation methodology for our reporting units are sensitive to management’s forecasts of future profitability, which comes with a level of uncertainty regarding U.S. and global economic conditions, trading volumes and equity and debt capital market transaction levels.

Refer to Note 10, Goodwill and Other Intangible Assets in our consolidated financial statements included within this Annual Report on Form 10-K, for further details on goodwill.

Compensation and Benefits

A portion of our compensation and benefits represents discretionary bonuses, which are finalized at year end. In addition to the level of net revenues, our overall compensation expense in any given year is influenced by prevailing labor markets, revenue mix, profitability, individual and business performance metrics, and our use of share-based compensation programs. We believe the most appropriate way to allocate estimated annual total compensation among interim periods is in proportion to net revenues earned. Consequently, during the year we accrue compensation and benefits based on annual targeted compensation ratios, taking into account the mix of our revenues and the timing of expense recognition.

Liquidity, Financial Condition and Capital Resources

Our Chief Financial Officer and Global Treasurer are responsible for developing and implementing our liquidity, funding and capital management strategies. These policies are determined by the nature and needs of our day to day business operations, business opportunities, regulatory obligations, and liquidity requirements.

Our actual levels of capital, total assets and financial leverage are a function of a number of factors, including asset composition, business initiatives and opportunities, regulatory requirements and cost and availability of both long term and short term funding. We have historically maintained a balance sheet consisting of a large portion of our total assets in cash and liquid marketable securities, arising principally from traditional securities brokerage and trading activity. The liquid nature of these assets provides us with flexibility in financing and managing our business.

The Balance Sheet

A business unit level balance sheet and cash capital analysis is prepared and reviewed with senior management on a weekly basis. As a part of this balance sheet review process, capital is allocated to all assets and gross and adjusted balance sheet limits are established. This process ensures that the allocation of capital and costs of capital are incorporated into business decisions. The goals of this process are to protect the firm's platform, enable our businesses to remain competitive, maintain the ability to manage capital proactively and hold businesses accountable for both balance sheet and capital usage.

We actively monitor and evaluate our financial condition and the composition of our assets and liabilities. We continually monitor our overall securities inventory, including the inventory turnover rate, which confirms the liquidity of our overall assets. Substantially all of our Financial instruments owned and Financial instruments sold, not yet purchased are valued on a daily basis and we monitor and employ balance sheet limits for our various businesses. In connection with our government and agency fixed income business and our role as a primary dealer in these markets, a sizable portion of our securities inventory is comprised of U.S. government and agency securities and other G-7 government securities.

The following table provides detail on key balance sheet asset and liability line items (dollars in millions):

	November 30, 2016	November 30, 2015	% Change
Total assets	$ 36,941.3	$ 38,564.0	(4.2)%
Cash and cash equivalents	3,529.1	3,510.2	0.5 %
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	857.3	751.1	14.1 %
Financial instruments owned	13,809.5	16,559.1	(16.6)%
Financial instruments sold, not yet purchased	8,359.2	6,785.1	23.2 %
Total Level 3 assets	413.3	541.7	(23.7)%
Securities borrowed	$ 7,743.6	$ 6,975.1	11.0 %
Securities purchased under agreements to resell	3,862.5	3,857.3	0.1 %
Total securities borrowed and securities purchased under agreements to resell	$ 11,606.1	$ 10,832.4	7.1 %
Securities loaned	$ 2,819.1	$ 2,979.3	(5.4)%
Securities sold under agreements to repurchase	6,791.7	10,004.4	(32.1)%
Total securities loaned and securities sold under agreements to repurchase	$ 9,610.8	$ 12,983.7	(26.0)%

Total assets at November 30, 2016 and 2015 were $36.9 billion and $38.6 billion, respectively, a decline of 4.2%. This decline reflects reductions that we implemented beginning in the fourth quarter of 2015 given our view of the market environment, which is also reflected in an overall reduction in risk at the comparable period ends. During 2016, average total assets (measured based upon week-end balances) were approximately 17.6% higher than total assets at November 30, 2016.

Our total Financial instruments owned inventory at November 30, 2016 was $13.8 billion, a decrease of 16.6% from inventory of $16.6 billion at November 30, 2015, primarily due to decreases in mortgage- and asset-backed securities due to global market and economic concerns in 2016. Financial instruments sold, not yet purchased inventory was $8.4 billion and $6.8 billion at November 30, 2016 and 2015, respectively, with the increase primarily driven by government, federal agency and other sovereign obligations and corporate equity and debt securities inventory due to increased market volatility caused by concerns about the pace of global economic growth and uncertainty around the Federal Reserve and major central banks' monetary policies partially offset by a decrease in loans due to settlements during 2016. Our overall net inventory position was $5.5 billion and $9.8 billion at November 30, 2016 and 2015, respectively. The change in our net inventory balance is attributed to a reduction in most net inventory positions, primarily mortgage- and asset-backed securities and government, federal agency and other sovereign obligations, partially offset by an increase in net loans. While our total Financial instruments owned declined from November 30, 2015 to November 30, 2016, our Level 3 Financial instruments owned as a percentage of total Financial instruments also declined to 3.0% at November 30, 2016 from 3.3% at November 30, 2015.

Securities financing assets and liabilities include both financing for our financial instruments trading activity and matched book transactions. Matched book transactions accommodate customers, as well as obtain securities for the settlement and financing of inventory positions. The aggregate outstanding balance of our securities borrowed and securities purchased under agreements to resell increased by 7.1% from November 30, 2015 to November 30, 2016, due to an increase in firm financing of our short inventory and a decrease in the netting benefit for our collateralized financing transactions, partially offset by a decrease in our matched book activity. The outstanding balance of our securities loaned and securities sold under agreement to repurchase decreased by 26.0% from November 30, 2015 to November 30, 2016 due to decreases in our matched book activity and firm financing of our inventory, partially offset by a decrease in the netting benefit for our collateralized financing transactions. Our average month end balances of total reverse repos and stock borrows during 2016 were 23.9% higher than the November 30, 2016 balances. Our average month end balances of total repos and stock loans during 2016 were 48.9% higher than the November 30, 2016 balances.

The following table presents our period end balance, average balance and maximum balance at any month end within the periods presented for Securities purchased under agreements to resell and Securities sold under agreements to repurchase (in millions):

	Year Ended	
	2016	2015
Securities Purchased Under Agreements to Resell:		
Period end	$ 3,862	$ 3,857
Month end average	5,265	5,719
Maximum month end	7,001	7,577
Securities Sold Under Agreements to Repurchase:		
Period end	$ 6,792	$ 10,004
Month end average	11,410	14,026
Maximum month end	16,620	18,629

Fluctuations in the balance of our repurchase agreements from period to period and intraperiod are dependent on business activity in those periods. Additionally, the fluctuations in the balances of our securities purchased under agreements to resell over the periods presented are influenced in any given period by our clients' balances and our clients' desires to execute collateralized financing arrangements via the repurchase market or via other financing products. Average balances and period end balances will fluctuate based on market and liquidity conditions and we consider the fluctuations intraperiod to be typical for the repurchase market.

Leverage Ratios

The following table presents total assets, adjusted assets, total equity, total member's equity, tangible equity and tangible member's equity with the resulting leverage ratios (in thousands):

		November 30,	
		2016	2015
Total assets		$ 36,941,276	$ 38,563,972
Deduct:	Securities borrowed	(7,743,562)	(6,975,136)
	Securities purchased under agreements to resell	(3,862,488)	(3,857,306)
Add:	Financial instruments sold, not yet purchased	8,359,202	6,785,064
	Less derivative liabilities	(637,535)	(208,548)
Subtotal		7,721,667	6,576,516
Deduct:	Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	(857,337)	(751,084)
	Goodwill and intangible assets	(1,847,124)	(1,882,371)
Adjusted assets (1)		$ 30,352,432	$ 31,674,591
Total equity		$ 5,370,597	$ 5,509,377
Deduct:	Goodwill and intangible assets	(1,847,124)	(1,882,371)
Tangible total equity		$ 3,523,473	$ 3,627,006
Total member's equity (2)		$ 5,369,946	$ 5,481,909
Deduct:	Goodwill and intangible assets	(1,847,124)	(1,882,371)
Tangible member's equity (2)		$ 3,522,822	$ 3,599,538
Leverage ratio (2) (3)		6.9	7.0
Tangible gross leverage ratio (2) (4)		10.0	10.2
Adjusted leverage ratio (1) (2) (5)		8.6	8.7

(1) Adjusted assets is a non-GAAP financial measure and excludes certain assets that are considered of lower risk as they are generally self-financed by customer liabilities through our securities lending activities. We view the resulting measure of adjusted leverage, also a non-GAAP financial measure, as a more relevant measure of financial risk when comparing financial services companies.

(2) As compared to November 30, 2015, the decrease to total member's equity at November 30, 2016 is attributed to foreign currency translation adjustments, primarily due to the decline in the British pound rate of exchange against the U.S. dollar, partially offset by net earnings.

(3) Leverage ratio equals total assets divided by total equity.

(4) Tangible gross leverage ratio (a non-GAAP financial measure) equals total assets less goodwill and identifiable intangible assets divided by tangible member's equity. The tangible gross leverage ratio is used by Rating Agencies in assessing our leverage ratio.

(5) Adjusted leverage ratio (a non-GAAP financial measure) equals adjusted assets divided by tangible total equity.

Liquidity Management

The key objectives of the liquidity management framework are to support the successful execution of our business strategies while ensuring sufficient liquidity through the business cycle and during periods of financial distress. Our liquidity management policies are designed to mitigate the potential risk that we may be unable to access adequate financing to service our financial obligations without material franchise or business impact.

The principal elements of our liquidity management framework are our Contingency Funding Plan, our Cash Capital Policy and our assessment of Maximum Liquidity Outflow.

Contingency Funding Plan. Our Contingency Funding Plan is based on a model of a potential liquidity contraction over a one year time period. This incorporates potential cash outflows during a liquidity stress event, including, but not limited to, the following:

- repayment of all unsecured debt maturing within one year and no incremental unsecured debt issuance;
- maturity rolloff of outstanding letters of credit with no further issuance and replacement with cash collateral;

- higher margin requirements than currently exist on assets on securities financing activity, including repurchase agreements;
- liquidity outflows related to possible credit downgrade;
- lower availability of secured funding;
- client cash withdrawals;
- the anticipated funding of outstanding investment and loan commitments; and
- certain accrued expenses and other liabilities and fixed costs.

Cash Capital Policy. We maintain a cash capital model that measures long-term funding sources against requirements. Sources of cash capital include our equity and the noncurrent portion of long-term borrowings. Uses of cash capital include the following:

- illiquid assets such as equipment, goodwill, net intangible assets, exchange memberships, deferred tax assets and certain investments;
- a portion of securities inventory that is not expected to be financed on a secured basis in a credit stressed environment (*i.e.*, margin requirements) and
- drawdowns of unfunded commitments.

To ensure that we do not need to liquidate inventory in the event of a funding crisis, we seek to maintain surplus cash capital, which is reflected in the leverage ratios we maintain. Our total long-term capital of $10.5 billion at November 30, 2016 exceeded our cash capital requirements.

Maximum Liquidity Outflow. Our businesses are diverse, and our liquidity needs are determined by many factors, including market movements, collateral requirements and client commitments, all of which can change dramatically in a difficult funding environment. During a liquidity crisis, credit-sensitive funding, including unsecured debt and some types of secured financing agreements, may be unavailable, and the terms (*e.g.*, interest rates, collateral provisions and tenor) or availability of other types of secured financing may change. As a result of our policy to ensure we have sufficient funds to cover what we estimate may be needed in a liquidity crisis, we hold more cash and unencumbered securities and have greater long-term debt balances than our businesses would otherwise require. As part of this estimation process, we calculate a Maximum Liquidity Outflow that could be experienced in a liquidity crisis. Maximum Liquidity Outflow is based on a scenario that includes both a market-wide stress and firm-specific stress, characterized by some or all of the following elements:

- Global recession, default by a medium-sized sovereign, low consumer and corporate confidence, and general financial instability.
- Severely challenged market environment with material declines in equity markets and widening of credit spreads.
- Damaging follow-on impacts to financial institutions leading to the failure of a large bank.
- A firm-specific crisis potentially triggered by material losses, reputational damage, litigation, executive departure, and/or a ratings downgrade.

The following are the critical modeling parameters of the Maximum Liquidity Outflow:

- Liquidity needs over a 30-day scenario.
- A two-notch downgrade of our long-term senior unsecured credit ratings.
- No support from government funding facilities.
- A combination of contractual outflows, such as upcoming maturities of unsecured debt, and contingent outflows (*e.g.*, actions though not contractually required, we may deem necessary in a crisis). We assume that most contingent outflows will occur within the initial days and weeks of a crisis.
- No diversification benefit across liquidity risks. We assume that liquidity risks are additive.

The calculation of our Maximum Liquidity Outflow under the above stresses and modeling parameters considers the following potential contractual and contingent cash and collateral outflows:

- All upcoming maturities of unsecured long-term debt, commercial paper, promissory notes and other unsecured funding products assuming we will be unable to issue new unsecured debt or rollover any maturing debt.
- Repurchases of our outstanding long-term debt in the ordinary course of business as a market maker.

- A portion of upcoming contractual maturities of secured funding trades due to either the inability to refinance or the ability to refinance only at wider haircuts (*i.e.*, on terms which require us to post additional collateral). Our assumptions reflect, among other factors, the quality of the underlying collateral and counterparty concentration.
- Collateral postings to counterparties due to adverse changes in the value of our over-the-counter ("OTC") derivatives and other outflows due to trade terminations, collateral substitutions, collateral disputes, collateral calls or termination payments required by a two-notch downgrade in our credit ratings.
- Variation margin postings required due to adverse changes in the value of our outstanding exchange-traded derivatives and any increase in initial margin and guarantee fund requirements by derivative clearing houses.
- Liquidity outflows associated with our prime brokerage business, including withdrawals of customer credit balances, and a reduction in customer short positions.
- Liquidity outflows to clearing banks to ensure timely settlements of cash and securities transactions.
- Draws on our unfunded commitments considering, among other things, the type of commitment and counterparty.
- Other upcoming large cash outflows, such as tax payments.

Based on the sources and uses of liquidity calculated under the Maximum Liquidity Outflow scenarios, we determine, based on a calculated surplus or deficit, additional long-term funding that may be needed versus funding through the repurchase financing market and consider any adjustments that may be necessary to our inventory balances and cash holdings. At November 30, 2016, we have sufficient excess liquidity to meet all contingent cash outflows detailed in the Maximum Liquidity Outflow. We regularly refine our model to reflect changes in market or economic conditions and the firm's business mix.

Sources of Liquidity

The following are financial instruments that are cash and cash equivalents or are deemed by management to be generally readily convertible into cash, marginable or accessible for liquidity purposes within a relatively short period of time (dollars in thousands):

	November 30, 2016	Average Balance Quarter ended November 30, 2016 (1)	November 30, 2015
Cash and cash equivalents:			
Cash in banks	$ 905,003	$ 866,598	$ 973,796
Certificate of deposit	25,000	25,000	75,000
Money market investments	2,599,066	1,535,870	2,461,367
Total cash and cash equivalents	3,529,069	2,427,468	3,510,163
Other sources of liquidity:			
Debt securities owned and securities purchased under agreements to resell (2)	1,455,398	1,234,599	1,265,840
Other (3)(4)	318,646	604,424	163,890
Total other sources (4)	1,774,044	1,839,023	1,429,730
Total cash and cash equivalents and other liquidity sources (4)	$ 5,303,113	$ 4,266,491	$ 4,939,893
Total cash and cash equivalents and other liquidity sources as % of total assets (4)	14.4%		12.8%
Total cash and cash equivalents and other liquidity sources as % of total assets less goodwill and intangible assets (4)	15.1%		13.5%

(1) Average balances are calculated based on weekly balances.

(2) Consists of high quality sovereign government securities and reverse repurchase agreements collateralized by U.S. government securities and other high quality sovereign government securities; deposits with a central bank within the European Economic Area, Canada, Australia, Japan, Switzerland or the USA; and securities issued by a designated multilateral development bank and reverse repurchase agreements with underlying collateral comprised of these securities.

(3) Other includes unencumbered inventory representing an estimate of the amount of additional secured financing that could be reasonably expected to be obtained from our financial instruments owned that are currently not pledged after considering reasonable financing haircuts.

(4) Other sources of liquidity at November 30, 2015 has been reduced by $141.2 million from what was previously disclosed, to reflect adjustments for certain securities that have subsequently been identified to have been encumbered.

In addition to the cash balances and liquidity pool presented above, the majority of financial instruments (both long and short) in our trading accounts are actively traded and readily marketable. At November 30, 2016, we had the ability to readily obtain repurchase financing for 75.4% of our inventory at haircuts of 10% or less, which reflects the liquidity of our inventory. In addition, as a matter of our policy, all of these assets have internal capital assessed, which is in addition to the funding haircuts provided in the securities finance markets. Additionally, certain of our Financial instruments owned primarily consisting of bank loans, consumer loans and investments are predominantly funded by long term capital. Under our cash capital policy, we model capital allocation levels that are more stringent than the haircuts used in the market for secured funding; and we maintain surplus capital at these more stringent levels. We continually assess the liquidity of our inventory based on the level at which we could obtain financing in the market place for a given asset. Assets are considered to be liquid if financing can be obtained in the repurchase market or the securities lending market at collateral haircut levels of 10% or less. The following summarizes our financial instruments by asset class that we consider to be of a liquid nature and the amount of such assets that have not been pledged as collateral at November 30, 2016 and 2015 (in thousands):

	November 30,			
	2016		2015	
	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)
Corporate equity securities	$ 1,815,819	$ 280,733	$ 1,881,419	$ 268,664
Corporate debt securities	1,818,150	—	1,999,162	89,230
U.S. government, agency and municipal securities	3,157,737	600,456	2,987,784	317,518
Other sovereign obligations	2,258,035	854,942	2,444,339	1,026,842
Agency mortgage-backed securities (1)	1,090,391	—	3,371,680	—
Loans and other receivables	274,842	—	—	—
Total	$ 10,414,974	$ 1,736,131	$ 12,684,384	$ 1,702,254

(1) Consists solely of agency mortgage-backed securities issued by Freddie Mac, Fannie Mae and Ginnie Mae. These securities include pass-through securities, securities backed by adjustable rate mortgages ("ARMs"), collateralized mortgage obligations, commercial mortgage-backed securities and interest- and principal-only securities.
(2) Unencumbered liquid balances represent assets that can be sold or used as collateral for a loan, but have not been.

Average liquid financial instruments were $11.8 billion and $15.2 billion for 2016 and 2015, respectively. Average unencumbered liquid financial instruments were $1.6 billion and $1.9 billion for 2016 and 2015, respectively.

In addition to being able to be readily financed at modest haircut levels, we estimate that each of the individual securities within each asset class above could be sold into the market and converted into cash within three business days under normal market conditions, assuming that the entire portfolio of a given asset class was not simultaneously liquidated. There are no restrictions on the unencumbered liquid securities, nor have they been pledged as collateral.

Sources of Funding and Capital Resources

Our assets are funded by equity capital, senior debt, convertible debt, securities loaned, securities sold under agreements to repurchase, customer free credit balances, bank loans and other payables.

Secured Financing

We rely principally on readily available secured funding to finance our inventory of financial instruments. Our ability to support increases in total assets is largely a function of our ability to obtain short and intermediate-term secured funding, primarily through securities financing transactions. We finance a portion of our long inventory and cover some of our short inventory by pledging and borrowing securities in the form of repurchase or reverse repurchase agreements (collectively "repos"), respectively. Approximately 75.7% of our cash and non-cash repurchase financing activities use collateral that is considered eligible collateral by central clearing corporations. Central clearing corporations are situated between participating members who borrow cash and lend securities (or vice versa); accordingly repo participants contract with the central clearing corporation and not one another individually. Therefore, counterparty credit risk is borne by the central clearing corporation which mitigates the risk through initial margin demands and variation margin calls from repo participants. The comparatively large proportion of our total repo activity that is eligible for central clearing reflects the high quality and liquid composition of the inventory we carry in our trading books. For those asset classes not eligible for central clearinghouse financing, we seek to execute our bi-lateral financings on an extended term basis and the tenor of our repurchase and reverse repurchase agreements generally exceeds the expected holding period of the assets we are financing. Weighted average maturity of cash and non-cash repurchase agreements for non-clearing corporation eligible funded inventory is approximately three months at November 30, 2016.

Our ability to finance our inventory via central clearinghouses and bi-lateral arrangements is augmented by our ability to draw bank loans on an uncommitted basis under our various banking arrangements. At November 30, 2016, short-term borrowings, which must be repaid within one year or less and include bank loans and overdrafts, borrowings under revolving credit facilities, structured notes and a demand loan margin financing facility, totaled $525.8 million. Interest under the bank lines is generally at a spread over the federal funds rate. Letters of credit are used in the normal course of business mostly to satisfy various collateral requirements in favor of exchanges in lieu of depositing cash or securities. Average daily short-term borrowings outstanding were $399.6 million and $65.3 million for 2016 and 2015, respectively.

Our short-term borrowings include the following facilities:

- *Demand Loan Facility.* On February 19, 2016, we entered into a demand loan margin financing facility ("Demand Loan Facility") in a maximum principal amount of $25.0 million to satisfy certain of our margin obligations. Interest is based on an annual rate equal to the weighted average LIBOR as defined in the Demand Loan Facility agreement plus 150 basis points. The Demand Loan Facility was terminated with an effective date of November 30, 2016.
- *Secured Revolving Loan Facilities.* On October 29, 2015, we entered into a secured revolving loan facility ("First Secured Revolving Loan Facility") whereby the lender agrees to make available a revolving loan facility in a maximum principal amount of $50.0 million in U.S. dollars to purchase eligible receivables that meet certain requirements as defined in the First Secured Revolving Loan Facility agreement. Interest is based on an annual rate equal to the lesser of the LIBOR rate plus three and three-quarters percent or the maximum rate as defined in the First Secured Revolving Loan Facility agreement. On December 14, 2015, we entered into a second secured revolving loan facility ("Second Revolving Loan Facility", and together with the First Secured Revolving Loan Facility, "Secured Revolving Loan Facilities") whereby the lender agrees to make available a revolving loan facility in a maximum principal amount of $50.0 million in U.S. dollars to purchase eligible receivables that meet certain requirements as defined in the Second Secured Revolving Loan Facility agreement. Interest is based on an annual rate equal to the lesser of the LIBOR rate plus four and one-quarter percent or the maximum rate as defined in the Second Secured Revolving Loan Facility agreement.
- *Intraday Credit Facility.* The Bank of New York Mellon agrees to make revolving intraday credit advances ("Intraday Credit Facility") for an aggregate committed amount of $250.0 million in U.S. dollars. The Intraday Credit Facility contains a financial covenant, which includes a minimum regulatory net capital requirement. Interest is based on the higher of the Federal funds effective rate plus 0.5% or the prime rate. At November 30, 2016, we were in compliance with all debt covenants under the Intraday Credit Facility.

In addition to the above financing arrangements, we issue notes backed by eligible collateral under a master repurchase agreement, which provides an additional financing source for our inventory (our "repurchase agreement financing program"). The notes issued under the program are presented within Other secured financings in the Consolidated Statement of Financial Condition. At November 30, 2016, our outstanding notes were $718.0 million and are as follows:

Series	Issued	Principal	Maturity
2014-4 (1)	December 19, 2014	$60.0 million	December 16, 2016
2014-5 (2)	January 20, 2015	$68.1 million	January 18, 2017
2015-2 (1) (3)	May 12, 2015	$170.0 million	May 15, 2018
2016-1 (1)	February 5, 2016	$218.3 million	February 4, 2017
2016-3 (1)	May 12, 2016	$201.6 million	May 11, 2017

(1) These notes bear interest at a spread over one month LIBOR.
(2) This note bears interest at a spread over three month LIBOR.
(3) At November 30, 2016, this note is redeemable at the option of the noteholders.

For additional details on our repurchase agreement financing program, refer to Note 8, Variable Interest Entities, in our consolidated financial statements included within this Annual Report on Form 10-K.

Total Long-Term Capital

At November 30, 2016 and 2015, we had total long-term capital of $10.5 billion and $10.8 billion resulting in a long-term debt to equity capital ratio of 0.96:1 at both dates. Our total long-term capital base at November 30, 2016 and 2015 was as follows (in thousands):

	November 30,	
	2016	2015
Long-Term Debt (1) (2)	$ 5,130,822	$ 5,287,697
Total Equity	5,370,597	5,509,377
Total Long-Term Capital	$ 10,501,419	$ 10,797,074

(1) Long-term capital at November 30, 2016 excludes $6.3 million of our Structured Notes, as these notes are redeemable on May 4, 2017, and $346.2 million of our 3.875% Convertible Senior Debentures, as these debentures are redeemable on November 1, 2017. Refer to Note 12, Long-Term Debt, in our consolidated financial statements included within this Annual Report on Form 10-K for further details on these notes.
(2) Long-term capital at November 30, 2015 excludes $353.0 million of our 5.5% Senior Notes, as these notes matured on March 15, 2016.

Long-Term Debt

During 2016, we issued structured notes with a total principal amount of approximately $275.4 million. Certain of the structured notes contain various interest rate payment terms and are accounted for at fair value, with changes in fair value resulting from a change in the instrument-specific credit risk presented in other comprehensive income and changes in fair value resulting from non-credit components recognized in Principal transaction revenues. The fair value of the structured notes was $248.9 million at November 30, 2016. During 2016, approximately $350.0 million of long-term borrowings matured or were retired. On January 17, 2017, we issued 4.85% senior notes with a principal amount of $750.0 million, due 2027.

In addition, on January 21, 2016, we issued $15.0 million of Class A Notes, due 2022, and $7.5 million of Class B Notes, due 2022, secured by aircraft and related operating leases and which were non-recourse to us. In June 2016, the Class A Notes and the Class B Notes were repurchased and retired.

At November 30, 2016, our long-term debt has a weighted average maturity of approximately seven years.

Our long-term debt ratings at November 30, 2016 are as follows:

	Rating	Outlook
Moody's Investors Service (1)	Baa3	Stable
Standard and Poor's	BBB-	Stable
Fitch Ratings (2)	BBB-	Stable

(1) On January 21, 2016, Moody's affirmed our long-term debt rating of Baa3 and our rating outlook was changed from negative to stable. On March 15, 2016, Moody's reaffirmed this rating and rating outlook.
(2) On February 29, 2016, Fitch reaffirmed our long-term debt rating of BBB- and our rating outlook of stable.

At November 30, 2016, the long-term ratings on our principal operating broker-dealers, Jefferies LLC ("Jefferies") (a U.S. broker-dealer) and Jefferies International Limited (a U.K. broker-dealer) are as follows:

	Jefferies		Jefferies International Limited	
	Rating	Outlook	Rating	Outlook
Moody's Investors Service (1)	Baa2	Stable	Baa2	Stable
Standard and Poor's	BBB	Stable	BBB	Stable

(1) On January 21, 2016, Moody's affirmed these long-term debt ratings and the rating outlook was changed from negative to stable.

Access to external financing to finance our day to day operations, as well as the cost of that financing, is dependent upon various factors, including our debt ratings. Our current debt ratings are dependent upon many factors, including industry dynamics, operating and economic environment, operating results, operating margins, earnings trend and volatility, balance sheet composition, liquidity and liquidity management, our capital structure, our overall risk management, business diversification and our market share and competitive position in the markets in which we operate. Deteriorations in any of these factors could impact our credit ratings. While certain aspects of a credit rating downgrade are quantifiable pursuant to contractual provisions, the impact on our business and trading results in future periods is inherently uncertain and depends on a number of factors, including the magnitude of the downgrade, the behavior of individual clients and future mitigating action taken by us.

In connection with certain over-the-counter derivative contract arrangements and certain other trading arrangements, we may be required to provide additional collateral to counterparties, exchanges and clearing organizations in the event of a credit rating downgrade. At November 30, 2016, the amount of additional collateral that could be called by counterparties, exchanges and clearing organizations under the terms of such agreements in the event of a downgrade of our long-term credit rating below investment grade was $51.4 million. For certain foreign clearing organizations credit rating is only one of several factors employed in determining collateral that could be called. The above represents management's best estimate for additional collateral to be called in the event of credit rating downgrade. The impact of additional collateral requirements is considered in our Contingency Funding Plan and calculation of Maximum Liquidity Outflow, as described above.

Equity Capital

As compared to November 30, 2015, the decrease to total member's equity at November 30, 2016 is attributed to foreign currency translation adjustments, primarily due to the decline in the British pound rate of exchange against the U.S. dollar, partially offset by net earnings.

Net Capital

As broker-dealers registered with the SEC and member firms of the Financial Industry Regulatory Authority ("FINRA"), Jefferies and Jefferies Execution are subject to the Securities and Exchange Commission Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital, and have elected to calculate minimum capital requirements using the alternative method permitted by Rule 15c3-1 in calculating net capital. Jefferies, as a dually-registered U.S. broker-dealer and FCM, is also subject to Rule 1.17 of the Commodity Futures Trading Commission ("CFTC"), which sets forth minimum financial requirements. The minimum net capital requirement in determining excess net capital for a dually-registered U.S. broker-dealer and FCM is equal to the greater of the requirement under Rule 15c3-1 or CFTC Rule 1.17.

At November 30, 2016, Jefferies and Jefferies Execution's net capital and excess net capital were as follows (in thousands):

	Net Capital	Excess Net Capital
Jefferies	$ 1,467,729	$ 1,398,748
Jefferies Execution	8,260	8,010

FINRA is the designated self-regulatory organization ("DSRO") for our U.S. broker-dealers and the National Futures Association is the DSRO for Jefferies as an FCM.

Certain other U.S. and non-U.S. subsidiaries are subject to capital adequacy requirements as prescribed by the regulatory authorities in their respective jurisdictions, including Jefferies International Limited which is subject to the regulatory supervision and requirements of the Financial Conduct Authority in the United Kingdom. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law on July 21, 2010. The Dodd-Frank Act contains provisions that require the registration of all swap dealers, major swap participants, security-based swap dealers, and/or major security-based swap participants. While entities that register under these provisions will be subject to regulatory capital requirements, these regulatory capital requirements have not yet been finalized. We expect that these provisions will result in modifications to the regulatory capital requirements of some of our entities, and will result in some of our other entities becoming subject to regulatory capital requirements for the first time, including Jefferies Financial Services, Inc., which registered as a swap dealer with the CFTC during January 2013 and Jefferies Financial Products LLC, which registered during August 2014.

The regulatory capital requirements referred to above may restrict our ability to withdraw capital from our regulated subsidiaries.

Contractual Obligations and Commitments

For information on our commitments and guarantees, see Note 18, Commitments, Contingencies and Guarantees, in our consolidated financial statements included within this Annual Report on Form 10-K.

The table below provides information about our contractual obligations at November 30, 2016. The table presents principal cash flows with expected maturity dates (in millions):

	Expected Maturity Date					
	2017	2018	2019 and 2020	2021 and 2022	2023 and Later	Total
Contractual obligations:						
Unsecured long-term debt (contractual principal payments net of unamortized discounts and premiums) (1)	$ 346.2	$ 824.2	$ 1,317.3	$ 827.6	$ 2,168.1	$ 5,483.4
Interest payment obligations on senior notes (2)	298.1	259.7	407.7	268.7	1,111.9	2,346.1
Operating leases (net of subleases) - premises and equipment (3)	61.2	61.7	109.9	100.5	512.0	845.3
Master sale and leaseback agreement (3)	3.8	1.5	0.2	—	—	5.5
Purchase obligations (4)	87.5	57.8	77.9	51.5	11.4	286.1
Total contractual obligations	$ 796.8	$ 1,204.9	$ 1,913.0	$ 1,248.3	$ 3,803.4	$ 8,966.4

(1) For additional information on long-term debt, see Note 12, Long-Term Debt, in our consolidated financial statements included within this Annual Report on Form 10-K.
(2) Amounts based on applicable interest rates at November 30, 2016.
(3) For additional information on operating leases related to certain premises and equipment and a master sale and leaseback agreement, see Note 18, Commitments, Contingencies and Guarantees, in our consolidated financial statements included within this Annual Report on Form 10-K.
(4) Purchase obligations for goods and services primarily include payments for outsourcing and computer and telecommunications maintenance agreements. Purchase obligations at November 30, 2016 reflect the minimum contractual obligations under legally enforceable contracts.

We expect to make cash payments of $645.5 million on January 31, 2017 related to compensation awards for fiscal 2016. See Note 15, Compensation Plans, in our consolidated financial statements included within this Annual Report on Form 10-K for further information.

In the normal course of business we engage in other off balance sheet arrangements, including derivative contracts. Neither derivatives' notional amounts nor underlying instrument values are reflected as assets or liabilities in our Consolidated Statements of Financial Condition. Rather, the fair value of derivative contracts are reported in the Consolidated Statements of Financial Condition as Financial instruments owned or Financial instruments sold, not yet purchased as applicable. Derivative contracts are reflected net of cash paid or received pursuant to credit support agreements and are reported on a net by counterparty basis when a legal right of offset exists under an enforceable master netting agreement. For additional information about our accounting policies and our derivative activities see Note 2, Summary of Significant Accounting Policies, Note 4, Fair Value Disclosures, and Note 5, Derivative Financial Instruments, in our consolidated financial statements included within this Annual Report on Form 10-K.

We are routinely involved with variable interest entities ("VIEs") in the normal course of business. At November 30, 2016, we did not have any commitments to purchase assets from our VIEs. For additional information regarding our involvement with VIEs, see Note 7, Securitization Activities, and Note 8, Variable Interest Entities, in our consolidated financial statements included within this Annual Report on Form 10-K.

Due to the uncertainty regarding the timing and amounts that will ultimately be paid, our liability for unrecognized tax benefits has been excluded from the above contractual obligations table. See Note 17, Income Taxes, in our consolidated financial statements included within this Annual Report on Form 10-K for further information.

Risk Management

Overview

Risk is an inherent part of our business and activities. The extent to which we properly and effectively identify, assess, monitor and manage each of the various types of risk involved in our activities is critical to our financial soundness, viability and profitability. Accordingly, we have a comprehensive risk management approach, with a formal governance structure and processes to identify, assess, monitor and manage risk. Principal risks involved in our business activities include market, credit, liquidity and capital, operational, legal and compliance, new business, and reputational risk.

Risk management is a multifaceted process that requires communication, judgment and knowledge of financial products and markets. Accordingly, our risk management process encompasses the active involvement of executive and senior management, and also many departments independent of the revenue-producing business units, including the Risk Management, Operations, Compliance, Legal and Finance Departments. Our risk management policies, procedures and methodologies are fluid in nature and are subject to ongoing review and modification.

For discussion of liquidity and capital risk management, refer to the "Liquidity, Financial Condition and Capital Resources" section herein.

Governance and Risk Management Structure

Our Board of Directors. Our Board of Directors and its Audit Committee play an important role in reviewing our risk management process and risk tolerance. Our Board of Directors and Audit Committee are provided with data relating to risk at each of its regularly scheduled meetings. Our Chief Risk Officer and Global Treasurer meet with the Board of Directors on not less than a quarterly basis to present our risk profile and liquidity profile and to respond to questions.

Risk Committees. We make extensive use of internal committees to govern risk taking and ensure that business activities are properly identified, assessed, monitored and managed. Our Risk Management Committee meets weekly to discuss our risk, capital, and liquidity profile in detail. In addition, business or market trends and their potential impact on the risk profile are discussed. Membership is comprised of our Chief Executive Officer and Chairman, Chairman of the Executive Committee, Chief Financial Officer, Chief Risk Officer and Global Treasurer. The Committee approves limits for us as a whole, and across risk categories and business lines. It also reviews all limit breaches. Limits are reviewed on at least an annual basis. Other risk related committees include Market Risk Management, Credit Risk Management, New Business, Underwriting Acceptance, Margin Oversight, Executive Management and Operating Committees. These Committees govern risk taking and ensure that business activities are properly managed for their area of oversight.

Risk Related Policies. We make use of various policies in the risk management process:

- *Market Risk Policy*- This policy sets out roles, responsibilities, processes and escalation procedures regarding market risk management.
- *Independent Price Verification Policy*- This policy sets out roles, responsibilities, processes and escalation procedures regarding independent price verification for securities and other financial instruments.
- *Operational Risk Policy*- This policy sets out roles, responsibilities, processes and escalation procedures regarding operational risk management.
- *Credit Risk Policy*- This policy provides standards and controls for credit risk-taking throughout our global business activities. This policy also governs credit limit methodology and counterparty review.
- *Model Validation Policy*- This policy sets out roles, processes and escalation procedures regarding model validation and model risk management.

Risk Management Key Metrics

We apply a comprehensive framework of limits on a variety of key metrics to constrain the risk profile of our business activities. The size of the limit reflects our risk tolerance for a certain activity under normal business conditions. Key metrics included in our framework include inventory position and exposure limits on a gross and net basis, scenario analysis and stress tests, Value-at-Risk, sensitivities (greeks), exposure concentrations, aged inventory, amount of Level 3 assets, counterparty exposure, leverage, cash capital, and performance analysis metrics.

Market Risk

The potential for changes in the value of financial instruments is referred to as market risk. Our market risk generally represents the risk of loss that may result from a change in the value of a financial instrument as a result of fluctuations in interest rates, credit spreads, equity prices, commodity prices and foreign exchange rates, along with the level of volatility. Interest rate risks result primarily from exposure to changes in the yield curve, the volatility of interest rates, and credit spreads. Equity price risks result from exposure to changes in prices and volatilities of individual equities, equity baskets and equity indices. Commodity price risks result from exposure to the changes in prices and volatilities of individual commodities, commodity baskets and commodity indices. Market risk arises from market making, proprietary trading, underwriting, specialist and investing activities. We seek to manage our exposure to market risk by diversifying exposures, controlling position sizes, and establishing economic hedges in related securities or derivatives. Due to imperfections in correlations, gains and losses can occur even for positions that are hedged. Position limits in trading and inventory accounts are established and monitored on an ongoing basis. Each day, consolidated position and exposure reports are prepared and distributed to various levels of management, which enable management to monitor inventory levels and results of the trading groups.

Value-at-Risk

We estimate Value-at-Risk ("VaR") using a model that simulates revenue and loss distributions on our trading portfolios by applying historical market changes to the current portfolio. Using the results of this simulation, VaR measures the potential loss in value of our financial instruments due to adverse market movements over a specified time horizon at a given confidence level. We calculate a one-day VaR using a one year look-back period measured at a 95% confidence level.

As with all measures of VaR, our estimate has inherent limitations due to the assumption that historical changes in market conditions are representative of the future. Furthermore, the VaR model measures the risk of a current static position over a one-day horizon and might not capture the market risk of positions that cannot be liquidated or offset with hedges in a one-day period. Published VaR results reflect past trading positions while future risk depends on future positions.

While we believe the assumptions and inputs in our risk model are reasonable, we could incur losses greater than the reported VaR because the historical market prices and rates changes may not be an accurate measure of future market events and conditions. Consequently, this VaR estimate is only one of a number of tools we use in our daily risk management activities.

When comparing our VaR numbers to those of other firms, it is important to remember that different methodologies and assumptions could produce significantly different results.

Our average daily VaR decreased to $7.91 million for 2016 from $12.39 million for 2015. The decrease was driven by lower block trading activity and firmwide defensive positioning resulting in lower equity risk and fixed income exposures, partially offset by a lower diversification benefit. Excluding our investment in KCG, our average VaR decreased to $5.77 million for 2016 from $9.97 million for 2015.

The following table illustrates each separate component of VaR for each component of market risk by interest rate, equity, currency and commodity products, as well as for our overall trading positions using the past 365 days of historical data (in millions):

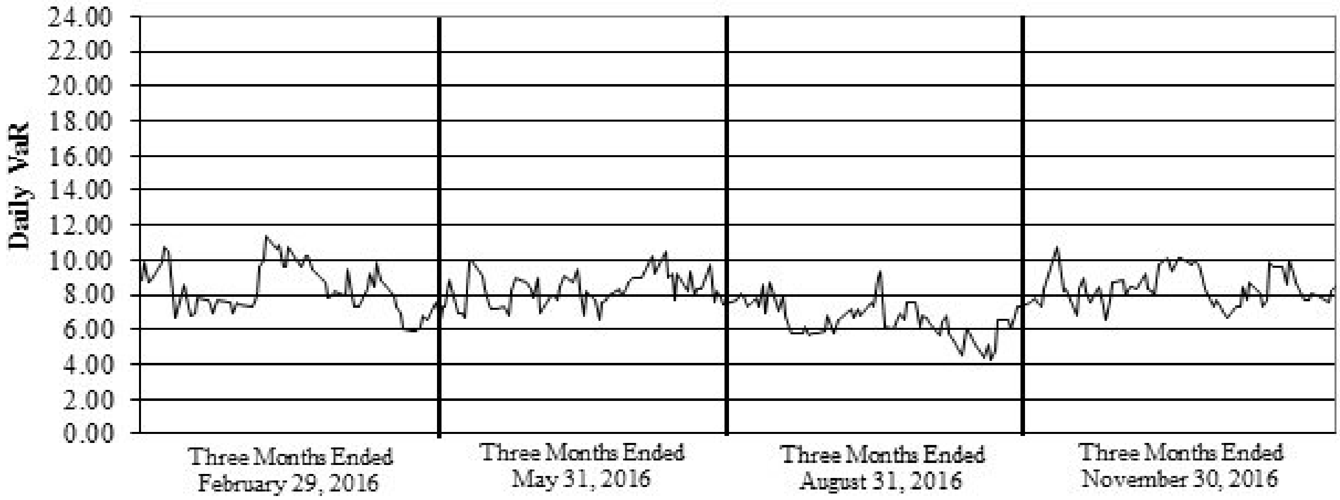
		Daily VaR (1) Value-at-Risk In Trading Portfolios					
	VaR at November 30, 2016	Daily VaR for 2016			VaR at November 30, 2015	Daily VaR for 2015		
Risk Categories:		Average	High	Low		Average	High	Low
Interest Rates	$ 5.82	$ 4.96	$ 6.99	$ 3.43	$ 5.01	$ 5.84	$ 8.06	$ 4.19
Equity Prices	6.71	5.42	9.55	2.60	6.69	9.79	13.61	5.39
Currency Rates	0.19	0.41	3.01	0.07	0.30	0.46	3.32	0.12
Commodity Prices	0.51	0.84	2.44	0.31	0.82	0.57	1.62	0.04
Diversification Effect (2)	(4.79)	(3.72)	N/A	N/A	(5.09)	(4.27)	N/A	N/A
Firmwide	$ 8.44	$ 7.91	$ 11.40	$ 4.30	$ 7.73	$ 12.39	$ 17.75	$ 6.35

(1) For the VaR numbers reported above, a one-day time horizon, with a one year look-back period, and a 95% confidence level were used.

(2) The diversification effect is not applicable for the maximum and minimum VaR values as the firmwide VaR and the VaR values for the four risk categories might have occurred on different days during the year.

The aggregated VaR presented here is less than the sum of the individual components (*i.e.*, interest rate risk, foreign exchange rate risk, equity risk and commodity price risk) due to the benefit of diversification among the four risk categories. Diversification benefit equals the difference between aggregated VaR and the sum of VaRs for the four risk categories and arises because the market risk categories are not perfectly correlated.

The chart below reflects our daily VaR over the last four quarters:



The primary method used to test the efficacy of the VaR model is to compare our actual daily net revenue for those positions included in our VaR calculation with the daily VaR estimate. This evaluation is performed at various levels of the trading portfolio, from the holding company level down to specific business lines. For the VaR model, trading related revenue is defined as principal transaction revenue, trading related commissions, revenue from securitization activities and net interest income. For a 95% confidence one day VaR model (*i.e.,* no intra-day trading), assuming current changes in market value are consistent with the historical changes used in the calculation, net trading losses would not be expected to exceed the VaR estimates more than twelve times on an annual basis (*i.e.,* once in every 20 days). During 2016, results of the evaluation at the aggregate level demonstrated three days when the net trading loss exceeded the 95% one day VaR.

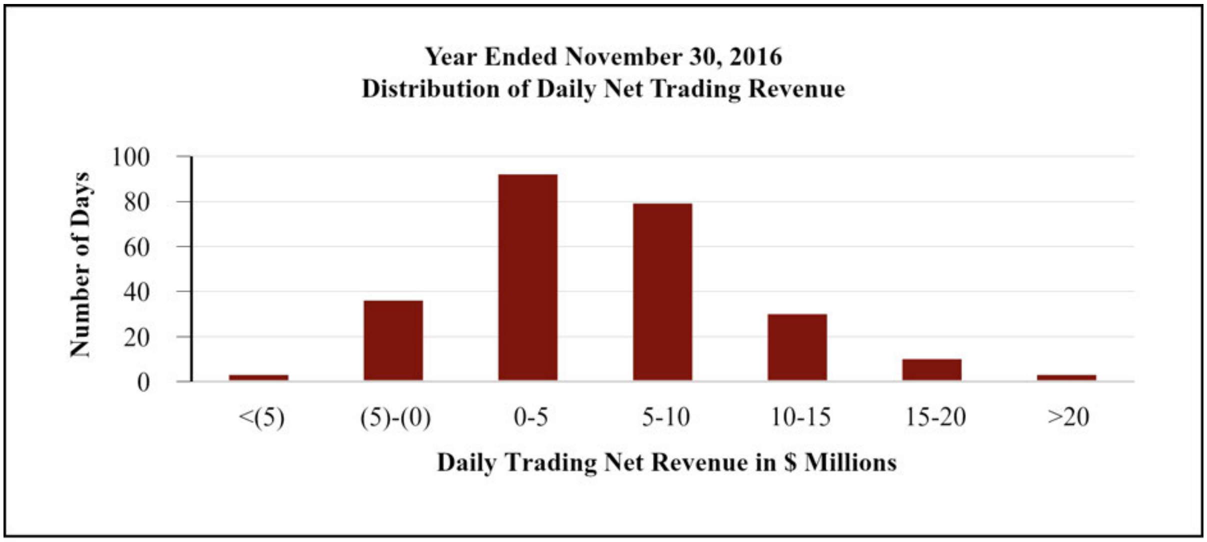
Certain positions within financial instruments are not included in the VaR model because VaR is not the most appropriate measure of risk. Accordingly, Risk Management has additional procedures in place to assure that the level of potential loss that would arise from market movements are within acceptable levels. Such procedures include performing stress tests, monitoring concentration risk and tracking price target/stop loss levels. The table below presents the potential reduction in net income associated with a 10% stress of the fair value of the positions that are not included in the VaR model at November 30, 2016 (in thousands):

	10% Sensitivity
Private investments	$ 20,980
Corporate debt securities in default	5,040
Trade claims	491

VaR also excludes the impact of changes in our own credit spreads on financial liabilities for which the fair value option was elected. The estimated credit spread risk sensitivity for each one basis point widening in our own credit spreads on financial liabilities for which the fair value option was elected was an increase in value of approximately $250,000 at November 30, 2016.

Daily Net Trading Revenue

Excluding trading losses associated with the daily marking to market of our investment in KCG, there were 21 days with trading losses out of a total of 253 trading days in 2016. Including these losses, there were 38 days with trading losses. The histogram below presents the distribution of our actual daily net trading revenue for substantially all of our trading activities for 2016 (in millions).



Scenario Analysis and Stress Tests

While VaR measures potential losses due to adverse changes in historical market prices and rates, we use stress testing to analyze the potential impact of specific events or moderate or extreme market moves on our current portfolio both firm wide and within business segments. Stress scenarios comprise both historical market price and rate changes and hypothetical market environments, and generally involve simultaneous changes of many risk factors. Indicative market changes in our scenarios include, but are not limited to, a large widening of credit spreads, a substantial decline in equities markets, significant moves in selected emerging markets, large moves in interest rates, changes in the shape of the yield curve and large moves in European markets. In addition, we also perform ad hoc stress tests and add new scenarios as market conditions dictate. Because our stress scenarios are meant to reflect market moves that occur over a period of time, our estimates of potential loss assume some level of position reduction for liquid positions. Unlike our VaR, which measures potential losses within a given confidence interval, stress scenarios do not have an associated implied probability; rather, stress testing is used to estimate the potential loss from market moves that tend to be larger than those embedded in the VaR calculation.

Stress testing is performed and reported regularly as part of the risk management process. Stress testing is used to assess our aggregate risk position as well as for limit setting and risk/reward analysis.

Counterparty Credit Risk and Issuer Country Exposure

Counterparty Credit Risk

Credit risk is the risk of loss due to adverse changes in a counterparty's credit worthiness or its ability or willingness to meet its financial obligations in accordance with the terms and conditions of a financial contract. We are exposed to credit risk as trading counterparty to other broker-dealers and customers, as a direct lender and through extending loan commitments, as a holder of securities and as a member of exchanges and clearing organizations.

It is critical to our financial soundness and profitability that we properly and effectively identify, assess, monitor, and manage the various credit and counterparty risks inherent in our businesses. Credit is extended to counterparties in a controlled manner in order to generate acceptable returns, whether such credit is granted directly or is incidental to a transaction. All extensions of credit are monitored and managed on an enterprise level in order to limit exposure to loss related to credit risk.

Our Credit Risk Framework is responsible for identifying credit risks throughout the operating businesses, establishing counterparty limits and managing and monitoring those credit limits. Our framework includes:

- defining credit limit guidelines and credit limit approval processes;
- providing a consistent and integrated credit risk framework across the enterprise;
- approving counterparties and counterparty limits with parameters set by the Risk Management Committee;
- negotiating, approving and monitoring credit terms in legal and master documentation;
- delivering credit limits to all relevant sales and trading desks;
- maintaining credit reviews for all active and new counterparties;
- operating a control function for exposure analytics and exception management and reporting;
- determining the analytical standards and risk parameters for on-going management and monitoring of global credit risk books;
- actively managing daily exposure, exceptions, and breaches;
- monitoring daily margin call activity and counterparty performance (in concert with the Margin Department); and
- setting the minimum global requirements for systems, reports, and technology.

Credit Exposures

Credit exposure exists across a wide-range of products including cash and cash equivalents, loans, securities finance transactions and over-the-counter derivative contracts.

- Loans and lending arise in connection with our capital markets activities and represents the current exposure, amount at risk on a default event with no recovery of loans. Current exposure represents loans that have been drawn by the borrower and lending commitments that were outstanding. In addition, credit exposures on forward settling traded loans are included within our loans and lending exposures for consistency with the balance sheet categorization of these items.
- Securities and margin finance includes credit exposure arising on securities financing transactions (reverse repurchase agreements, repurchase agreements and securities lending agreements) to the extent the fair value of the underlying collateral differs from the contractual agreement amount and from margin provided to customers.
- Derivatives represent OTC derivatives, which are reported net by counterparty when a legal right of setoff exists under an enforceable master netting agreement. Derivatives are accounted for at fair value net of cash collateral received or posted under credit support agreements. In addition, credit exposures on forward settling trades are included within our derivative credit exposures.
- Cash and cash equivalents include both interest-bearing and non-interest bearing deposits at banks.

Current counterparty credit exposures at November 30, 2016 and November 30, 2015 are summarized in the tables below and provided by credit quality, region and industry (in millions). Credit exposures presented take netting and collateral into consideration by counterparty and master agreement. Collateral taken into consideration includes both collateral received as cash as well as collateral received in the form of securities or other arrangements. Current exposure is the loss that would be incurred on a particular set of positions in the event of default by the counterparty, assuming no recovery. Current exposure equals the fair value of the positions less collateral. Issuer risk is the credit risk arising from inventory positions (for example, corporate debt securities and secondary bank loans). Issuer risk is included in our country risk exposure tables below. Of our counterparty credit exposure at November 30, 2016, excluding cash and cash equivalents, the percentage of exposure from investment grade counterparties increased slightly to 82% from 79% at November 30, 2015, and is mainly concentrated in North America.

When comparing our credit exposure at November 30, 2016 with credit exposure at November 30, 2015, excluding cash and cash equivalents, current exposure has decreased 6% to approximately $1.2 billion from $1.3 billion. Counterparty credit exposure decreased over 2015 by 24% from loans and lending primarily due to North American loans and by 11% over the year from securities and margin finance. Counterparty credit exposure from OTC derivatives increased by 54%, primarily associated with CLO warehouse funding arrangements.

JEFFERIES GROUP LLC AND SUBSIDIARIES

Counterparty Credit Exposure by Credit Rating

	Loans and Lending At		Securities and Margin Finance At		OTC Derivatives At		Total At		Cash and Cash Equivalents At		Total with Cash and Cash Equivalents At	
	November 30, 2016	November 30, 2015 (1)	November 30, 2016	November 30, 2015	November 30, 2016	November 30, 2015	November 30, 2016	November 30, 2015 (1)	November 30, 2016	November 30, 2015	November 30, 2016	November 30, 2015 (1)
AAA Range	$ —	$ —	$ —	$ 11 8	$ —	$ —	$ —	$ 11 8	$ 2,601 4	$ 2,461 4	$ 2,601 4	$ 2,473 2
AA Range	44 0	—	87 3	152 3	2 1	4 4	133 4	156 7	37 0	175 0	170 4	331 7
A Range	4 2	1 0	539 2	556 4	214 7	96 0	758 1	653 4	814 1	846 3	1,572 2	1,499 7
BBB Range	4 9	86 6	117 3	107 9	9 4	31 7	131 6	226 2	51 2	25 8	182 8	252 0
BB or Lower	100 1	181 6	6 2	14 8	23 8	30 1	130 1	226 5	25 1	—	155 2	226 5
Unrated	93 5	56 3	—	—	—	0 1	93 5	56 4	0 3	1 7	93 8	58 1
Total	$ 246 7	$ 325 5	$ 750 0	$ 843 2	$ 250 0	$ 162 3	$ 1,246 7	$ 1,331 0	$ 3,529 1	$ 3,510 2	$ 4,775 8	$ 4,841 2

Counterparty Credit Exposure by Region

	Loans and Lending At		Securities and Margin Finance At		OTC Derivatives At		Total At		Cash and Cash Equivalents At		Total with Cash and Cash Equivalents At	
	November 30, 2016	November 30, 2015 (1)	November 30, 2016	November 30, 2015	November 30, 2016	November 30, 2015	November 30, 2016	November 30, 2015 (1)	November 30, 2016	November 30, 2015	November 30, 2016	November 30, 2015 (1)
Asia/Latin America/ Other	$ 4 9	$ 10 1	$ 16 3	$ 15 3	$ 32 7	$ 40 6	$ 53 9	$ 66 0	$ 165 8	$ 159 6	$ 219 7	$ 225 6
Europe	—	0 4	234 4	212 2	20 9	43 4	255 3	256 0	248 0	341 8	503 3	597 8
North America	241 8	315 0	499 3	615 7	196 4	78 3	937 5	1,009 0	3,115 3	3,008 8	4,052 8	4,017 8
Total	$ 246 7	$ 325 5	$ 750 0	$ 843 2	$ 250 0	$ 162 3	$ 1,246 7	$ 1,331 0	$ 3,529 1	$ 3,510 2	$ 4,775 8	$ 4,841 2

Counterparty Credit Exposure by Industry

	Loans and Lending At		Securities and Margin Finance At		OTC Derivatives At		Total At		Cash and Cash Equivalents At		Total with Cash and Cash Equivalents At	
	November 30, 2016	November 30, 2015 (1)	November 30, 2016	November 30, 2015	November 30, 2016	November 30, 2015	November 30, 2016	November 30, 2015 (1)	November 30, 2016	November 30, 2015	November 30, 2016	November 30, 2015 (1)
Asset Managers	$ —	$ —	$ 39 7	$ 69 8	$ 10 9	$ —	$ 50 6	$ 69 8	$ 2,599 1	$ 2,461 3	$ 2,649 7	$ 2,531 1
Banks, Broker-dealers	0 2	0 9	435 9	464 9	170 4	95 2	606 5	561 0	930 0	1,048 9	1,536 5	1,609 9
Commodities	—	—	—	—	3 3	16 7	3 3	16 7	—	—	3 3	16 7
Corporates	204 4	193 9	—	—	18 4	11 3	222 8	205 2	—	—	222 8	205 2
Other	42 1	130 7	274 4	308 5	47 0	39 1	363 5	478 3	—	—	363 5	478 3
Total	$ 246 7	$ 325 5	$ 750 0	$ 843 2	$ 250 0	$ 162 3	$ 1,246 7	$ 1,331 0	$ 3,529 1	$ 3,510 2	$ 4,775 8	$ 4,841 2

(1) Loans and lending amounts have been recast to conform to the current period's presentation. Loans and lending amounts include the current exposure, the amount at risk on a default event with no recovery of loans. Previously, loans and lending amounts represented the notional value.

For additional information regarding credit exposure to OTC derivative contracts, refer to Note 5, Derivative Financial Instruments, in our consolidated financial statements included within this Annual Report on Form 10-K.

JEFFERIES GROUP LLC AND SUBSIDIARIES

Country Risk Exposure

Country risk is the risk that events or developments that occur in the general environment of a country or countries due to economic, political, social, regulatory, legal or other factors, will affect the ability of obligors of the country to honor their obligations. We define the country of risk as the country of jurisdiction or domicile of the obligor. The following tables reflect our top exposure at November 30, 2016 and 2015 to the sovereign governments, corporations and financial institutions in those non- U.S. countries in which we have a net long issuer and counterparty exposure (in millions):

	November 30, 2016								
	Issuer Risk			Counterparty Risk				Issuer and Counterparty Risk	
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
Germany	$ 318.9	$ (166.4)	$ 815.3	$ —	$ 86.9	$ 0.3	$ 111.9	$ 1,055.0	$ 1,166.9
Italy	1,069.8	(844.2)	69.8	—	—	0.2	—	295.6	295.6
France	356.2	(538.4)	419.5	—	24.8	3.4	—	265.5	265.5
United Kingdom	290.1	(136.4)	(12.7)	—	61.0	13.4	37.7	215.4	253.1
Spain	210.4	(151.7)	—	—	—	0.3	50.2	59.0	109.2
Hong Kong	34.0	(30.2)	1.3	—	0.5	—	79.1	5.6	84.7
Switzerland	80.7	(33.6)	12.1	—	11.4	2.2	4.1	72.8	76.9
Ireland	124.4	(61.2)	4.4	—	0.6	—	—	68.2	68.2
Singapore	36.2	(9.6)	3.9	—	—	—	16.1	30.5	46.6
Qatar	15.2	(0.7)	—	—	—	27.1	—	41.6	41.6
Total	$ 2,535.9	$ (1,972.4)	$ 1,313.6	$ —	$ 185.2	$ 46.9	$ 299.1	$ 2,109.2	$ 2,408.3

	November 30, 2015								
	Issuer Risk			Counterparty Risk				Issuer and Counterparty Risk	
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
Belgium	$ 413.8	$ (48.8)	$ 6.2	$ —	$ —	$ —	$ 157.8	$ 371.2	$ 529.0
United Kingdom	711.6	(359.3)	52.4	0.4	31.6	25.4	26.3	462.1	488.4
Netherlands	543.5	(139.6)	(23.4)	—	36.2	2.0	—	418.7	418.7
Italy	1,112.2	(662.4)	(105.6)	—	—	0.2	—	344.4	344.4
Ireland	164.3	(27.4)	3.3	—	3.5	—	—	143.7	143.7
Spain	394.0	(291.9)	(1.6)	—	—	0.2	26.6	100.7	127.3
Australia	86.6	(24.9)	9.6	37.4	—	0.3	0.8	109.0	109.8
Hong Kong	38.1	(22.3)	(2.9)	—	0.4	—	74.8	13.3	88.1
Switzerland	79.5	(28.9)	(6.6)	—	34.5	5.2	3.7	83.7	87.4
Portugal	111.9	(38.2)	—	—	—	—	—	73.7	73.7
Total	$ 3,655.5	$ (1,643.7)	$ (68.6)	$ 37.8	$ 106.2	$ 33.3	$ 290.0	$ 2,120.5	$ 2,410.5

In addition, our issuer and counterparty risk exposure to Puerto Rico was $31.0 million, which is in connection with our municipal securities market-making activities. The government of Puerto Rico is seeking to restructure much of its $70.0 billion in debt on a voluntary basis. At November 30, 2016, we had no other material exposure to countries where either sovereign or non-sovereign sectors potentially pose potential default risk as the result of liquidity concerns.

Operational Risk

Operational risk refers to the risk of loss resulting from our operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our operating systems, business disruptions and inadequacies or breaches in our internal control processes. Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. In addition, the transactions we process have become increasingly complex. If our financial, accounting or other data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer an impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage.

These systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. We also face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. Any such failure or termination could adversely affect our ability to effect transactions and manage our exposure to risk. In addition, despite the contingency plans we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with which we conduct business.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

Our Operational Risk framework includes governance, collection of operational risk incidents, proactive operational risk management, and periodic review and analysis of business metrics to identify and recommend controls and process-related enhancements.

Each revenue producing and support department is responsible for the management and reporting of operational risks and the implementation of the Operational Risk policy and processes within the department. Operational Risk policy, framework, infrastructure, methodology, processes, guidance and oversight of the operational risk processes are centralized and consistent firm wide and also subject to regional operational risk governance.

Legal and Compliance Risk

Legal and compliance risk includes the risk of noncompliance with applicable legal and regulatory requirements. We are subject to extensive regulation in the different jurisdictions in which we conduct our business. We have various procedures addressing issues such as regulatory capital requirements, sales and trading practices, use of and safekeeping of customer funds, credit granting, collection activities, anti-money laundering and record keeping. These risks also reflect the potential impact that changes in local and international laws and tax statutes have on the economics and viability of current or future transactions. In an effort to mitigate these risks, we continuously review new and pending regulations and legislation and participate in various industry interest groups. We also maintain an anonymous hotline for employees or others to report suspected inappropriate actions by us or by our employees or agents.

New Business Risk

New business risk refers to the risks of entering into a new line of business or offering a new product. By entering a new line of business or offering a new product, we may face risks that we are unaccustomed to dealing with and may increase the magnitude of the risks we currently face. The New Business Committee reviews proposals for new businesses and new products to determine if we are prepared to handle the additional or increased risks associated with entering into such activities.

Reputational Risk

We recognize that maintaining our reputation among clients, investors, regulators and the general public is an important aspect of minimizing legal and operational risks. Maintaining our reputation depends on a large number of factors, including the selection of our clients and the conduct of our business activities. We seek to maintain our reputation by screening potential clients and by conducting our business activities in accordance with high ethical standards. Our reputation and business activity can be affected by statements and actions of third parties, even false or misleading statements by them. We actively monitor public comment concerning us and are vigilant in seeking to assure accurate information and perception prevails.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures about market risk are set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations —Risk Management" in Part II, Item 7 of this Form 10-K.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Management’s Report on Internal Control over Financial Reporting	46
Report of Independent Registered Public Accounting Firm	47
Consolidated Statements of Financial Condition	48
Consolidated Statements of Earnings	49
Consolidated Statements of Comprehensive Income	50
Consolidated Statements of Changes in Equity	51
Consolidated Statements of Cash Flows	52
Notes to Consolidated Financial Statements	54

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated our internal control over financial reporting as of November 30, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework (2013)*. As a result of this assessment and based on the criteria in this framework, management has concluded that, as of November 30, 2016, our internal control over financial reporting was effective.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has audited and issued a report on our internal control over financial reporting, which appears on page 47.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Member of Jefferies Group LLC:

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of earnings, of comprehensive income, of changes in equity, and of cash flows present fairly, in all material respects, the financial position of Jefferies Group LLC and its subsidiaries (the "Company") at November 30, 2016 and 2015 and the results of their operations and their cash flows for each of the three years in the period ended November 30, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 15(a)(1) and Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2016, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control over Financial Reporting". Our responsibility is to express opinions on these financial statements, on the financial statement schedules and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
January 27, 2017

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands)

	November 30, 2016	November 30, 2015
ASSETS		
Cash and cash equivalents ($16,805 and $2,015 at November 30, 2016 and 2015, respectively, related to consolidated VIEs)	$ 3,529,069	$ 3,510,163
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	857,337	751,084
Financial instruments owned, at fair value, (including securities pledged of $9,706,881 and $12,207,123 at November 30, 2016 and 2015, respectively; and $87,153 and $68,951 at November 30, 2016 and 2015, respectively, related to consolidated VIEs)	13,809,512	16,559,116
Investments in managed funds	186,508	85,775
Loans to and investments in related parties	653,872	825,908
Securities borrowed	7,743,562	6,975,136
Securities purchased under agreements to resell	3,862,488	3,857,306
Receivables:		
Brokers, dealers and clearing organizations	2,009,163	1,574,759
Customers	843,114	1,191,316
Fees, interest and other ($1,547 and $329 at November 30, 2016 and 2015, respectively, related to consolidated VIEs)	310,894	260,924
Premises and equipment	265,553	243,486
Goodwill	1,640,653	1,656,588
Other assets	1,229,551	1,072,411
Total assets	$ 36,941,276	$ 38,563,972
LIABILITIES AND EQUITY		
Short-term borrowings	$ 525,842	$ 310,659
Financial instruments sold, not yet purchased, at fair value	8,359,202	6,785,064
Collateralized financings:		
Securities loaned	2,819,132	2,979,300
Securities sold under agreements to repurchase	6,791,676	10,004,428
Other secured financings (includes $41,768 and $68,345 at fair value at November 31, 2016 and 2015, respectively; and $755,544 and $762,909 at November 30, 2016 and 2015, respectively, related to consolidated VIEs)	755,576	762,909
Payables:		
Brokers, dealers and clearing organizations	3,290,404	2,742,001
Customers	2,297,292	2,780,493
Accrued expenses and other liabilities ($735 and $893 at November 30, 2016 and 2015, respectively, related to consolidated VIEs)	1,248,200	1,049,019
Long-term debt (includes $248,856 and $0 at fair value at November 30, 2016 and 2015, respectively)	5,483,355	5,640,722
Total liabilities	31,570,679	33,054,595
EQUITY		
Member's paid-in capital	5,538,103	5,526,855
Accumulated other comprehensive loss:		
Currency translation adjustments	(152,305)	(36,811)
Changes in instrument specific credit risk	(6,494)	—
Additional minimum pension liability	(9,358)	(8,135)
Total accumulated other comprehensive loss	(168,157)	(44,946)
Total member's equity	5,369,946	5,481,909
Noncontrolling interests	651	27,468
Total equity	5,370,597	5,509,377
Total liabilities and equity	$ 36,941,276	$ 38,563,972

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands)

	Year Ended November 30,		
	2016	2015	2014
Revenues:			
Commissions and other fees	$ 611,574	$ 659,002	$ 668,801
Principal transactions	519,652	172,608	532,292
Investment banking	1,193,973	1,439,007	1,529,274
Asset management fees and investment income from managed funds	31,062	8,015	17,047
Interest	857,838	922,189	1,019,970
Other	19,724	74,074	78,881
Total revenues	3,233,823	3,274,895	3,846,265
Interest expense	819,209	799,654	856,127
Net revenues	2,414,614	2,475,241	2,990,138
Non-interest expenses:			
Compensation and benefits	1,568,948	1,467,131	1,698,530
Non-compensation expenses:			
Floor brokerage and clearing fees	167,205	199,780	215,329
Technology and communications	262,396	313,044	268,212
Occupancy and equipment rental	101,133	101,138	107,767
Business development	93,105	105,963	106,984
Professional services	112,562	103,972	109,601
Bad debt provision	7,365	(396)	55,355
Goodwill impairment	—	—	54,000
Other	71,928	70,382	71,339
Total non-compensation expenses	815,694	893,883	988,587
Total non-interest expenses	2,384,642	2,361,014	2,687,117
Earnings before income taxes	29,972	114,227	303,021
Income tax expense	14,566	18,898	142,061
Net earnings	15,406	95,329	160,960
Net earnings (loss) attributable to noncontrolling interests	(28)	1,795	3,400
Net earnings attributable to Jefferies Group LLC	$ 15,434	$ 93,534	$ 157,560

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended November 30,		
	2016	2015	2014
Net earnings	$ 15,406	$ 95,329	$ 160,960
Other comprehensive loss, net of tax:			
Currency translation and other adjustments	(115,494)	(27,157)	(30,995)
Changes in instrument specific credit risk, net of tax (1)	(6,494)	—	—
Minimum pension liability adjustments, net of tax (2)	(1,223)	(3,116)	(7,778)
Total other comprehensive loss, net of tax (3)	(123,211)	(30,273)	(38,773)
Comprehensive income (loss)	(107,805)	65,056	122,187
Net earnings (loss) attributable to noncontrolling interests	(28)	1,795	3,400
Comprehensive income (loss) attributable to Jefferies Group LLC	$ (107,777)	$ 63,261	$ 118,787

(1) Includes income tax benefit of approximately $4.3 million for the year ended November 30, 2016.
(2) Includes income tax benefit of approximately $0.3 million, $4.2 million and $0.5 million for the years ended November 30, 2016, 2015 and 2014, respectively.
(3) None of the components of other comprehensive loss are attributable to noncontrolling interests.

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands)

	Year Ended November 30,		
	2016	2015	2014
Member's paid-in capital:			
Balance, beginning of period	$ 5,526,855	$ 5,439,256	$ 5,280,420
Net earnings attributable to Jefferies Group LLC	15,434	93,534	157,560
Tax benefit (detriment) for issuance of share-based awards	(4,186)	(5,935)	1,276
Balance, end of period	$ 5,538,103	$ 5,526,855	$ 5,439,256
Accumulated other comprehensive income (loss) (1) (2):			
Balance, beginning of period	$ (44,946)	$ (14,673)	$ 24,100
Currency adjustments	(115,494)	(27,157)	(30,995)
Changes in instrument specific credit risk, net of tax	(6,494)	—	—
Pension adjustments, net of tax	(1,223)	(3,116)	(7,778)
Balance, end of period	$ (168,157)	$ (44,946)	$ (14,673)
Total member's equity	$ 5,369,946	$ 5,481,909	$ 5,424,583
Noncontrolling interests:			
Balance, beginning of period	$ 27,468	$ 38,848	$ 117,154
Net earnings (loss) attributable to noncontrolling interests	(28)	1,795	3,400
Contributions	9,390	—	39,075
Distributions	(563)	(4,982)	—
Deconsolidation of asset management company	(35,616)	(8,193)	(120,781)
Balance, end of period	$ 651	$ 27,468	$ 38,848
Total equity	$ 5,370,597	$ 5,509,377	$ 5,463,431

(1) The components of other comprehensive income (loss) are attributable to Jefferies Group LLC. None of the components of other comprehensive income (loss) are attributable to noncontrolling interests.

(2) There were no material reclassifications out of Accumulated other comprehensive income during the years ended November 30, 2016, 2015 and 2014.

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended November 30,		
	2016	2015	2014
Cash flows from operating activities:			
Net earnings	$ 15,406	$ 95,329	$ 160,960
Adjustments to reconcile net earnings to net cash used in operating activities:			
Depreciation and amortization	(2,365)	15,236	691
Goodwill impairment	—	—	54,000
Deferred income taxes	(14,013)	88,796	122,195
Income on loans to and investments in related parties	(17,184)	(75,717)	(90,243)
Distributions received on investments in related parties	38,180	76,681	53,985
Other adjustments	(32,711)	(97,804)	(78,064)
Net change in assets and liabilities:			
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	(107,771)	2,691,028	166,108
Receivables:			
Brokers, dealers and clearing organizations	(477,273)	576,832	11,872
Customers	348,055	57,837	(294,412)
Fees, interest and other	(54,366)	541	(12,062)
Securities borrowed	(805,779)	(127,060)	(1,497,438)
Financial instruments owned	2,529,114	2,003,978	(2,243,053)
Investments in managed funds	(138,572)	15,498	13,473
Securities purchased under agreements to resell	(112,777)	53,817	(200,568)
Other assets	(173,616)	(63,110)	(146,114)
Payables:			
Brokers, dealers and clearing organizations	584,426	471,661	968,615
Customers	(483,188)	(3,455,080)	1,089,423
Securities loaned	(122,946)	385,929	95,607
Financial instruments sold, not yet purchased	1,753,647	(2,043,319)	1,832,930
Securities sold under agreements to repurchase	(3,144,433)	(650,795)	(84,303)
Accrued expenses and other liabilities	296,067	(259,665)	48,485
Net cash used in operating activities	(122,099)	(239,387)	(27,913)
Cash flows from investing activities:			
Contributions to loans to and investments in related parties	(538,186)	(1,438,675)	(2,786,394)
Distributions from loans to and investments in related parties	689,226	1,384,944	2,751,384
Net payments on premises and equipment	(75,772)	(68,813)	(110,536)
Payment on purchase of aircraft	(27,500)	—	—
Proceeds from sale of aircraft	29,450	—	—
Deconsolidation of asset management entity	(77)	(16,512)	(137,856)
Cash received from contingent consideration	2,617	4,444	6,253
Net cash provided by (used in) investing activities	79,758	(134,612)	(277,149)

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED
(In thousands)

	Year Ended November 30,		
	2016	2015	2014
Cash flows from financing activities:			
Excess tax benefits from the issuance of share-based awards	$ 489	$ 749	$ 1,921
Proceeds from short-term borrowings	15,313,383	17,263,217	18,965,163
Payments on short-term borrowings	(15,108,501)	(16,964,558)	(18,965,163)
Proceeds from secured credit facility	—	903,000	2,819,000
Payments on secured credit facility	—	(1,073,000)	(2,849,000)
Net (payments on) proceeds from other secured financings	(7,333)	157,085	371,113
Net proceeds from issuance of long-term debt, net of issuance costs	299,779	—	681,222
Repayment of long-term debt	(373,246)	(500,000)	(250,000)
Net change in bank overdrafts	(46,536)	29,295	20,974
Proceeds from contributions of noncontrolling interests	9,390	—	39,075
Payments on distributions to noncontrolling interests	(563)	(4,982)	—
Net cash provided by (used in) financing activities	86,862	(189,194)	834,305
Effect of changes in exchange rates on cash and cash equivalents	(25,615)	(6,612)	(10,394)
Net increase (decrease) in cash and cash equivalents	18,906	(569,805)	518,849
Cash and cash equivalents at beginning of period	3,510,163	4,079,968	3,561,119
Cash and cash equivalents at end of period	$ 3,529,069	$ 3,510,163	$ 4,079,968
Supplemental disclosures of cash flow information:			
Cash paid (received) during the period for:			
Interest	$ 859,466	$ 859,815	$ 922,194
Income taxes, net	(6,410)	(683)	120,703

See accompanying notes to consolidated financial statements.

JEFFERIES GROUP LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Index

Note	*Page*
Note 1. Organization and Basis of Presentation	55
Note 2. Summary of Significant Accounting Policies	56
Note 3. Accounting Developments	63
Note 4. Fair Value Disclosures	65
Note 5. Derivative Financial Instruments	82
Note 6. Collateralized Transactions	87
Note 7. Securitization Activities	89
Note 8. Variable Interest Entities	90
Note 9. Investments	94
Note 10. Goodwill and Other Intangible Assets	97
Note 11. Short-Term Borrowings	99
Note 12. Long-Term Debt	100
Note 13. Noncontrolling Interests	101
Note 14. Benefit Plans	102
Note 15. Compensation Plans	107
Note 16. Non-Interest Expenses	109
Note 17. Income Taxes	109
Note 18. Commitments, Contingencies and Guarantees	112
Note 19. Net Capital Requirements	115
Note 20. Segment Reporting	115
Note 21. Related Party Transactions	117
Note 22. Exit Costs	118
Note 23. Selected Quarterly Financial Data	119

Note 1. Organization and Basis of Presentation

Organization

Jefferies Group LLC and its subsidiaries operate as a global full service, integrated securities and investment banking firm. The accompanying Consolidated Financial Statements represent the accounts of Jefferies Group LLC and all our subsidiaries (together "we" or "us"). The subsidiaries of Jefferies Group LLC include Jefferies LLC ("Jefferies"), Jefferies Execution Services, Inc. ("Jefferies Execution"), Jefferies International Limited, Jefferies Hong Kong Limited, Jefferies Financial Services, Inc., Jefferies Funding LLC, Jefferies Leveraged Credit Products, LLC and all other entities in which we have a controlling financial interest or are the primary beneficiary. On April 9, 2015, we entered into an agreement to transfer certain of the client activities of our Futures business to Société Générale S.A. and initiated a plan to substantially exit the remaining aspects of our Futures business. During the second quarter of 2016, we completed the exit of the Futures business. For further information on the exit of the Bache business, refer to Note 22, Exit Costs.

Jefferies Group LLC is an indirect wholly owned subsidiary of Leucadia National Corporation ("Leucadia"). Leucadia does not guarantee any of our outstanding debt securities. Our 3.875% Convertible Senior Debentures due 2029 are convertible into Leucadia common shares (see Note 12, Long-Term Debt, for further details). Jefferies Group LLC retains a credit rating separate from Leucadia and is a Securities and Exchange Commission ("SEC") reporting company, filing annual, quarterly and periodic financial reports. Richard Handler, our Chief Executive Officer and Chairman, is the Chief Executive Officer of Leucadia, as well as a Director of Leucadia. Brian P. Friedman, our Chairman of the Executive Committee, is Leucadia's President and a Director of Leucadia.

We operate in two business segments, Capital Markets and Asset Management. Capital Markets, which represents substantially our entire business, includes our securities, commodities, futures and foreign exchange trading and investment banking activities, which provides the research, sales, trading, origination and advisory effort for various equity, fixed income and advisory products and services. Asset Management provides investment management services to various private investment funds and separate accounts.

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for financial information.

We have made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. GAAP. The most important of these estimates and assumptions relate to fair value measurements, compensation and benefits, goodwill and intangible assets, the ability to realize deferred tax assets and the recognition and measurement of uncertain tax positions. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Consolidation

Our policy is to consolidate all entities that we control by ownership a majority of the outstanding voting stock. In addition, we consolidate entities that meet the definition of a variable interest entity ("VIE") for which we are the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. For consolidated entities that are less than wholly owned, the third-party's holding of equity interest is presented as Noncontrolling interests in the Consolidated Statements of Financial Condition and Consolidated Statements of Changes in Equity. The portion of net earnings attributable to the noncontrolling interests is presented as Net earnings to noncontrolling interests in the Consolidated Statements of Earnings.

In situations in which we have significant influence, but not control, of an entity that does not qualify as a VIE, we apply either the equity method of accounting or fair value accounting pursuant to the fair value option election under U.S. GAAP, with our portion of net earnings or gains and losses recorded within Other revenues or Principal transaction revenues, respectively. We also have formed nonconsolidated investment vehicles with third-party investors that are typically organized as partnerships or limited liability companies and are carried at fair value. We act as general partner or managing member for these investment vehicles and have generally provided the third-party investors with termination or "kick-out" rights.

Intercompany accounts and transactions are eliminated in consolidation.

Immaterial Adjustments

We made immaterial correcting adjustments (referred to as "adjustments") to our Consolidated Statements of Cash Flows for the years ended November 30, 2015 and 2014. The adjustments relate to a classification error in the reporting of the net change in bank overdrafts within our Consolidated Statements of Cash Flows. The adjustments have no effect on our Consolidated Statements of Financial Condition, the Consolidated Statements of Earnings, the Consolidated Statements of Changes in Equity or the Consolidated Statements of Comprehensive Income for the years ended November 30, 2015 and 2014. We do not believe these adjustments are material to our financial statements for any previously reported period.

The following table presents equal and offsetting adjustments were made to the Net change in accrued expenses and other liabilities and the Net change in bank overdrafts (in thousands):

	Year Ended November 30,	
	2015	2014
Increase (decrease)		
Net change in accrued expenses and other liabilities	$ (29,295)	$ (20,974)
Net change in bank overdrafts	29,295	20,974

The following table sets forth the adjustments and revisions to our Consolidated Statements of Cash Flows (in thousands):

	Year Ended November 30,			
	2015		2014	
	As Originally Reported	As Revised	As Originally Reported	As Revised
Operating activities				
Increase (decrease) in accrued expenses and other liabilities	$ (230,370)	$ (259,665)	$ 69,459	$ 48,485
Net cash used in operating activities	(210,092)	(239,387)	(6,939)	(27,913)
Financing activities				
Net change in bank overdrafts	$ —	$ 29,295	$ —	$ 20,974
Net cash provided by (used in) financing activities	(218,489)	(189,194)	813,331	834,305

Note 2. Summary of Significant Accounting Policies

Revenue Recognition Policies

Commissions and Other Fees. All customer securities transactions are reported on the Consolidated Statements of Financial Condition on a settlement date basis with related income reported on a trade-date basis. We permit institutional customers to allocate a portion of their gross commissions to pay for research products and other services provided by third parties. The amounts allocated for those purposes are commonly referred to as soft dollar arrangements. These arrangements are accounted for on an accrual basis and, as we are not the primary obligor for these arrangements, netted against commission revenues in the Consolidated Statements of Earnings. In addition, we earn asset-based fees associated with the management and supervision of assets, account services and administration related to customer accounts.

Principal Transactions. Financial instruments owned and Financial instruments sold, but not yet purchased (all of which are recorded on a trade-date basis) are carried at fair value with gains and losses reflected in Principal transaction revenues in the Consolidated Statements of Earnings on a trade date basis. Fees received on loans carried at fair value are also recorded within Principal transaction revenues.

Investment Banking. Underwriting revenues and fees from mergers and acquisitions, restructuring and other investment banking advisory assignments or engagements are recorded when the services related to the underlying transactions are completed under the terms of the assignment or engagement. Expenses associated with such assignments are deferred until reimbursed by the client, the related revenue is recognized or the engagement is otherwise concluded. Expenses are recorded net of client reimbursements and netted against revenues. Unreimbursed expenses with no related revenues are included in Business development and Professional services expenses in the Consolidated Statements of Earnings.

Asset Management Fees and Investment Income from Managed Funds. Asset management fees and investment income from managed funds include revenues we earn from management, administrative and performance fees from funds and accounts managed by us, revenues from management and performance fees we earn from related-party managed funds and investment income from our investments in these funds. We earn fees in connection with management and investment advisory services performed for various funds and managed accounts. These fees are based on assets under management or an agreed upon notional amount and may include performance fees based upon the performance of the funds. Management and administrative fees are generally recognized over the period that the related service is provided. Generally, performance fees are earned when the return on assets under management exceeds certain benchmark returns, “high-water marks” or other performance targets. Performance fees are accrued (or reversed) on a monthly basis based on measuring performance to date versus any relevant benchmark return hurdles stated in the investment management agreement. Performance fees are not subject to adjustment once the measurement period ends (generally annual periods) and the performance fees have been realized.

Interest Revenue and Expense. We recognize contractual interest on Financial instruments owned and Financial instruments sold, but not yet purchased, on an accrual basis as a component of interest revenue and expense. Interest flows on derivative trading transactions and dividends are included as part of the fair valuation of these contracts and recognized in Principal transaction revenues in the Consolidated Statements of Earnings rather than as a component of interest revenue or expense. We account for our short- and long-term borrowings on an accrual basis with related interest recorded as Interest expense. Discounts/premiums arising on our long-term debt are accreted/amortized to Interest expense using the effective yield method over the remaining lives of the underlying debt obligations. In addition, we recognize interest revenue related to our securities borrowed and securities purchased under agreements to resell activities and interest expense related to our securities loaned and securities sold under agreements to repurchase activities on an accrual basis.

Cash Equivalents

Cash equivalents include highly liquid investments, including money market funds and certificates of deposit, not held for resale with original maturities of three months or less.

Cash and Securities Segregated and on Deposit for Regulatory Purposes or Deposited With Clearing and Depository Organizations

In accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, Jefferies as a broker-dealer carrying client accounts, is subject to requirements related to maintaining cash or qualified securities in a segregated reserve account for the exclusive benefit of its clients. Certain other entities are also obligated by rules mandated by their primary regulators to segregate or set aside cash or equivalent securities to satisfy regulations, promulgated to protect customer assets. In addition, certain exchange and/or clearing organizations require cash and/or securities to be deposited by us to conduct day to day activities.

Financial Instruments and Fair Value

Financial instruments owned and Financial instruments sold, not yet purchased are recorded at fair value, either as required by accounting pronouncements or through the fair value option election. These instruments primarily represent our trading activities and include both cash and derivative products. Gains and losses are recognized in Principal transaction revenues in our Consolidated Statements of Earnings. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

Fair Value Hierarchy

In determining fair value, we maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect our assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. We apply a hierarchy to categorize our fair value measurements broken down into three levels based on the transparency of inputs as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities at the reported date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable at the reported date. The nature of these financial instruments include cash instruments for which quoted prices are available but traded less frequently, derivative instruments that fair values for which have been derived using model inputs that are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3: Instruments that have little to no pricing observability at the reported date. These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

Financial instruments are valued at quoted market prices, if available. Certain financial instruments have bid and ask prices that can be observed in the marketplace. For financial instruments whose inputs are based on bid-ask prices, the financial instrument is valued at the point within the bid-ask range that meets our best estimate of fair value. We use prices and inputs that are current at the measurement date. For financial instruments that do not have readily determinable fair values using quoted market prices, the determination of fair value is based upon consideration of available information, including types of financial instruments, current financial information, restrictions on dispositions, fair values of underlying financial instruments and quotations for similar instruments.

The valuation of financial instruments may include the use of valuation models and other techniques. Adjustments to valuations derived from valuation models may be made when, in management's judgment, features of the financial instrument such as its complexity, the market in which the financial instrument is traded and risk uncertainties about market conditions, require that an adjustment be made to the value derived from the models. Adjustments from the price derived from a valuation model reflect management's judgment that other participants in the market for the financial instrument being measured at fair value would also consider in valuing that same financial instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of financial instrument and market conditions. As the observability of prices and inputs may change for a financial instrument from period to period, this condition may cause a transfer of an instrument among the fair value hierarchy levels. Transfers among the levels are recognized at the beginning of each period. The degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Valuation Process for Financial Instruments

Our Independent Price Verification ("IPV") Group, which is part of our Finance department, in partnership with Risk Management, is responsible for establishing our valuation policies and procedures. The IPV Group and Risk Management, which are independent of our business functions, play an important role and serve as a control function in determining that our financial instruments are appropriately reflected at fair value. This is particularly important where prices or valuations that require inputs are less observable. In the event that observable inputs are not available, the control processes are designed to assure that the valuation approach utilized is appropriate and consistently applied and that the assumptions are reasonable. The IPV Group reports to the Global Controller and is subject to the oversight of the IPV Committee, which comprises our Chief Financial Officer, Global Controller, Chief Risk Officer and Principal Accounting Officer, among other personnel. Our independent price verification policies and procedures are reviewed, at a minimum, annually, and changes to the policies require the approval of the IPV Committee.

Price Testing Process. The business units are responsible for determining the fair value of our financial instruments using approved valuation models and methodologies. In order to ensure that the business unit valuations represent a fair value exit price, the IPV Group tests and validates the fair value of our financial instruments inventory. In the testing process, the IPV Group obtains prices and valuation inputs from independent sources, consistently adheres to established procedures set forth in our valuation policies for sourcing prices and valuation inputs and utilizing valuation methodologies. Sources used to validate fair value prices and inputs include, but are not limited to, exchange data, recently executed transactions, pricing data obtained from third party vendors, pricing and valuation services, broker quotes and observed comparable transactions.

To the extent discrepancies between the business unit valuations and the pricing or valuations resulting from the price testing process are identified, such discrepancies are investigated by the IPV Group and fair values are adjusted, as appropriate. The IPV Group maintains documentation of its testing, results, rationale and recommendations and prepares a monthly summary of its valuation results. This process also forms the basis for our classification of fair values within the fair value hierarchy (*i.e.,* Level 1, Level 2 or Level 3). The IPV Group utilizes the additional expertise of Risk Management personnel in valuing more complex financial instruments and financial instruments with less or limited pricing observability. The results of the valuation testing are reported to the IPV Committee on a monthly basis, which discusses the results and determines the financial instrument fair values in the consolidated financial statements. This process specifically assists the Chief Financial Officer in asserting as to the fair presentation of our financial condition and results of operations as included within our Quarterly Reports on Form 10-Q and Annual Report on Form 10-K. At each quarter end, the overall valuation results, as determined by the IPV Committee, are presented to the Audit Committee.

Judgment exercised in determining Level 3 fair value measurements is supplemented by daily analysis of profit and loss performed by the Product Control functions. Gains and losses, which result from changes in fair value, are evaluated and corroborated daily based on an understanding of each trading desk's overall risk positions and developments in a particular market on the given day. Valuation techniques generally rely on recent transactions of suitably comparable financial instruments and use the observable inputs from those comparable transactions as a validation basis for Level 3 inputs. Level 3 fair value measurements are further validated through subsequent sales testing and market comparable sales, if such information is available. Level 3 fair value measurements require documentation of the valuation rationale applied, which is reviewed for consistency in application from period to period.

Third Party Pricing Information. Pricing information obtained from external data providers (including independent pricing services and brokers) may incorporate a range of market quotes from dealers, recent market transactions and benchmarking model derived prices to quoted market prices and trade data for comparable securities. External pricing data is subject to evaluation for reasonableness by the IPV Group using a variety of means including comparisons of prices to those of similar product types, quality and maturities, consideration of the narrowness or wideness of the range of prices obtained, knowledge of recent market transactions and an assessment of the similarity in prices to comparable dealer offerings in a recent time period. Our processes challenge the appropriateness of pricing information obtained from external data providers (including independent pricing services and brokers) to validate the data for consistency with the definition of a fair value exit price. Our process includes understanding and evaluating the external data providers' valuation methodologies. For corporate, U.S. government and agency, and municipal debt securities, and loans, to the extent we use independent pricing services or broker quotes in our valuation process, the vendor service providers are collecting and aggregating observable market information as to recent trade activity and active bid-ask submissions. The composite pricing information received from the independent pricing service is thus not based on unobservable inputs or proprietary models. For mortgage- and other asset-backed securities, collateralized debt obligations ("CDOs") and collateralized loan obligations ("CLOs"), our independent pricing services use a matrix evaluation approach, incorporating both observable yield curves and market yields on comparable securities as well as implied inputs from observed trades for comparable securities in order to determine prepayment speeds, cumulative default rates and loss severity. Further, we consider pricing data from multiple service providers as available as well as compare pricing data to prices we have observed for recent transactions, if any, in order to corroborate our valuation inputs.

Model Review Process. If a pricing model is used to determine fair value, the pricing model is reviewed for theoretical soundness and appropriateness by Risk Management, independent from the trading desks, and then approved by Risk Management to be used in the valuation process. Review and approval of a model for use may include benchmarking the model against relevant third party valuations, testing sample trades in the model, backtesting the results of the model against actual trades and stress-testing the sensitivity of the pricing model using varying inputs and assumptions. In addition, recently executed comparable transactions and other observable market data are considered for purposes of validating assumptions underlying the model. Models are independently reviewed and validated by Risk Management annually or more frequently if market conditions or use of the valuation model changes.

Investments in Managed Funds

Investments in managed funds include our investments in funds managed by us and our investments in related-party managed funds in which we are entitled to a portion of the management and/or performance fees. Investments in nonconsolidated managed funds are accounted for at fair value based on the net asset value ("NAV") of the funds provided by the fund managers with gains or losses included in Asset management fees and investment income (loss) from managed funds in the Consolidated Statements of Earnings.

Loans to and Investments in Related Parties

Loans to and investments in related parties include investments in private equity and other operating entities made in connection with our capital markets activities in which we exercise significant influence over operating and capital decisions and loans issued in connection with such activities. Loans to and investments in related parties are accounted for using the equity method or at cost, as appropriate. Revenues on Loans to and investments in related parties are included in Other revenues in the Consolidated Statements of Earnings. See Note 9, Investments, and Note 21, Related Party Transactions, for additional information regarding certain of these investments.

Securities Borrowed and Securities Loaned

Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced and received in connection with the transactions and accounted for as collateralized financing transactions. In connection with both trading and brokerage activities, we borrow securities to cover short sales and to complete transactions in which customers have failed to deliver securities by the required settlement date, and lend securities to other brokers and dealers for similar purposes. We have an active securities borrowed and lending matched book business in which we borrow securities from one party and lend them to another party. When we borrow securities, we generally provide cash to the lender as collateral, which is reflected in our Consolidated Statements of Financial Condition as Securities borrowed. We earn interest revenues on this cash collateral. Similarly, when we lend securities to another party, that party provides cash to us as collateral, which is reflected in our Consolidated Statements of Financial Condition as Securities loaned. We pay interest expense on the cash collateral received from the party borrowing the securities. The initial collateral advanced or received approximates or is greater than the fair value of the securities borrowed or loaned. We monitor the fair value of the securities borrowed and loaned on a daily basis and request additional collateral or return excess collateral, as appropriate.

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

Securities purchased under agreements to resell and Securities sold under agreements to repurchase (collectively "repos") are accounted for as collateralized financing transactions and are recorded at their contracted resale or repurchase amount plus accrued interest. We earn and incur interest over the term of the repo, which is reflected in Interest revenue and Interest expense on our Consolidated Statements of Earnings on an accrual basis. Repos are presented in the Consolidated Statements of Financial Condition on a net-basis by counterparty, where permitted by U.S. GAAP. We monitor the fair value of the underlying securities daily versus the related receivable or payable balances. Should the fair value of the underlying securities decline or increase, additional collateral is requested or excess collateral is returned, as appropriate.

Offsetting of Derivative Financial Instruments and Securities Financing Agreements

To manage our exposure to credit risk associated with our derivative activities and securities financing transactions, we may enter into International Swaps and Derivative Association, Inc. ("ISDA") master netting agreements, master securities lending agreements, master repurchase agreements or similar agreements and collateral arrangements with counterparties. A master agreement creates a single contract under which all transactions between two counterparties are executed allowing for trade aggregation and a single net payment obligation. Master agreements provide protection in bankruptcy in certain circumstances and, where legally enforceable, enable receivables and payables with the same counterparty to be settled or otherwise eliminated by applying amounts due against all or a portion of an amount due from the counterparty or a third party. Under our ISDA master netting agreements, we typically also execute credit support annexes, which provide for collateral, either in the form of cash or securities, to be posted by or paid to a counterparty based on the fair value of the derivative receivable or payable based on the rates and parameters established in the credit support annex.

In the event of the counterparty's default, provisions of the master agreement permit acceleration and termination of all outstanding transactions covered by the agreement such that a single amount is owed by, or to, the non-defaulting party. In addition, any collateral posted can be applied to the net obligations, with any excess returned; and the collateralized party has a right to liquidate the collateral. Any residual claim after netting is treated along with other unsecured claims in bankruptcy court.

The conditions supporting the legal right of offset may vary from one legal jurisdiction to another and the enforceability of master netting agreements and bankruptcy laws in certain countries or in certain industries is not free from doubt. The right of offset is dependent both on contract law under the governing arrangement and consistency with the bankruptcy laws of the jurisdiction where the counterparty is located. Industry legal opinions with respect to the enforceability of certain standard provisions in respective jurisdictions are relied upon as a part of managing credit risk. In cases where we have not determined an agreement to be enforceable, the related amounts are not offset. Master netting agreements are a critical component of our risk management processes as part of reducing counterparty credit risk and managing liquidity risk.

We are also a party to clearing agreements with various central clearing parties. Under these arrangements, the central clearing counterparty facilitates settlement between counterparties based on the net payable owed or receivable due and, with respect to daily settlement, cash is generally only required to be deposited to the extent of the net amount. In the event of default, a net termination amount is determined based on the market values of all outstanding positions and the clearing organization or clearing member provides for the liquidation and settlement of the net termination amount among all counterparties to the open contracts or transactions.

Refer to Note 5, Derivative Financial Instruments and Note 6, Collateralized Transactions, for further information.

Premises and Equipment

Premises and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets (generally three to ten years). Leasehold improvements are amortized using the straight-line method over the term of the related leases or the estimated useful lives of the assets, whichever is shorter. Premises and equipment includes internally developed software. The carrying values of internally developed software ready for its intended use are depreciated over the remaining useful life.

At November 30, 2016 and 2015, furniture, fixtures and equipment, including amounts under capital leases, amounted to $374.2 million and $365.8 million, respectively, and leasehold improvements amounted to $200.5 million and $190.5 million, respectively. Accumulated depreciation and amortization was $309.2 million and $312.8 million at November 30, 2016 and 2015, respectively.

Depreciation and amortization expense amounted to $47.9 million, $78.7 million and $58.0 million for the years ended November 30, 2016, 2015 and 2014, respectively.

Goodwill and Intangible Assets

Goodwill. Goodwill represents the excess acquisition cost over the fair value of net tangible and intangible assets acquired. Goodwill is not amortized and is subject to annual impairment testing on August 1 or between annual tests if an event or change in circumstance occurs that would more likely than not reduce the fair value of a reporting unit below its carrying value. In testing for goodwill impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not required. If we conclude otherwise, we are required to perform the two-step impairment test. The goodwill impairment test is performed at the reporting unit level by comparing the estimated fair value of a reporting unit with its respective carrying value. If the estimated fair value exceeds the carrying value, goodwill at the reporting unit level is not impaired. If the estimated fair value is less than carrying value, further analysis is necessary to determine the amount of impairment, if any, by comparing the implied fair value of the reporting unit's goodwill to the carrying value of the reporting unit's goodwill.

The fair value of reporting units are based on widely accepted valuation techniques that we believe market participants would use, although the valuation process requires significant judgment and often involves the use of significant estimates and assumptions. The methodologies we utilize in estimating the fair value of reporting units include market valuation methods that incorporate price-to-earnings and price-to-book multiples of comparable exchange traded companies and multiples of merger and acquisitions of similar businesses. The estimates and assumptions used in determining fair value could have a significant effect on whether or not an impairment charge is recorded and the magnitude of such a charge. Adverse market or economic events could result in impairment charges in future periods.

Intangible Assets. Intangible assets deemed to have finite lives are amortized on a straight line basis over their estimated useful lives, where the useful life is the period over which the asset is expected to contribute directly, or indirectly, to our future cash flows. Intangible assets are reviewed for impairment on an interim basis when certain events or circumstances exist. For amortizable intangible assets, impairment exists when the carrying amount of the intangible asset exceeds its fair value. At least annually, the remaining useful life is evaluated.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment, we have the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If we conclude otherwise, we are required to perform a quantitative impairment test.

Intangible assets are included in Other assets on the Consolidated Statement of Financial Condition. The Company's annual indefinite-lived intangible asset impairment testing date is August 1. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset that is amortized over the remaining useful life of that asset, if any. Subsequent reversal of impairment losses is not permitted.

Refer to Note 10, Goodwill and Other Intangible Assets, for further information.

Income Taxes

Our results of operations are included in the consolidated federal and applicable state income tax returns filed by Leucadia. In states that neither accept nor require combined or unitary tax returns, certain subsidiaries file separate state income tax returns. We also are subject to income tax in various foreign jurisdictions in which we operate. We account for our provision for income taxes using a "separate return" method. Amounts provided for income taxes are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable. Pursuant to a tax sharing agreement entered into between us and Leucadia, payments are made between us and Leucadia to settle current tax assets and liabilities.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. We provide deferred taxes on our temporary differences and on any carryforwards that we could claim on our hypothetical tax return. The realization of deferred tax assets is assessed and a valuation allowance is recorded to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized on the basis of its projected separate return results.

The tax benefits related to share-based awards are recognized as an increase to Additional paid-in capital. These amounts, and other windfall tax benefits/(detriments), are included in Tax benefit/(detriment) for issuance of share-based awards on the Consolidated Statements of Changes in Equity. In the event tax deductions associated with share-based awards are less than the cumulative compensation cost recognized for financial reporting purposes, we look to Leucadia's consolidated pool of windfall tax benefits in the calculation of our income tax provision. During the first quarter of fiscal 2016, the consolidated pool of windfall tax benefits had been exhausted. As a result, our tax detriments are now recognized in our Consolidated Statement of Earnings until such time the Leucadia consolidated cumulative compensation cost recognized for tax purposes exceeds the amount recognized for financial reporting purposes.

We record uncertain tax positions using a two-step process: (i) we determine whether it is more likely than not that each tax position will be sustained on the basis of the technical merits of the position; and (ii) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Legal Reserves

In the normal course of business, we have been named, from time to time, as a defendant in legal and regulatory proceedings. We are also involved, from time to time, in other exams, investigations and similar reviews (both formal and informal) by governmental and self-regulatory agencies regarding our businesses, certain of which may result in judgments, settlements, fines, penalties or other injunctions.

We recognize a liability for a contingency in Accrued expenses and other liabilities when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If the reasonable estimate of a probable loss is a range, we accrue the most likely amount of such loss, and if such amount is not determinable, then we accrue the minimum in the range as the loss accrual. The determination of the outcome and loss estimates requires significant judgment on the part of management. We believe that any other matters for which we have determined a loss to be probable and reasonably estimable are not material to the consolidated financial statements.

In many instances, it is not possible to determine whether any loss is probable or even possible or to estimate the amount of any loss or the size of any range of loss. We believe that, in the aggregate, the pending legal actions or regulatory proceedings and any other exams, investigations or similar reviews (both formal and informal) should not have a material adverse effect on our consolidated results of operations, cash flows or financial condition. In addition, we believe that any amount that could be reasonably estimated of potential loss or range of potential loss in excess of what has been provided in the consolidated financial statements is not material.

Share-based Compensation

Share-based awards are measured based on the grant-date fair value of the award and recognized over the period from the service inception date through the date the employee is no longer required to provide service to earn the award. Expected forfeitures are included in determining share-based compensation expense.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries having non-U.S. dollar functional currencies are translated at exchange rates at the end of a period. Revenues and expenses are translated at average exchange rates during the period. The gains or losses resulting from translating foreign currency financial statements into U.S. dollars, net of hedging gains or losses and taxes, if any, are included in Other comprehensive income. Gains or losses resulting from foreign currency transactions are included in Principal transaction revenues in the Consolidated Statements of Earnings.

Securitization Activities

We engage in securitization activities related to corporate loans, consumer loans, commercial mortgage loans and mortgage-backed and other asset-backed securities. Such transfers of financial assets are accounted for as sales when we have relinquished control over the transferred assets. The gain or loss on sale of such financial assets depends, in part, on the previous carrying amount of the assets involved in the transfer allocated between the assets sold and the retained interests, if any, based upon their respective fair values at the date of sale. We may retain interests in the securitized financial assets as one or more tranches of the securitization. These retained interests are included within Financial instruments owned in the Consolidated Statements of Financial Condition at fair value. Any changes in the fair value of such retained interests are recognized within Principal transactions revenues in the Consolidated Statements of Earnings.

When a transfer of assets does not meet the criteria of a sale, we account for the transfer as a secured borrowing and continue to recognize the assets of a secured borrowing in Financial instruments owned and recognize the associated financing in Other secured financings in the Consolidated Statements of Financial Condition.

Note 3. Accounting Developments

Accounting Standards to be Adopted in Future Periods

Statement of Cash Flows. In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. The guidance adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. The guidance is effective in the first quarter of fiscal 2019 and early adoption is permitted. In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash. The guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The guidance is effective in the first quarter of fiscal 2019 and early adoption is permitted. We are currently evaluating the impact of these new ASUs on our Consolidated Statements of Cash Flows.

Financial Instruments-Credit Losses. In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments. The guidance provides for estimating credit losses on certain types of financial instruments by introducing an approach based on expected losses. The guidance is effective in the first quarter of fiscal 2021 and early adoption is permitted in the first quarter of fiscal 2020. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Employee Share-Based Payments. In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting. The guidance simplifies various aspects related to how share-based payments are accounted for and presented in the consolidated financial statements. The amendments include the recognition of all excess tax benefits and tax deficiencies as income tax expense or benefit in the Consolidated Statement of Earnings and changes to the timing of recognition of excess tax benefits, the accounting for forfeitures, classification of awards as either equity or liabilities and classification on the statement of cash flows. We early adopted this standard on December 1, 2016 and the adoption did not have a material effect on our consolidated financial statements. We elected to account for forfeitures as they occur, which will result in dividends and dividend equivalents originally charged against retained earnings for forfeited shares to be reclassified to compensation cost in the period in which the forfeiture occurs. In addition, the current period's excess tax benefit related to stock-based compensation will be presented as an operating activity rather than a financing activity in the Consolidated Statements of Cash Flows on a retrospective basis.

Leases. In February 2016, the FASB issued ASU No. 2016-02, Leases. The guidance affects the accounting for leases and provides for a lessee model that brings substantially all leases onto the balance sheet. The guidance is effective in the first quarter of fiscal 2019 and early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Financial Instruments. In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. The guidance affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements of financial instruments. The guidance is effective in the first quarter of fiscal 2019. We are currently evaluating the impact of the new guidance related to equity investments and the presentation and disclosure requirements of financial instruments on our consolidated financial statements. Early adoption is permitted for the accounting guidance on financial liabilities under the fair value option and we adopted this guidance in the first quarter of fiscal 2016. The adoption of this accounting guidance did not have a material effect on our consolidated financial statements.

Revenue Recognition. In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU No. 2014-09"). The accounting guidance defines how companies report revenues from contracts with customers, and also requires enhanced disclosures. The guidance, as stated in ASU No. 2014-09, was effective beginning in the first quarter of fiscal 2018. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers - Deferral of Effective Date, which defers the effective date by one year, with early adoption on the original effective date permitted. We intend to adopt the new guidance on December 1, 2017 with a cumulative-effect adjustment to opening retained earnings. Because the guidance does not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other U.S. GAAP, we do not expect the guidance to have a material impact on the elements of our Consolidated Statements of Earnings most closely associated with financial instruments, including Principal transaction revenues, Interest income and Interest expense. Our implementation efforts include the identification of revenue within the scope of the guidance, the evaluation of certain revenue contracts, education and discussions with our control functions, and periodic discussions with our audit committee. Our evaluation of the impact of the new guidance on our consolidated financial statements is ongoing, and we continue to evaluate the timing of recognition for various revenues, which may be accelerated or deferred depending on the features of the client arrangements and the presentation of certain contract costs (whether presented gross or offset against revenues).

Adopted Accounting Standards

Debt Issuance Costs. In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. The accounting guidance requires that debt issuance costs related to a recognized debt liability be reported in the Consolidated Statements of Financial Condition as a direct deduction from the carrying amount of that debt liability. The guidance is effective retrospectively and we adopted this guidance in the first quarter of fiscal 2016. The adoption of this accounting guidance did not have a material impact on our Consolidated Statements of Financial Condition.

Consolidation. In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendment eliminates the deferral of certain consolidation standards for entities considered to be investment companies and modifies the consolidation analysis performed on certain types of legal entities. The guidance is effective beginning in the first quarter of fiscal 2017 and we adopted it in the first quarter of fiscal 2016 using a modified retrospective approach. The adoption of this accounting guidance resulted in the deconsolidation of an asset management vehicle, which resulted in the following adjustment to the Consolidated Statement of Financial Condition on December 1, 2015: a decrease of $27.0 million in Investments in managed funds, a decrease of $0.7 million in Accrued expenses and other liabilities and a decrease of $26.3 million in Noncontrolling interests. For further information on the adoption of ASU No. 2015-02, refer to Note 8, Variable Interest Entities.

Note 4. Fair Value Disclosures

The following is a summary of our financial assets and liabilities that are accounted for at fair value on a recurring basis, excluding Investments at fair value based on NAV of $24.3 million and $36.7 million at November 30, 2016 and 2015, respectively, by level within the fair value hierarchy (in thousands):

	November 30, 2016				
	Level 1 (1)	Level 2 (1)	Level 3	Counterparty and Cash Collateral Netting (2)	Total
Assets:					
Financial instruments owned:					
Corporate equity securities	$ 1,742,463	$ 90,662	$ 21,739	$ —	$ 1,854,864
Corporate debt securities	—	2,675,020	25,005	—	2,700,025
CDOs and CLOs	—	54,306	54,354	—	108,660
U.S. government and federal agency securities	2,389,397	56,726	—	—	2,446,123
Municipal securities	—	708,469	27,257	—	735,726
Sovereign obligations	1,432,556	990,492	—	—	2,423,048
Residential mortgage-backed securities	—	960,494	38,772	—	999,266
Commercial mortgage-backed securities	—	296,405	20,580	—	316,985
Other asset-backed securities	—	63,587	40,911	—	104,498
Loans and other receivables	—	1,557,233	81,872	—	1,639,105
Derivatives	3,825	4,606,278	6,429	(4,255,998)	360,534
Investments at fair value	—	—	96,369	—	96,369
Total financial instruments owned, excluding Investments at fair value based on NAV	$ 5,568,241	$ 12,059,672	$ 413,288	$ (4,255,998)	$ 13,785,203
Liabilities:					
Financial instruments sold, not yet purchased:					
Corporate equity securities	$ 1,577,405	$ 16,806	$ 313	$ —	$ 1,594,524
Corporate debt securities	—	1,718,424	523	—	1,718,947
U.S. government and federal agency securities	976,497	—	—	—	976,497
Sovereign obligations	1,375,590	1,253,754	—	—	2,629,344
Loans	—	801,977	378	—	802,355
Derivatives	568	4,856,310	9,870	(4,229,213)	637,535
Total financial instruments sold, not yet purchased	$ 3,930,060	$ 8,647,271	$ 11,084	$ (4,229,213)	$ 8,359,202
Other secured financings	$ —	$ 41,350	$ 418	$ —	$ 41,768
Long term debt	$ —	$ 248,856	$ —	$ —	$ 248,856

(1) There were no material transfers between Level 1 and Level 2 for the year ended November 30, 2016.
(2) Represents counterparty and cash collateral netting across the levels of the fair value hierarchy for positions with the same counterparty.

JEFFERIES GROUP LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

	November 30, 2015				
	Level 1 (1)	Level 2 (1)	Level 3	Counterparty and Cash Collateral Netting (2)	Total
Assets:					
Financial instruments owned:					
Corporate equity securities	$ 1,853,351	$ 133,732	$ 40,906	$ —	$ 2,027,989
Corporate debt securities	—	2,867,165	25,876	—	2,893,041
CDOs and CLOs	—	89,144	85,092	—	174,236
U.S. government and federal agency securities	2,555,018	90,633	—	—	2,645,651
Municipal securities	—	487,141	—	—	487,141
Sovereign obligations	1,251,366	1,407,955	120	—	2,659,441
Residential mortgage-backed securities	—	2,731,070	70,263	—	2,801,333
Commercial mortgage-backed securities	—	1,014,913	14,326	—	1,029,239
Other asset-backed securities	—	118,629	42,925	—	161,554
Loans and other receivables	—	1,123,044	189,289	—	1,312,333
Derivatives	1,037	4,395,704	19,785	(4,165,446)	251,080
Investments at fair value	—	26,224	53,120	—	79,344
Total financial instruments owned, excluding Investments at fair value based on NAV	$ 5,660,772	$ 14,485,354	$ 541,702	$ (4,165,446)	$ 16,522,382
Liabilities:					
Financial instruments sold, not yet purchased:					
Corporate equity securities	$ 1,382,377	$ 36,518	$ 38	$ —	$ 1,418,933
Corporate debt securities	—	1,556,941	—	—	1,556,941
U.S. government and federal agency securities	1,488,121	—	—	—	1,488,121
Sovereign obligations	837,614	505,382	—	—	1,342,996
Residential mortgage-backed securities	—	117	—	—	117
Loans	—	758,939	10,469	—	769,408
Derivatives	364	4,446,639	19,543	(4,257,998)	208,548
Total financial instruments sold, not yet purchased	$ 3,708,476	$ 7,304,536	$ 30,050	$ (4,257,998)	$ 6,785,064
Other secured financings (3)	$ —	$ 67,801	$ 544	$ —	$ 68,345

(1) There were no material transfers between Level 1 and Level 2 for the year ended November 30, 2015.
(2) Represents counterparty and cash collateral netting across the levels of the fair value hierarchy for positions with the same counterparty.
(3) Level 2 liabilities include $67.8 million of other secured financings that were previously not disclosed in our Annual Report on Form 10-K for the year ended November 30, 2015.

The following is a description of the valuation basis, including valuation techniques and inputs, used in measuring our financial assets and liabilities that are accounted for at fair value on a recurring basis:

Corporate Equity Securities

- Exchange Traded Equity Securities: Exchange-traded equity securities are measured based on quoted closing exchange prices, which are generally obtained from external pricing services, and are categorized within Level 1 of the fair value hierarchy, otherwise they are categorized within Level 2 of the fair value hierarchy.

- Non-exchange Traded Equity Securities: Non-exchange traded equity securities are measured primarily using broker quotations, pricing data from external pricing services and prices observed for recently executed market transactions and are categorized within Level 2 of the fair value hierarchy. Where such information is not available, non-exchange traded equity securities are categorized within Level 3 of the fair value hierarchy and measured using valuation techniques involving quoted prices of or market data for comparable companies, similar company ratios and multiples (*e.g.*, price/Earnings before interest, taxes, depreciation and amortization ("EBITDA"), price/book value), discounted cash flow analyses and transaction prices observed for subsequent financing or capital issuance by the Company. When using pricing data of comparable companies, judgment must be applied to adjust the pricing data to account for differences between the measured security and the comparable security (*e.g.*, issuer market capitalization, yield, dividend rate, geographical concentration).
- Equity Warrants: Non-exchange traded equity warrants are measured primarily using pricing data from external pricing services, prices observed for recently executed market transactions and broker quotations are categorized within Level 2 of the fair value hierarchy. Where such information is not available, non-exchange traded equity warrants are generally categorized within Level 3 of the fair value hierarchy and are measured using the Black-Scholes model with key inputs impacting the valuation including the underlying security price, implied volatility, dividend yield, interest rate curve, strike price and maturity date.

Corporate Debt Securities

- Corporate Bonds: Corporate bonds are measured primarily using pricing data from external pricing services and broker quotations, where available, prices observed for recently executed market transactions and bond spreads or credit default swap spreads of the issuer adjusted for basis differences between the swap curve and the bond curve. Corporate bonds measured using these valuation methods are categorized within Level 2 of the fair value hierarchy. If broker quotes, pricing data or spread data is not available, alternative valuation techniques are used including cash flow models incorporating interest rate curves, single name or index credit default swap curves for comparable issuers and recovery rate assumptions. Corporate bonds measured using alternative valuation techniques are categorized within Level 3 of the fair value hierarchy and are a limited portion of our corporate bonds.
- High Yield Corporate and Convertible Bonds: A significant portion of our high yield corporate and convertible bonds are categorized within Level 2 of the fair value hierarchy and are measured primarily using broker quotations and pricing data from external pricing services, where available, and prices observed for recently executed market transactions of comparable size. Where pricing data is less observable, valuations are categorized within Level 3 and are based on pending transactions involving the issuer or comparable issuers, prices implied from an issuer's subsequent financings or recapitalizations, models incorporating financial ratios and projected cash flows of the issuer and market prices for comparable issuers.

CDOs and CLOs

CDOs and CLOs are measured based on prices observed for recently executed market transactions of the same or similar security or based on valuations received from third party brokers or data providers and are categorized within Level 2 or Level 3 of the fair value hierarchy depending on the observability and significance of the pricing inputs. Valuation that is based on recently executed market transactions of similar securities incorporates additional review and analysis of pricing inputs and comparability criteria including but not limited to collateral type, tranche type, rating, origination year, prepayment rates, default rates, and loss severity.

U.S. Government and Federal Agency Securities

- U.S. Treasury Securities: U.S. Treasury securities are measured based on quoted market prices and categorized within Level 1 of the fair value hierarchy.
- U.S. Agency Issued Debt Securities: Callable and non-callable U.S. agency issued debt securities are measured primarily based on quoted market prices obtained from external pricing services and are generally categorized within Level 1 or Level 2 of the fair value hierarchy.

Municipal Securities

Municipal securities are measured based on quoted prices obtained from external pricing services and are generally categorized within Level 2 of the fair value hierarchy.

Sovereign Obligations

Foreign sovereign government obligations are measured based on quoted market prices obtained from external pricing services, where available, or recently executed independent transactions of comparable size. To the extent external price quotations are not available or recent transactions have not been observed, valuation techniques incorporating interest rate yield curves and country spreads for bonds of similar issuers, seniority and maturity are used to determine fair value of sovereign bonds or obligations. Foreign sovereign government obligations are classified in Level 1, Level 2 or Level 3 of the fair value hierarchy, primarily based on the country of issuance.

Residential Mortgage-Backed Securities

- Agency Residential Mortgage-Backed Securities ("RMBS"): Agency RMBS include mortgage pass-through securities (fixed and adjustable rate), collateralized mortgage obligations and interest-only and principal-only securities and are generally measured using market price quotations from external pricing services and categorized within Level 2 of the fair value hierarchy.
- Agency Residential Interest-Only and Inverse Interest-Only Securities ("Agency Inverse IOs"): The fair value of Agency Inverse IOs is estimated using expected future cash flow techniques that incorporate prepayment models and other prepayment assumptions to amortize the underlying mortgage loan collateral. We use prices observed for recently executed transactions to develop market-clearing spread and yield curve assumptions. Valuation inputs with regard to the underlying collateral incorporate weighted average coupon, loan-to-value, credit scores, geographic location, maximum and average loan size, originator, servicer, and weighted average loan age. Agency Inverse IOs are categorized within Level 2 of the fair value hierarchy. We also use vendor data in developing our assumptions, as appropriate.
- Non-Agency RMBS: Fair values are determined primarily using discounted cash flow methodologies and securities are categorized within Level 2 or Level 3 of the fair value hierarchy based on the observability and significance of the pricing inputs used. Performance attributes of the underlying mortgage loans are evaluated to estimate pricing inputs, such as prepayment rates, default rates and the severity of credit losses. Attributes of the underlying mortgage loans that affect the pricing inputs include, but are not limited to, weighted average coupon; average and maximum loan size; loan-to-value; credit scores; documentation type; geographic location; weighted average loan age; originator; servicer; historical prepayment, default and loss severity experience of the mortgage loan pool; and delinquency rate. Yield curves used in the discounted cash flow models are based on observed market prices for comparable securities and published interest rate data to estimate market yields.

Commercial Mortgage-Backed Securities

- Agency Commercial Mortgage-Backed Securities ("CMBS"): Government National Mortgage Association ("GNMA") project loans are measured based on inputs corroborated from and benchmarked to observed prices of recent securitization transactions of similar securities with adjustments incorporating an evaluation for various factors, including prepayment speeds, default rates, and cash flow structures as well as the likelihood of pricing levels in the current market environment. Federal National Mortgage Association ("FNMA") Delegated Underwriting and Servicing ("DUS") mortgage-backed securities are generally measured by using prices observed for recently executed market transactions to estimate market-clearing spread levels for purposes of estimating fair value. GNMA project loan bonds and FNMA DUS mortgage-backed securities are categorized within Level 2 of the fair value hierarchy.
- Non-Agency CMBS: Non-agency CMBS are measured using pricing data obtained from external pricing services and prices observed for recently executed market transactions and are categorized within Level 2 and Level 3 of the fair value hierarchy.

Other Asset-Backed Securities

Other asset-backed securities ("ABS") include, but are not limited to, securities backed by auto loans, credit card receivables, student loans and other consumer loans and are categorized within Level 2 and Level 3 of the fair value hierarchy. Valuations are primarily determined using pricing data obtained from external pricing services and broker quotes and prices observed for recently executed market transactions.

Loans and Other Receivables

- Corporate Loans: Corporate loans categorized within Level 2 of the fair value hierarchy are measured based on market price quotations where market price quotations from external pricing services are supported by transaction data. Corporate loans categorized within Level 3 of the fair value hierarchy are measured based on price quotations that are considered to be less transparent, market prices for debt securities of the same creditor, and estimates of future cash flow incorporating assumptions regarding creditor default and recovery rates and consideration of the issuer's capital structure.

- Participation Certificates in Agency Residential Loans: Valuations of participation certificates in agency residential loans are based on observed market prices of recently executed purchases and sales of similar loans. The loan participation certificates are categorized within Level 2 of the fair value hierarchy given the observability and volume of recently executed transactions and availability of data provider pricing.
- Project Loans and Participation Certificates in GNMA Project and Construction Loans: Valuations of participation certificates in GNMA project and construction loans are based on inputs corroborated from and benchmarked to observed prices of recent securitizations of assets with similar underlying loan collateral to derive an implied spread. Securitization prices are adjusted to estimate the fair value of the loans incorporating an evaluation for various factors, including prepayment speeds, default rates, and cash flow structures, as well as the likelihood of pricing levels in the current market environment. The measurements are categorized within Level 2 of the fair value hierarchy given the observability and volume of recently executed transactions.
- Consumer Loans and Funding Facilities: Consumer and small business whole loans and related funding facilities are valued based on observed market transactions incorporating additional valuation inputs including, but not limited to, delinquency and default rates, prepayment rates, borrower characteristics, loan risk grades and loan age. These assets are categorized within Level 2 or Level 3 of the fair value hierarchy.
- Escrow and Trade Claim Receivables: Escrow and trade claim receivables are categorized within Level 3 of the fair value hierarchy where fair value is estimated based on reference to market prices and implied yields of debt securities of the same or similar issuers. Escrow and trade claim receivables are categorized within Level 2 of the fair value hierarchy where fair value is based on recent trade activity in the same security.

Derivatives

- Listed Derivative Contracts: Listed derivative contracts that are actively traded are measured based on quoted exchange prices, which are generally obtained from external pricing services, and are categorized within Level 1 of the fair value hierarchy. Listed derivatives for which there is limited trading activity are measured based on incorporating the closing auction price of the underlying equity security, use similar valuation approaches as those applied to over-the-counter derivative contracts and are categorized within Level 2 of the fair value hierarchy.
- OTC Derivative Contracts: Over-the-counter (“OTC”) derivative contracts are generally valued using models, whose inputs reflect assumptions that we believe market participants would use in valuing the derivative in a current period transaction. Inputs to valuation models are appropriately calibrated to market data. For many OTC derivative contracts, the valuation models do not involve material subjectivity as the methodologies do not entail significant judgment and the inputs to valuation models do not involve a high degree of subjectivity as the valuation model inputs are readily observable or can be derived from actively quoted markets. OTC derivative contracts are primarily categorized within Level 2 of the fair value hierarchy given the observability and significance of the inputs to the valuation models. Where significant inputs to the valuation are unobservable, derivative instruments are categorized within Level 3 of the fair value hierarchy.

  OTC options include OTC equity, foreign exchange, interest rate and commodity options measured using various valuation models, such as the Black-Scholes, with key inputs impacting the valuation including the underlying security, foreign exchange spot rate or commodity price, implied volatility, dividend yield, interest rate curve, strike price and maturity date. Discounted cash flow models are utilized to measure certain OTC derivative contracts including the valuations of our interest rate swaps, which incorporate observable inputs related to interest rate curves, valuations of our foreign exchange forwards and swaps, which incorporate observable inputs related to foreign currency spot rates and forward curves and valuations of our commodity swaps and forwards, which incorporate observable inputs related to commodity spot prices and forward curves. Credit default swaps include both index and single-name credit default swaps. External prices are available as inputs in measuring index credit default swaps and single-name credit default swaps. For commodity and equity total return swaps, market prices are observable for the underlying asset and used as the basis for measuring the fair value of the derivative contracts. Total return swaps executed on other underlyings are measured based on valuations received from external pricing services.

Investments at Fair Value and Investments in Managed Funds

Investments at fair value based on NAV and Investments in Managed Funds include investments in hedge funds, fund of funds, private equity funds, convertible bond funds and commodity funds, which are measured at the NAV of the funds, provided by the fund managers and are excluded from the fair value hierarchy. Investments at fair value also include direct equity investments in private companies, which are measured at fair value using valuation techniques involving quoted prices of or market data for comparable companies, similar company ratios and multiples (*e.g.*, price/EBITDA, price/book value), discounted cash flow analyses and transaction prices observed for subsequent financing or capital issuance by the company. Direct equity investments in private companies are categorized within Level 2 or Level 3 of the fair value hierarchy. Additionally, investments at fair value include investments in insurance contracts relating to our defined benefit plan in Germany. Fair value for the insurance contracts is determined using a third party and is categorized within Level 3 of the fair value hierarchy.

The following tables present information about our investments in entities that have the characteristics of an investment company (in thousands):

	November 30, 2016		
	Fair Value (1)	Unfunded Commitments	Redemption Frequency (if currently eligible)
Equity Long/Short Hedge Funds (2)	$ 34,446	$ —	Monthly, Quarterly
Fixed Income and High Yield Hedge Funds (3)	772	—	—
Fund of Funds (4)	230	—	—
Equity Funds (5)	42,179	20,295	—
Multi-asset Funds (6)	133,190	—	—
Total	$ 210,817	$ 20,295	

	November 30, 2015 (7)		
	Fair Value (1)	Unfunded Commitments	Redemption Frequency (if currently eligible)
Equity Long/Short Hedge Funds (2)	$ 54,725	$ —	Monthly, Quarterly
Fixed Income and High Yield Hedge Funds (3)	1,703	—	—
Fund of Funds (4)	287	94	—
Equity Funds (5)	42,111	20,791	—
Multi-asset Funds (6)	23,358	—	Monthly, Quarterly
Convertible Bond Funds (8)	326	—	At Will
Total	$ 122,510	$ 20,885	

(1) Where fair value is calculated based on NAV, fair value has been derived from each of the funds' capital statements.

(2) This category includes investments in hedge funds that invest, long and short, primarily in equity securities in domestic and international markets in both the public and private sectors. At November 30, 2016, approximately 2% of the fair value of investments in this category is classified as being in liquidation.

(3) This category includes investments in funds that invest in loans secured by a first trust deed on property, domestic and international public high yield debt, private high yield investments, senior bank loans, public leveraged equities, distressed debt, and private equity investments. There are no redemption provisions. At November 30, 2015, the underlying assets of 8% of these funds were being liquidated and we are unable to estimate when the underlying assets will be fully liquidated.

(4) This category includes investments in fund of funds that invest in various private equity funds. At November 30, 2016 and 2015, approximately 100% and 95%, respectively, of the fair value of investments in this category are managed by us and have no redemption provisions. The investments in this category are gradually being liquidated or we have requested redemption; however, we are unable to estimate when these funds will be received.

(5) At November 30, 2016 and 2015, the fair value of investments in this category include investments in equity funds that invest in the equity of various U.S. and foreign private companies in the energy, technology, internet service and telecommunication service industries. These investments cannot be redeemed; instead, distributions are received through the liquidation of the underlying assets of the funds which are expected to liquidate in one to seven years.

(6) This category includes investments in hedge funds that invest long and short, primarily in multi-asset securities in domestic and international markets in both the public and private sectors. At November 30, 2016 and 2015, investments representing approximately 12% and 100%, respectively, of the fair value of investments in this category are redeemable with 30-90 days prior written notice.

(7) Prior period amounts have been recast to conform to the current year's presentation due to the presentation of multi-asset funds. Previously, these investments had been classified within equity long/short hedge funds.

(8) This category represents an investment in the Jefferies Umbrella Fund, an open-ended investment company managed by us that invested primarily in convertible bonds. The underlying assets were fully liquidated during the year ended November 30, 2016.

Other Secured Financings

Other secured financings that are accounted for at fair value include notes issued by consolidated VIEs, which are classified as Level 2 or Level 3 within the fair value hierarchy. Fair value is based on recent transaction prices for similar assets.

Long-term Debt-Structured Notes

Long-term debt includes variable rate and fixed to floating rate structured notes that contain various interest rate payment terms and are generally measured using valuation models for the derivative and debt portions of the notes. These models incorporate market price quotations from external pricing sources referencing the appropriate interest rate curves and are generally categorized within Level 2 of the fair value hierarchy. The impact of the Company's own credit spreads is also included based on observed secondary bond market spreads and asset-swap spreads.

Long-term Debt-Embedded Conversion Option

The embedded conversion option presented within long-term debt represents the fair value of the conversion option on Leucadia shares within our 3.875% Convertible Senior Debentures, due November 1, 2029 and categorized as Level 3 within the fair value hierarchy. The conversion option was valued using a convertible bond model using as inputs the price of Leucadia's common stock, the conversion strike price, 252-day historical volatility, a maturity date of November 1, 2017 (the first put date), dividend yield and the risk-free interest rate curve.

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the year ended November 30, 2016 (in thousands):

	Year Ended November 30, 2016								
	Balance at November 30, 2015	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into/ (out of) Level 3	Balance at November 30, 2016	Change in unrealized gains/ (losses) relating to instruments still held at November 30, 2016 (1)
Assets:									
Financial instruments owned:									
Corporate equity securities	$ 40,906	$ (8,463)	$ 3,365	$ (49)	$ (671)	$ —	$ (13,349)	$ 21,739	$ 291
Corporate debt securities	25,876	(16,230)	27,242	(29,347)	(7,223)	—	24,687	25,005	(18,799)
CDOs and CLOs	85,092	(14,918)	52,316	(69,394)	(2,750)	—	4,008	54,354	(7,628)
Municipal securities	—	(1,462)	—	—	—	—	28,719	27,257	(1,462)
Sovereign obligations	120	5	—	(125)	—	—	—	—	—
RMBS	70,263	(9,612)	623	(12,249)	(931)	—	(9,322)	38,772	(1,095)
CMBS	14,326	(7,550)	3,132	(2,024)	(2,229)	—	14,925	20,580	(7,243)
Other ABS	42,925	(14,381)	133,986	(102,952)	(8,769)	—	(9,898)	40,911	(18,056)
Loans and other receivables	189,289	(42,566)	75,264	(69,262)	(46,851)	—	(24,002)	81,872	(52,003)
Investments at fair value	53,120	(13,278)	26,228	(542)	(1,107)	—	31,948	96,369	(13,208)
Liabilities:									
Financial instruments sold, not yet purchased:									
Corporate equity securities	$ 38	$ —	$ —	$ 313	$ (38)	$ —	$ —	$ 313	$ —
Corporate debt securities	—	(27)	—	550	—	—	—	523	—
Net derivatives (2)	(242)	(1,760)	—	11,101	31	2,067	(7,756)	3,441	(6,458)
Loans	10,469	—	—	378	—	—	(10,469)	378	—
Other secured financings	544	(126)	—	—	—	—	—	418	(126)

(1) Realized and unrealized gains/losses are reported in Principal transaction revenues in the Consolidated Statements of Earnings.
(2) Net derivatives represent Financial instruments owned—Derivatives and Financial instruments sold, not yet purchased —Derivatives.

Analysis of Level 3 Assets and Liabilities for the Year Ended November 30, 2016

During the year ended November 30, 2016, transfers of assets of $179.6 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

- CDOs and CLOs of $19.4 million, RMBS of $17.5 million, CMBS of $17.4 million and other ABS of $16.9 million, for which no recent trade activity was observed for purposes of determining observable inputs;
- Loans and other receivables of $13.8 million due to a lower number of contributors for certain vendor quotes supporting classification within Level 2;
- Investments at fair value of $31.9 million, municipal securities of $28.7 million and corporate debt securities of $28.1 million due to a lack of observable market transactions.

During the year ended November 30, 2016, transfers of assets of $133.2 million from Level 3 to Level 2 are primarily attributed to:

- RMBS of $26.8 million, other ABS of $26.8 million and CDOs and CLOs of $15.4 million, for which market trades were observed in the year for either identical or similar securities;

- Loans and other receivables of $37.8 million due to a greater number of contributors for certain vendor quotes supporting classification into Level 2;
- Corporate equity securities of $19.2 million due to an increase in observable market transactions.

There were $10.5 million transfers of loan liabilities from Level 3 to Level 2 due to an increase in observable inputs in the valuation.

Net losses on Level 3 assets were $128.5 million and net gains on Level 3 net liabilities were $1.9 million for the year ended November 30, 2016. Net losses on Level 3 assets were primarily due to decreased valuations of loans and other receivables, corporate debt securities, CDOs and CLOs, other ABS, certain investments at fair value, RMBS, corporate equity securities and CMBS. Net gains on Level 3 net liabilities were primarily due to increased valuations of certain net derivatives.

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the year ended November 30, 2015 (in thousands):

	Year Ended November 30, 2015								
	Balance at November 30, 2014	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into/ (out of) Level 3	Balance at November 30, 2015	Change in unrealized gains/ (losses) relating to instruments still held at November 30, 2015 (1)
Assets:									
Financial instruments owned:									
Corporate equity securities	$ 20,964	$ 11,154	$ 21,385	$ (6,391)	$ —	$ —	$ (6,206)	$ 40,906	$ 11,424
Corporate debt securities	22,766	(11,013)	21,534	(14,636)	—	—	7,225	25,876	(9,443)
CDOs and CLOs	124,650	(66,332)	104,998	(107,381)	(5,754)	—	34,911	85,092	(48,514)
Municipal securities	—	10	—	—	(21,551)	—	21,541	—	—
Sovereign obligations	—	47	1,032	(1,031)	—	—	72	120	39
RMBS	82,557	(12,951)	18,961	(31,762)	(597)	—	14,055	70,263	(4,498)
CMBS	26,655	(3,813)	3,480	(10,146)	(6,861)	—	5,011	14,326	(3,205)
Other ABS	2,294	(990)	42,922	(1,299)	(2)	—	—	42,925	(254)
Loans and other receivables	97,258	(14,755)	792,345	(576,536)	(124,365)	—	15,342	189,289	(16,802)
Investments at fair value	53,224	64,380	5,510	(124,852)	(4,093)	—	58,951	53,120	(388)
Liabilities:									
Financial instruments sold, not yet purchased:									
Corporate equity securities	$ 38	$ —	$ —	$ —	$ —	$ —	$ —	$ 38	$ —
Corporate debt securities	223	(110)	(6,804)	6,691	—	—	—	—	—
Net derivatives (2)	(4,638)	(7,310)	(6,705)	13,522	37	2,437	2,415	(242)	4,754
Loans	14,450	(163)	(2,059)	229	—	—	(1,988)	10,469	104
Other secured financings	30,825	—	—	—	(15,704)	36,995	(51,572)	544	—
Embedded conversion option	693	(693)	—	—	—	—	—	—	693

(1) Realized and unrealized gains/losses are reported in Principal transaction revenues in the Consolidated Statements of Earnings.
(2) Net derivatives represent Financial instruments owned—Derivatives and Financial instruments sold, not yet purchased —Derivatives.

Analysis of Level 3 Assets and Liabilities for the Year Ended November 30, 2015

During the year ended November 30, 2015, transfers of assets of $236.7 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

- CDOs and CLOs of $69.8 million, non-agency RMBS of $30.4 million and CMBS of $11.3 million, for which no recent trade activity was observed for purposes of determining observable inputs;
- Municipal securities of $21.5 million and loans and other receivables of $20.1 million due to a lower number of contributors comprising vendor quotes to support classification within Level 2;
- Investments at fair value of $74.7 million and corporate debt securities of $7.4 million due to a lack of observable market transactions.

During the year ended November 30, 2015, transfers of assets of $85.8 million from Level 3 to Level 2 are primarily attributed to:

- Non-agency RMBS of $16.3 million and CMBS of $6.3 million, for which market trades were observed in the period for either identical or similar securities;
- CDOs and CLOs of $34.9 million and loans and other receivables of $4.7 million due to a greater number of contributors for certain vendor quotes supporting classification into Level 2;
- Investments at fair value of $15.8 million due to an increase in observable market transactions;
- Corporate equity securities of $7.7 million due to an increase in observable market transactions.

During the year ended November 30, 2015, there were $51.6 million transfers of other secured financings from Level 3 to Level 2 due to an increase in observable inputs in the valuation.

Net losses on Level 3 assets were $34.3 million and net gains on Level 3 net liabilities were $8.3 million for the year ended November 30, 2015. Net losses on Level 3 assets were primarily due to decreased valuations of CDOs and CLOs, certain loans and other receivables, RMBS and CMBS, partially offset by increased valuations of certain investments at fair value and corporate equity securities. Net gains on Level 3 liabilities were primarily due to decreased valuations of certain derivative liabilities.

JEFFERIES GROUP LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the year ended November 30, 2014 (in thousands):

	Year Ended November 30, 2014								
	Balance at November 30, 2013	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into/ (out of) Level 3	Balance at November 30, 2014	Change in unrealized gain/ (losses) relating to instruments still held at November 30, 2014 (1)
Assets:									
Financial instruments owned:									
Corporate equity securities	$ 9,884	$ 957	$ 18,138	$ (12,826)	$ —	$ —	$ 4,811	$ 20,964	$ 2,324
Corporate debt securities	25,666	6,629	38,316	(40,328)	—	—	(7,517)	22,766	8,982
CDOs and CLOs	37,216	(6,386)	204,337	(181,757)	(1,297)	—	72,537	124,650	(1,141)
U.S. government and federal agency securities	—	13	2,505	(2,518)	—	—	—	—	—
RMBS	105,492	(9,870)	42,632	(61,689)	(1,847)	—	7,839	82,557	(4,679)
CMBS	17,568	(4,237)	49,159	(51,360)	(782)	—	16,307	26,655	(2,384)
Other ABS	12,611	1,784	4,987	(18,002)	—	—	914	2,294	1,484
Loans and other receivables	145,890	(31,311)	130,169	(92,140)	(60,390)	—	5,040	97,258	(26,864)
Investments, at fair value	66,931	13,781	32,493	(43,286)	(1,243)	—	(15,452)	53,224	(1,876)
Liabilities:									
Financial instruments sold, not yet purchased:									
Corporate equity securities	$ 38	$ —	$ —	$ —	$ —	$ —	$ —	$ 38	$ —
Corporate debt securities	—	(149)	(565)	960	—	—	(23)	223	(8)
Net derivatives (2)	6,905	15,055	(24,682)	1,094	322	—	(3,332)	(4,638)	(15,615)
Loans	22,462	—	(18,332)	11,338	—	—	(1,018)	14,450	—
Other secured financings	8,711	—	—	—	(17,525)	39,639	—	30,825	—
Embedded conversion option	9,574	(8,881)	—	—	—	—	—	693	8,881

(1) Realized and unrealized gains/losses are reported in Principal transaction revenues in the Consolidated Statements of Earnings.
(2) Net derivatives represent Financial instruments owned—Derivatives and Financial instruments sold, not yet purchased —Derivatives.

Analysis of Level 3 Assets and Liabilities for the Year Ended November 30, 2014

During the year ended November 30, 2014, transfers of assets of $139.0 million from Level 2 to Level 3 of the fair value hierarchy are attributed to:

- Non-agency RMBS of $30.3 million and CMBS of $16.6 million, for which no recent trade activity was observed for purposes of determining observable inputs;
- Loans and other receivables of $8.5 million due to a lower number of contributors comprising vendor quotes to support classification within Level 2;
- CDOs and CLOs of $73.0 million which have little to no transparency related to trade activity.
- Corporate equity securities of $9.7 million due to a lack of observable market transactions.

During the year ended November 30, 2014, transfers of assets of $54.6 million from Level 3 to Level 2 are attributed to:

- Non-agency RMBS of $22.4 million, for which market trades were observed in the period for either identical or similar securities;
- Loans and other receivables of $3.5 million and investments at fair value of $15.5 million due to a greater number of contributors for certain vendor quotes supporting classification into Level 2;
- Corporate equity securities of $4.9 million and corporate debt securities of $7.5 million due to an increase in observable market transactions.

During the year ended November 30, 2014, there were transfers of loan liabilities of $1.0 million from Level 3 to Level 2 and $3.3 million of net derivative liabilities from Level 3 to Level 2 due to an increase in observable inputs in the valuation and an increase in observable inputs used in valuing of derivative contracts, respectively.

Net losses on Level 3 assets were $28.6 million and net losses on Level 3 liabilities were $6.0 million for the year ended November 30, 2014. Net losses on Level 3 assets were primarily due to a decrease in valuation of certain loans and other receivables, RMBS and CMBS, partially offset by increased valuations of certain investments at fair value, certain corporate debt securities and other ABS. Net losses on Level 3 liabilities were primarily due to increased valuations of certain derivatives, partially offset by decreased valuations of the embedded conversion option.

Quantitative Information about Significant Unobservable Inputs used in Level 3 Fair Value Measurements at November 30, 2016 and 2015

The tables below present information on the valuation techniques, significant unobservable inputs and their ranges for our financial assets and liabilities, subject to threshold levels related to the market value of the positions held, measured at fair value on a recurring basis with a significant Level 3 balance. The range of unobservable inputs could differ significantly across different firms given the range of products across different firms in the financial services sector. The inputs are not representative of the inputs that could have been used in the valuation of any one financial instrument (*i.e.,* the input used for valuing one financial instrument within a particular class of financial instruments may not be appropriate for valuing other financial instruments within that given class). Additionally, the ranges of inputs presented below should not be construed to represent uncertainty regarding the fair values of our financial instruments; rather, the range of inputs is reflective of the differences in the underlying characteristics of the financial instruments in each category.

For certain categories, we have provided a weighted average of the inputs allocated based on the fair values of the financial instruments comprising the category. We do not believe that the range or weighted average of the inputs is indicative of the reasonableness of uncertainty of our Level 3 fair values. The range and weighted average are driven by the individual financial instruments within each category and their relative distribution in the population. The disclosed inputs when compared with the inputs as disclosed in other periods should not be expected to necessarily be indicative of changes in our estimates of unobservable inputs for a particular financial instrument as the population of financial instruments comprising the category will vary from period to period based on purchases and sales of financial instruments during the period as well as transfers into and out of Level 3 each period.

JEFFERIES GROUP LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

November 30, 2016

Financial Instruments Owned	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input / Range	Weighted Average
Corporate equity securities	$ 19,799				
Non-exchange traded securities		Market approach	Underlying stock price	$3-$75	$ 15
		Comparable pricing	Underlying stock price	$218	—
			Comparable asset price	$11	—
		Present value	Average silver production (tons per day)	666	—
Corporate debt securities	$ 25,005				
		Convertible bond model	Discount rate/yield	9%	—
			Volatility	40%	—
		Market approach	Transaction level	$30	—
CDOs and CLOs	$ 33,016	Discounted cash flows	Constant prepayment rate	10%-20%	19%
			Constant default rate	2%-4%	2%
			Loss severity	25%-70%	40%
			Yield	7%-17%	12%
		Scenario analysis	Estimated recovery percentage	28%-38%	31%
RMBS	$ 38,772	Discounted cash flows	Constant prepayment rate	0%-11%	5%
			Constant default rate	1%-7%	3%
			Loss severity	35%-100%	62%
			Yield	2%-10%	6%
CMBS	$ 20,580	Discounted cash flows	Yield	6%-11%	8%
			Cumulative loss rate	5%-95%	39%
Other ABS	$ 40,911	Discounted cash flows	Constant prepayment rate	4%-20%	14%
			Constant default rate	0%-31%	13%
			Loss severity	0%-100%	90%
			Yield	4%-17%	15%
		Market approach	Price	$72	—
Loans and other receivables	$ 54,347	Market approach	EBITDA (a) multiple	3 3	—
			Discount rate/yield	2%-4%	3%
			Transaction level	$0.42	—
		Present value	Average silver production (tons per day)	666	—
		Scenario analysis	Estimated recovery percentage	6%-50%	37%
Derivatives	$ 6,429				
Equity swaps		Comparable pricing	Comparable asset price	$102	—
Credit default swaps		Market approach	Credit spread	265 bps	—
Investments at fair value					
Private equity securities	$ 42,907	Market approach	Transaction level	$250	—
			Price	$25,815,720	—
Liabilities					
Financial Instruments Sold, Not Yet Purchased:					
Derivatives	$ 9,870				
Equity options		Option model	Volatility	45%	—
		Default rate	Default probability	0%	—
Equity swaps		Comparable pricing	Comparable asset price	$102	—
Unfunded commitments		Market approach	Discount rate/yield	4%	—
Variable funding note swaps		Discounted cash flows	Constant prepayment rate	20%	—
			Constant default rate	2%	—
			Loss severity	25%	—
			Yield	16%	—

(a) Earnings before interest, taxes, depreciation and amortization (“EBITDA”).

JEFFERIES GROUP LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

November 30, 2015

Financial Instruments Owned	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input / Range	Weighted Average
Corporate equity securities	$ 20,285				
Non-exchange traded securities		Market approach	EBITDA multiple	4.4	—
			Transaction level	$1	—
			Underlying stock price	$5-$102	$ 19
Corporate debt securities	$ 20,257	Convertible bond model	Discount rate/yield	86%	—
		Market approach	Transaction level	$59	—
CDOs and CLOs	$ 49,923	Discounted cash flows	Constant prepayment rate	5%-20%	13%
			Constant default rate	2%-8%	2%
			Loss severity	25%-90%	52%
			Yield	6%-13%	10%
RMBS	$ 70,263	Discounted cash flows	Constant prepayment rate	0%-50%	13%
			Constant default rate	1%-9%	3%
			Loss severity	25%-70%	39%
			Yield	1%-9%	6%
CMBS	$ 14,326	Discounted cash flows	Yield	7%-30%	16%
			Cumulative loss rate	2%-63%	23%
Other ABS	$ 21,463	Discounted cash flows	Constant prepayment rate	6%-8%	7%
			Constant default rate	3%-5%	4%
			Loss severity	55%-75%	62%
			Yield	7%-22%	18%
		Over-collateralization	Over-collateralization percentage	117%-125%	118%
Loans and other receivables	$ 161,470	Comparable pricing	Comparable asset price	$99-$100	$ 99.7
		Market approach	Discount rate/yield	2%-17%	12%
			EBITDA multiple	10.0	—
		Scenario analysis	Estimated recovery percentage	6%-100%	83%
Derivatives	$ 19,785				
Commodity forwards		Market approach	Discount rate/yield	47%	—
			Transaction level	$9,500,000	—
Unfunded commitments		Comparable pricing	Comparable asset price	$100	—
		Market approach	Credit spread	298 bps	—
Total return swaps		Comparable pricing	Comparable asset price	$91.7-$92.4	$ 92 1
Investments at fair value	$ 7,693				
Private equity securities		Market approach	Transaction level	$64	—
			Price	$5,200,000	—
Liabilities					
Financial Instruments Sold, Not Yet Purchased:					
Derivatives	$ 19,543				
Equity options		Option model	Volatility	45%	—
		Default rate	Default probability	0%	—
Unfunded commitments		Comparable pricing	Comparable asset price	$79-$100	$ 82.6
		Market approach	Discount rate/yield	3%-10%	10%
		Discounted cash flows	Constant prepayment rate	20%	—
			Constant default rate	2%	—
			Loss severity	25%	—
			Yield	11%	—
Total return swaps		Comparable pricing	Comparable asset price	$91.7-92.4	$ 92 1
Loans and other receivables	$ 10,469	Comparable pricing	Comparable asset price	$100	—

The fair values of certain Level 3 assets and liabilities that were determined based on third-party pricing information, unadjusted past transaction prices, reported NAV or a percentage of the reported enterprise fair value are excluded from the above tables. At November 30, 2016 and 2015, asset exclusions consisted of $131.5 million and $156.2 million, respectively, primarily comprised of private equity securities, CDOs and CLOs, municipal securities, non-exchange traded securities and loans and other receivables. At November 30, 2016 and 2015, liability exclusions consisted of $1.6 million and $0.6 million, respectively, of other secured financings, loans and other receivables, and corporate debt and equity securities.

Sensitivity of Fair Values to Changes in Significant Unobservable Inputs

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the sensitivity of the fair value measurement to changes in significant unobservable inputs and interrelationships between those unobservable inputs (if any) are described below:

- Loans and other receivables, unfunded commitments, non-exchange traded securities, equity swaps and total return swaps using comparable pricing valuation techniques. A significant increase (decrease) in the comparable asset and underlying stock price in isolation would result in a significantly higher (lower) fair value measurement.
- Corporate debt securities using a convertible bond model. A significant increase (decrease) in the bond discount rate/yield would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in volatility would result in a significantly higher (lower) fair value measurement.
- Non-exchange traded securities, corporate debt securities, loans and other receivables, unfunded commitments, commodity forwards, credit default swaps, other ABS and private equity securities using a market approach valuation technique. A significant increase (decrease) in the EBITDA or other multiples in isolation would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the discount rate/yield of a loan and other receivable or certain derivatives would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the transaction level of a private equity security, non-exchange traded security, corporate debt security, loan and other receivable or certain derivatives would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the underlying stock price of the non-exchange traded securities would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the credit spread of certain derivatives would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the price of the private equity securities or other asset backed securities would result in a significantly higher (lower) fair value measurement.
- Loans and other receivables and CDOs and CLOs using scenario analysis. A significant increase (decrease) in the possible recovery rates of the cash flow outcomes underlying the investment would result in a significantly higher (lower) fair value measurement for the financial instrument.
- CDOs and CLOs, RMBS and CMBS and other ABS, variable funding notes and unfunded commitments using a discounted cash flow valuation technique. A significant increase (decrease) in isolation in the constant default rate, loss severity or cumulative loss rate would result in a significantly lower (higher) fair value measurement. The impact of changes in the constant prepayment rate would have differing impacts depending on the capital structure of the security. A significant increase (decrease) in the security yield would result in a significantly lower (higher) fair value measurement.
- Certain other ABS using an over-collateralization model. A significant increase (decrease) in the over-collateralization percentage would result in a significantly higher (lower) fair value measurement.
- Derivative equity options using an option model. A significant increase (decrease) in volatility would result in a significantly higher (lower) fair value measurement.
- Derivative equity options using a default rate model. A significant increase (decrease) in default probability would result in a significantly lower (higher) fair value measurement.
- Non-exchange traded securities and loans and other receivables using a present value model. A significant increase (decrease) in average silver production would result in a significantly higher (lower) fair value measurement.

Fair Value Option Election

We have elected the fair value option for all loans and loan commitments made by our capital markets businesses. These loans and loan commitments include loans entered into by our Investment Banking division in connection with client bridge financing and loan syndications, loans purchased by our leveraged credit trading desk as part of its bank loan trading activities and mortgage and consumer loan commitments, purchases and fundings in connection with mortgage- and other asset-backed securitization activities. Loans and loan commitments originated or purchased by our leveraged credit and mortgage-backed businesses are managed on a fair value basis. Loans are included in Financial instruments owned and loan commitments are included in Financial instruments owned and Financial instruments sold, not yet purchased on the Consolidated Statements of Financial Condition. The fair value option election is not applied to loans made to affiliate entities as such loans are entered into as part of ongoing, strategic business ventures. Loans to affiliate entities are included within Loans to and investments in related parties on the Consolidated Statements of Financial Condition and are accounted for on an amortized cost basis. We have also elected the fair value option for certain of our structured notes, which are managed by our capital markets business and are included in Long-term debt on the Consolidated Statement of Financial Condition. We have elected the fair value option for certain financial instruments held by subsidiaries as the investments are risk managed by us on a fair value basis. The fair value option has also been elected for certain secured financings that arise in connection with our securitization activities and other structured financings. Other secured financings, Receivables – Brokers, dealers and clearing organizations, Receivables – Customers, Receivables – Fees, interest and other, Payables – Brokers, dealers and clearing organizations and Payables – Customers, are accounted for at cost plus accrued interest rather than at fair value; however, the recorded amounts approximate fair value due to their liquid or short-term nature.

The following is a summary of gains (losses) due to changes in instrument specific credit risk on loans, other receivables and debt instruments and gains (losses) due to other changes in fair value on long-term debt measured at fair value under the fair value option (in thousands):

	Year Ended November 30,		
	2016	2015	2014
Financial Instruments Owned:			
Loans and other receivables	$ (68,812)	$ (17,389)	$ (24,785)
Financial Instruments Sold:			
Loans	$ 9	$ (162)	$ (585)
Loan commitments	5,509	7,502	(15,459)
Long-term debt:			
Changes in instrument specific credit risk (1)	$ (10,745)	$ —	$ —
Other changes in fair value (2)	30,995	—	—

(1) Changes in instrument-specific credit risk related to structured notes are included in the Consolidated Statements of Comprehensive Income.

(2) Other changes in fair value are included within Principal transactions revenues on the Consolidated Statements of Earnings.

The following is a summary of the amount by which contractual principal exceeds fair value for loans and other receivables and long-term debt measured at fair value under the fair value option (in thousands):

	November 30,	
	2016	2015
Financial Instruments Owned:		
Loans and other receivables (1)	$ 1,325,938	$ 408,369
Loans and other receivables on nonaccrual status and/or greater than 90 days past due (1) (2)	205,746	54,652
Long-term debt	20,202	—

(1) Interest income is recognized separately from other changes in fair value and is included within Interest revenues on the Consolidated Statements of Earnings.

(2) Amounts include loans and other receivables greater than 90 days past due of $64.6 million and $29.7 million at November 30, 2016 and 2015, respectively.

The aggregate fair value of loans and other receivables on nonaccrual status and/or greater than 90 days past due was $29.8 million and $307.5 million at November 30, 2016 and 2015, respectively, which includes loans and other receivables greater than 90 days past due, was $18.9 million and $11.3 million at November 30, 2016 and 2015, respectively.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Certain assets were measured at fair value on a non-recurring basis and are not included in the tables above. These assets include goodwill and intangible assets. The following table presents those assets measured at fair value on a non-recurring basis for which the Company recognized a non-recurring fair value adjustment during the years ended November 30, 2016, 2015 and 2014 (in thousands):

	Carrying Value at November 30, 2016	Level 2	Level 3	Impairment Losses for the Year Ended November 30, 2016
Capital Markets Reporting Unit:				
Exchange ownership interests and registrations (1)	$ 2,716	$ 2,716	$ —	$ 1,284

	Carrying Value at November 30, 2015	Level 2	Level 3	Impairment Losses for the Year Ended November 30, 2015
Futures Reporting Unit (2):				
Exchange ownership interests and registrations (1)	$ 4,178	$ 4,178	$ —	$ 1,289

	Carrying Value at November 30, 2014	Level 2	Level 3	Impairment Losses for the Year Ended November 30, 2014
Futures Reporting Unit (2):				
Exchange ownership interests and registrations (1)	$ 5,608	$ 5,608	$ —	$ 178
Goodwill (3)	—	—	—	51,900
Intangible assets (4)	—	—	—	7,534
International Asset Management Reporting Unit (5):				
Goodwill (5)	$ —	$ —	$ —	$ 2,100
Intangible assets (5)	—	—	—	60

(1) Impairment losses of $1.3 million, $1.3 million and $0.2 million, were recognized in Other expenses, during the years ended November 30, 2016, 2015 and 2014, respectively, for exchange memberships, which represent ownership interests in market exchanges on which trading business is conducted, and registrations. The fair value of these exchange memberships is based on observed quoted sales prices for each individual membership. (See Note 10, Goodwill and Other Intangible Assets.)

(2) Given management's decision to pursue strategic alternatives for our Futures business, including possible disposal, as a result of the operating performance and margin challenges experienced by the business, an impairment analysis of the carrying amounts of goodwill, intangible assets and certain other assets employed directly by the business was performed at November 30, 2015 and 2014, respectively. (See Note 10, Goodwill and Other Intangible Assets.)

(3) An impairment loss for goodwill allocated to our Futures business with a carrying amount of $51.9 million was recognized for the year ended November 30, 2014. The fair value of the Futures business was estimated 1) by comparison to similar companies using publicly traded price-to-tangible book multiples as the basis for valuation and 2) by utilizing a discounted cash flow methodology based on internally developed forecasts of profitability and an appropriate risk-adjusted discount rate.

(4) See Note 10, Goodwill and Other Intangible Assets for further information.

(5) Given management's decision to liquidate our International Asset Management business, an impairment analysis of the carrying amounts of goodwill, intangible assets and certain other assets employed directly by the business was performed at November 30, 2014. (See Note 10, Goodwill and Other Intangible Assets.

There were no assets measured at fair value on a non-recurring basis, which utilized Level 1 inputs during the years ended November 30, 2016, 2015 and 2014. There were no liabilities measured at fair value on a non-recurring basis during the years ended November 30, 2016, 2015 and 2014.

Financial Instruments Not Measured at Fair Value

Certain of our financial instruments are not carried at fair value but are recorded at amounts that approximate fair value due to their liquid or short-term nature and generally negligible credit risk. These financial assets include Cash and cash equivalents and Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations and would generally be presented in Level 1 of the fair value hierarchy. Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations includes U.S. treasury securities with a fair value of $99.9 million at November 30, 2016.

Note 5. Derivative Financial Instruments

Off-Balance Sheet Risk

We have contractual commitments arising in the ordinary course of business for securities loaned or purchased under agreements to resell, repurchase agreements, future purchases and sales of foreign currencies, securities transactions on a when-issued basis and underwriting. Each of these financial instruments and activities contains varying degrees of off-balance sheet risk whereby the fair values of the securities underlying the financial instruments may be in excess of, or less than, the contract amount. The settlement of these transactions is not expected to have a material effect upon our consolidated financial statements.

Derivative Financial Instruments

Our derivative activities are recorded at fair value in the Consolidated Statements of Financial Condition in Financial instruments owned and Financial instruments sold, not yet purchased, net of cash paid or received under credit support agreements and on a net counterparty basis when a legally enforceable right to offset exists under a master netting agreement. Net realized and unrealized gains and losses are recognized in Principal transaction revenues in the Consolidated Statements of Earnings on a trade date basis and as a component of cash flows from operating activities in the Consolidated Statements of Cash Flows. Acting in a trading capacity, we may enter into derivative transactions to satisfy the needs of our clients and to manage our own exposure to market and credit risks resulting from our trading activities. (See Note 4, Fair Value Disclosures, and Note 18, Commitments, Contingencies and Guarantees, for additional disclosures about derivative financial instruments.)

Derivatives are subject to various risks similar to other financial instruments, including market, credit and operational risk. The risks of derivatives should not be viewed in isolation, but rather should be considered on an aggregate basis along with our other trading-related activities. We manage the risks associated with derivatives on an aggregate basis along with the risks associated with proprietary trading as part of our firm wide risk management policies.

In connection with our derivative activities, we may enter into ISDA master netting agreements or similar agreements with counterparties. See Note 2, Summary of Significant Accounting Policies, for additional information regarding the offsetting of derivative contracts.

The following tables present the fair value and related number of derivative contracts at November 30, 2016 and 2015 categorized by type of derivative contract and the platform on which these derivatives are transacted. The fair value of assets/liabilities represents our receivable/payable for derivative financial instruments, gross of counterparty netting and cash collateral received and pledged. The following tables also provide information regarding 1) the extent to which, under enforceable master netting arrangements, such balances are presented net in the Consolidated Statements of Financial Condition as appropriate under U.S. GAAP and 2) the extent to which other rights of setoff associated with these arrangements exist and could have an effect on our financial position (in thousands, except contract amounts).

JEFFERIES GROUP LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

	November 30, 2016 (1)			
	Assets		Liabilities	
	Fair Value	Number of Contracts	Fair Value	Number of Contracts
Interest rate contracts:				
Exchange-traded	$ 2,275	24,300	$ 24	29,773
Cleared OTC	2,835,812	3,596	2,636,469	3,445
Bilateral OTC	444,159	1,136	522,965	1,627
Foreign exchange contracts:				
Exchange-traded	—	376	—	686
Bilateral OTC	529,609	7,448	516,869	7,633
Equity contracts:				
Exchange-traded	712,767	2,820,702	1,095,582	2,410,956
Bilateral OTC	72,041	1,077	67,033	1,191
Commodity contracts:				
Exchange-traded	—	1,356	—	920
Credit contracts:				
Cleared OTC	645	6	2,304	8
Bilateral OTC	19,225	213	25,503	184
Total gross derivative assets/ liabilities:				
Exchange-traded	715,042		1,095,606	
Cleared OTC	2,836,457		2,638,773	
Bilateral OTC	1,065,034		1,132,370	
Amounts offset in the Consolidated Statements of Financial Condition (2):				
Exchange-traded	(691,009)		(691,009)	
Cleared OTC	(2,751,650)		(2,638,774)	
Bilateral OTC	(813,340)		(899,431)	
Net amounts per Consolidated Statements of Financial Condition (3)	$ 360,534		$ 637,535	

(1) Exchange traded derivatives include derivatives executed on an organized exchange. Cleared OTC derivatives include derivatives executed bilaterally and subsequently novated to and cleared through central clearing counterparties. Bilateral OTC derivatives include derivatives executed and settled bilaterally without the use of an organized exchange or central clearing counterparty.

(2) Amounts netted include both netting by counterparty and for cash collateral paid or received.

(3) We have not received or pledged additional collateral under master netting agreements and/or other credit support agreements that is eligible to be offset beyond what has been offset in the Consolidated Statements of Financial Condition.

JEFFERIES GROUP LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

	November 30, 2015 (1)			
	Assets		Liabilities	
	Fair Value	Number of Contracts	Fair Value	Number of Contracts
Interest rate contracts:				
Exchange-traded	$ 998	52,605	$ 364	70,672
Cleared OTC	2,213,730	2,742	2,202,836	2,869
Bilateral OTC	695,365	1,401	646,758	1,363
Foreign exchange contracts:				
Exchange-traded	—	441	—	112
Bilateral OTC (4)	453,202	7,646	466,021	7,264
Equity contracts:				
Exchange-traded	955,287	3,054,315	1,004,699	2,943,657
Bilateral OTC	61,004	1,039	81,085	1,070
Commodity contracts:				
Exchange-traded	—	1,726	—	1,684
Bilateral OTC (4)	19,342	29	4,628	28
Credit contracts:				
Cleared OTC	621	39	841	44
Bilateral OTC	16,977	100	59,314	135
Total gross derivative assets/liabilities:				
Exchange-traded	956,285		1,005,063	
Cleared OTC	2,214,351		2,203,677	
Bilateral OTC	1,245,890		1,257,806	
Amounts offset in the Consolidated Statements of Financial Condition (2):				
Exchange-traded	(938,482)		(938,482)	
Cleared OTC	(2,184,438)		(2,184,438)	
Bilateral OTC	(1,042,526)		(1,135,078)	
Net amounts per Consolidated Statements of Financial Condition (3)	$ 251,080		$ 208,548	

(1) Exchange traded derivatives include derivatives executed on an organized exchange. Cleared OTC derivatives include derivatives executed bilaterally and subsequently novated to and cleared through central clearing counterparties. Bilateral OTC derivatives include derivatives executed and settled bilaterally without the use of an organized exchange or central clearing counterparty.

(2) Amounts netted include both netting by counterparty and for cash collateral paid or received.

(3) We have not received or pledged additional collateral under master netting agreements and/or other credit support agreements that is eligible to be offset beyond what has been offset in the Consolidated Statements of Financial Condition.

(4) Bilateral OTC commodity contracts increased in assets by a fair value of $19.3 million and by 29 contracts and in liabilities by a fair value of $4.6 million and by 28 contracts with corresponding decreases in bilateral OTC foreign exchange contracts from those amounts previously reported to correct for the classification of certain contracts. The total amount of bilateral OTC contracts remained unchanged.

The following table presents unrealized and realized gains (losses) on derivative contracts (in thousands):

	Year Ended November 30,		
Gains (Losses)	2016	2015	2014
Interest rate contracts	$ (34,319)	$ (37,601)	$ (149,587)
Foreign exchange contracts	18,122	36,101	39,872
Equity contracts	(650,815)	(137,636)	(327,978)
Commodity contracts	1,310	21,409	58,746
Credit contracts	13,039	(14,397)	(23,934)
Total	$ (652,663)	$ (132,124)	$ (402,881)

The net gains (losses) on derivative contracts in the table above are one of a number of activities comprising our business activities and are before consideration of economic hedging transactions, which generally offset the net gains (losses) included above. We substantially mitigate our exposure to market risk on our cash instruments through derivative contracts, which generally provide offsetting revenues, and we manage the risk associated with these contracts in the context of our overall risk management framework.

OTC Derivatives. The following tables set forth by remaining contract maturity the fair value of OTC derivative assets and liabilities at November 30, 2016 (in thousands):

	OTC Derivative Assets (1) (2) (3)				
	0 – 12 Months	1 – 5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	Total
Equity swaps and options	$ 27,436	$ 5,727	$ —	$ —	$ 33,163
Credit default swaps	—	4,542	3,463	(1,588)	6,417
Total return swaps	20,749	389	—	(200)	20,938
Foreign currency forwards, swaps and options	95,052	35,988	—	(10,547)	120,493
Interest rate swaps, options and forwards	120,053	189,153	134,507	(71,604)	372,109
Total	$ 263,290	$ 235,799	$ 137,970	$ (83,939)	553,120
Cross product counterparty netting					(623)
Total OTC derivative assets included in Financial instruments owned					$ 552,497

(1) At November 30, 2016, we held exchange traded derivative assets and other credit agreements with a fair value of $25.4 million, which are not included in this table.

(2) OTC derivative assets in the table above are gross of collateral received. OTC derivative assets are recorded net of collateral received on the Consolidated Statements of Financial Condition. At November 30, 2016, cash collateral received was $217.4 million.

(3) Derivative fair values include counterparty netting within product category.

(4) Amounts represent the netting of receivable balances with payable balances for the same counterparty within product category across maturity categories.

	OTC Derivative Liabilities (1) (2) (3)				
	0 – 12 Months	1 – 5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	Total
Equity swaps and options	$ 10,993	$ 20,354	$ —	$ —	$ 31,347
Credit default swaps	16	1,594	7,147	(1,588)	7,169
Total return swaps	12,088	2,407	—	(200)	14,295
Foreign currency forwards, swaps and options	92,375	26,011	—	(10,547)	107,839
Fixed income forwards	3,401	—	—	—	3,401
Interest rate swaps, options and forwards	108,085	121,975	92,029	(71,604)	250,485
Total	$ 226,958	$ 172,341	$ 99,176	$ (83,939)	414,536
Cross product counterparty netting					(623)
Total OTC derivative liabilities included in Financial instruments sold, not yet purchased					$ 413,913

(1) At November 30, 2016, we held exchange traded derivative liabilities and other credit agreements with a fair value of $414.2 million, which are not included in this table.

(2) OTC derivative liabilities in the table above are gross of collateral pledged. OTC derivative liabilities are recorded net of collateral pledged on the Consolidated Statements of Financial Condition. At November 30, 2016, cash collateral pledged was $190.6 million.

(3) Derivative fair values include counterparty netting within product category.

(4) Amounts represent the netting of receivable balances with payable balances for the same counterparty within product category across maturity categories.

At November 30, 2016, the counterparty credit quality with respect to the fair value of our OTC derivatives assets was as follows (in thousands):

Counterparty credit quality (1):	
A- or higher	$ 380,574
BBB- to BBB+	39,535
BB+ or lower	51,834
Unrated	80,554
Total	$ 552,497

(1) We utilize internal credit ratings determined by our Risk Management department. Credit ratings determined by Risk Management use methodologies that produce ratings generally consistent with those produced by external rating agencies.

Contingent Features

Certain of our derivative instruments contain provisions that require our debt to maintain an investment grade credit rating from each of the major credit rating agencies. If our debt were to fall below investment grade, it would be in violation of these provisions and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on our derivative instruments in liability positions. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a liability position at November 30, 2016 and 2015 is $70.6 million and $114.5 million, respectively, for which we have posted collateral of $44.4 million and $97.2 million, respectively, in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on November 30, 2016 and 2015, we would have been required to post an additional $26.1 million and $19.7 million, respectively, of collateral to our counterparties.

Note 6. Collateralized Transactions

We enter into secured borrowing and lending arrangements to obtain collateral necessary to effect settlement, finance inventory positions, meet customer needs or re-lend as part of our dealer operations. We monitor the fair value of the securities loaned and borrowed on a daily basis as compared with the related payable or receivable, and request additional collateral or return excess collateral, as appropriate. We pledge financial instruments as collateral under repurchase agreements, securities lending agreements and other secured arrangements, including clearing arrangements. Our agreements with counterparties generally contain contractual provisions allowing the counterparty the right to sell or repledge the collateral. Pledged securities owned that can be sold or repledged by the counterparty are included within Financial instruments owned and noted parenthetically as Securities pledged on our Consolidated Statements of Financial Condition.

The following tables set forth the carrying value of securities lending arrangements and repurchase agreements by class of collateral pledged (in thousands):

	November 30, 2016		
	Securities Lending Arrangements	Repurchase Agreements	Total
Collateral Pledged:			
Corporate equity securities	$ 2,046,243	$ 66,291	$ 2,112,534
Corporate debt securities	731,276	1,907,888	2,639,164
Mortgage- and asset-backed securities	—	2,171,480	2,171,480
U.S. government and federal agency securities	41,613	9,232,624	9,274,237
Municipal securities	—	553,010	553,010
Sovereign obligations	—	2,625,079	2,625,079
Loans and other receivables	—	455,960	455,960
Total	$ 2,819,132	$ 17,012,332	$ 19,831,464

	November 30, 2015		
	Securities Lending Arrangements	Repurchase Agreements	Total
Collateral Pledged:			
Corporate equity securities	$ 2,195,912	$ 275,880	$ 2,471,792
Corporate debt securities	748,405	1,752,222	2,500,627
Mortgage- and asset-backed securities	—	3,537,812	3,537,812
U.S. government and federal agency securities	34,983	12,006,081	12,041,064
Municipal securities	—	357,350	357,350
Sovereign obligations	—	1,804,103	1,804,103
Loans and other receivables	—	462,534	462,534
Total	$ 2,979,300	$ 20,195,982	$ 23,175,282

The following tables set forth the carrying value of securities lending arrangements and repurchase agreements by remaining contractual maturity (in thousands):

	November 30, 2016				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
Securities lending arrangements	$ 2,131,891	$ 39,673	$ 104,516	$ 543,052	$ 2,819,132
Repurchase agreements	9,147,176	2,008,119	3,809,533	2,047,504	17,012,332
Total	$ 11,279,067	$ 2,047,792	$ 3,914,049	$ 2,590,556	$ 19,831,464

	November 30, 2015				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
Securities lending arrangements	$ 1,522,475	$ —	$ 973,201	$ 483,624	$ 2,979,300
Repurchase agreements	7,850,791	5,218,059	5,291,729	1,835,403	20,195,982
Total	$ 9,373,266	$ 5,218,059	$ 6,264,930	$ 2,319,027	$ 23,175,282

We receive securities as collateral under resale agreements, securities borrowing transactions and customer margin loans. We also receive securities as collateral in connection with securities-for-securities transactions in which we are the lender of securities. In many instances, we are permitted by contract to rehypothecate the securities received as collateral. These securities may be used to secure repurchase agreements, enter into securities lending transactions, satisfy margin requirements on derivative transactions or cover short positions. At November 30, 2016 and 2015, the approximate fair value of securities received as collateral by us that may be sold or repledged was $25.5 billion and $26.2 billion, respectively. At November 30, 2016 and 2015, a substantial portion of the securities received by us had been sold or repledged.

Offsetting of Securities Financing Agreements

To manage our exposure to credit risk associated with securities financing transactions, we may enter into master netting agreements and collateral arrangements with counterparties. Generally, transactions are executed under standard industry agreements, including, but not limited to, master securities lending agreements (securities lending transactions) and master repurchase agreements (repurchase transactions). See Note 2, Summary of Significant Accounting Policies, for additional information regarding the offsetting of securities financing agreements.

The following tables provide information regarding repurchase agreements and securities borrowing and lending arrangements that are recognized in the Consolidated Statements of Financial Condition and 1) the extent to which, under enforceable master netting arrangements, such balances are presented net in the Consolidated Statements of Financial Condition as appropriate under U.S. GAAP and 2) the extent to which other rights of setoff associated with these arrangements exist and could have an effect on our financial position (in thousands).

	November 30, 2016					
	Gross Amounts	Netting in Consolidated Statement of Financial Condition	Net Amounts in Consolidated Statement of Financial Condition	Additional Amounts Available for Setoff (1)	Available Collateral (2)	Net Amount (3)
Assets						
Securities borrowing arrangements	$ 7,743,562	$ —	$ 7,743,562	$ (710,611)	$ (647,290)	$ 6,385,661
Reverse repurchase agreements	14,083,144	(10,220,656)	3,862,488	(176,275)	(3,591,654)	94,559
Liabilities						
Securities lending arrangements	$ 2,819,132	$ —	$ 2,819,132	$ (710,611)	$ (2,064,299)	$ 44,222
Repurchase agreements	17,012,332	(10,220,656)	6,791,676	(176,275)	(5,780,909)	834,492

	November 30, 2015					
	Gross Amounts	Netting in Consolidated Statement of Financial Condition	Net Amounts in Consolidated Statement of Financial Condition	Additional Amounts Available for Setoff (1)	Available Collateral (2)	Net Amount (4)
Assets						
Securities borrowing arrangements	$ 6,975,136	$ —	$ 6,975,136	$ (478,991)	$ (667,099)	$ 5,829,046
Reverse repurchase agreements	14,048,860	(10,191,554)	3,857,306	(83,452)	(3,745,215)	28,639
Liabilities						
Securities lending arrangements	$ 2,979,300	$ —	$ 2,979,300	$ (478,991)	$ (2,464,395)	$ 35,914
Repurchase agreements	20,195,982	(10,191,554)	10,004,428	(83,452)	(8,103,468)	1,817,508

(1) Under master netting agreements with our counterparties, we have the legal right of offset with a counterparty, which incorporates all of the counterparty's outstanding rights and obligations under the arrangement. These balances reflect additional credit risk mitigation that is available by counterparty in the event of a counterparty's default, but which are not netted in the balance sheet because other netting provisions of U.S. GAAP are not met.

(2) Includes securities received or paid under collateral arrangements with counterparties that could be liquidated in the event of a counterparty default and thus offset against a counterparty's rights and obligations under the respective repurchase agreements or securities borrowing or lending arrangements.

(3) Amounts include $6,337.5 million of securities borrowing arrangements, for which we have received securities collateral of $6,146.0 million, and $810.4 million of repurchase agreements, for which we have pledged securities collateral of $834.2 million, which are subject to master netting agreements but we have not determined the agreements to be legally enforceable.

(4) Amounts include $5,796.1 million of securities borrowing arrangements, for which we have received securities collateral of $5,613.3 million, and $1,807.2 million of repurchase agreements, for which we have pledged securities collateral of $1,875.3 million, which are subject to master netting agreements but we have not determined the agreements to be legally enforceable.

Cash and Securities Segregated and on Deposit for Regulatory Purposes or Deposited with Clearing and Depository Organizations

Cash and securities deposited with clearing and depository organizations and segregated in accordance with regulatory regulations totaled $857.3 million and $751.1 million at November 30, 2016 and 2015, respectively. Segregated cash and securities consist of deposits in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, which subjects Jefferies as a broker-dealer carrying customer accounts to requirements related to maintaining cash or qualified securities in segregated special reserve bank accounts for the exclusive benefit of its customers.

Note 7. Securitization Activities

We engage in securitization activities related to corporate loans, commercial mortgage loans, consumer loans and mortgage-backed and other asset-backed securities. In our securitization transactions, we transfer these assets to special purpose entities ("SPEs") and act as the placement or structuring agent for the beneficial interests sold to investors by the SPE. A significant portion of our securitization transactions are the securitization of assets issued or guaranteed by U.S. government agencies. These SPEs generally meet the criteria of VIEs; however, we generally do not consolidate the SPEs as we are not considered the primary beneficiary for these SPEs. See Note 8, Variable Interest Entities, for further discussion on VIEs and our determination of the primary beneficiary.

We account for our securitization transactions as sales, provided we have relinquished control over the transferred assets. Transferred assets are carried at fair value with unrealized gains and losses reflected in Principal transactions revenues in the Consolidated Statement of Earnings prior to the identification and isolation for securitization. Subsequently, revenues recognized upon securitization are reflected as net underwriting revenues. We generally receive cash proceeds in connection with the transfer of assets to an SPE. We may, however, have continuing involvement with the transferred assets, which is limited to retaining one or more tranches of the securitization (primarily senior and subordinated debt securities in the form of mortgage- and other-asset backed securities or CLOs), which are included within Financial instruments owned and are generally initially categorized as Level 2 within the fair value hierarchy. We apply fair value accounting to the securities.

The following table presents activity related to our securitizations that were accounted for as sales in which we had continuing involvement (in millions):

	Year Ended November 30, 2016	Year Ended November 30, 2015	Year Ended November 30, 2014
Transferred assets	$ 5,786.0	$ 5,770.5	$ 6,112.6
Proceeds on new securitizations	5,809.0	5,811.3	6,221.1
Cash flows received on retained interests	28.2	31.2	46.3

We have no explicit or implicit arrangements to provide additional financial support to these SPEs, have no liabilities related to these SPEs and do not have any outstanding derivative contracts executed in connection with these securitization activities at November 30, 2016 and 2015.

The following tables summarize our retained interests in SPEs where we transferred assets and have continuing involvement and received sale accounting treatment (in millions):

	November 30,			
	2016		2015	
Securitization Type	Total Assets	Retained Interests	Total Assets	Retained Interests
U.S. government agency RMBS	$ 7,584.9	$ 31.0	$ 10,901.9	$ 203.6
U.S. government agency CMBS	1,806.3	29.6	2,313.4	87.2
CLOs	4,102.2	37.0	4,538.4	51.5
Consumer and other loans	395.7	25.3	655.0	31.0

Total assets represent the unpaid principal amount of assets in the SPEs in which we have continuing involvement and are presented solely to provide information regarding the size of the transaction and the size of the underlying assets supporting our retained interests, and are not considered representative of the risk of potential loss. Assets retained in connection with a securitization transaction represent the fair value of the securities of one or more tranches issued by an SPE, including senior and subordinated tranches. Our risk of loss is limited to this fair value amount which is included within total Financial instruments owned on our Consolidated Statements of Financial Condition.

Although not obligated, in connection with secondary market-making activities we may make a market in the securities issued by these SPEs. In these market-making transactions, we buy these securities from and sell these securities to investors. Securities purchased through these market-making activities are not considered to be continuing involvement in these SPEs. To the extent we purchased securities through these market-making activities and we are not deemed to be the primary beneficiary of the VIE, these securities are included in agency and non-agency mortgage- and asset-backed securitizations in the nonconsolidated VIEs section presented in Note 8, Variable Interest Entities.

Note 8. Variable Interest Entities

VIEs are entities in which equity investors lack the characteristics of a controlling financial interest. VIEs are consolidated by the primary beneficiary. The primary beneficiary is the party who has both (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity.

Our variable interests in VIEs include debt and equity interests, commitments, guarantees and certain fees. Our involvement with VIEs arises primarily from:

- Purchases of securities in connection with our trading and secondary market making activities,
- Retained interests held as a result of securitization activities, including the resecuritization of mortgage- and other asset-backed securities and the securitization of commercial mortgage, corporate and consumer loans,
- Acting as placement agent and/or underwriter in connection with client-sponsored securitizations,
- Financing of agency and non-agency mortgage- and other asset-backed securities,

- Warehousing funding arrangements for client-sponsored consumer loan vehicles and CLOs through participation certificates and revolving loan and note commitments, and
- Loans to, investments in and fees from various investment vehicles.

We determine whether we are the primary beneficiary of a VIE upon our initial involvement with the VIE and we reassess whether we are the primary beneficiary of a VIE on an ongoing basis. Our determination of whether we are the primary beneficiary of a VIE is based upon the facts and circumstances for each VIE and requires significant judgment. Our considerations in determining the VIE's most significant activities and whether we have power to direct those activities include, but are not limited to, the VIE's purpose and design and the risks passed through to investors, the voting interests of the VIE, management, service and/or other agreements of the VIE, involvement in the VIE's initial design and the existence of explicit or implicit financial guarantees. In situations where we have determined that the power over the VIE's significant activities is shared, we assess whether we are the party with the power over the most significant activities. If we are the party with the power over the most significant activities, we meet the "power" criteria of the primary beneficiary. If we do not have the power over the most significant activities or we determine that decisions require consent of each sharing party, we do not meet the "power" criteria of the primary beneficiary.

We assess our variable interests in a VIE both individually and in aggregate to determine whether we have an obligation to absorb losses of or a right to receive benefits from the VIE that could potentially be significant to the VIE. The determination of whether our variable interest is significant to the VIE requires significant judgment. In determining the significance of our variable interest, we consider the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, our involvement in the VIE and our market-making activities related to the variable interests.

Consolidated VIEs

The following table presents information about our consolidated VIEs at November 30, 2016 and 2015 (in millions). The assets and liabilities in the tables below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation.

	November 30,			
	2016		2015	
	Securitization Vehicles	Other	Securitization Vehicles	Other
Cash	$ 16.1	$ 0.7	$ 0.5	$ 1.5
Financial instruments owned	86.6	0.6	68.3	0.6
Securities purchased under agreement to resell (1)	733.5	—	717.3	—
Fees, interest and other receivables	1.5	—	0.3	0.2
Total assets	$ 837.7	$ 1.3	$ 786.4	$ 2.3
Other secured financings (2)	$ 813.1	$ —	$ 785.0	$ —
Other liabilities	24.1	0.2	1.4	0.3
Total liabilities	$ 837.2	$ 0.2	$ 786.4	$ 0.3

(1) Securities purchased under agreement to resell represent an amount due under a collateralized transaction on a related consolidated entity, which is eliminated in consolidation.
(2) Approximately $57.6 million and $22.1 million of the secured financing represents an amount held by us in inventory and is eliminated in consolidation at November 30, 2016 and 2015, respectively.

Securitization Vehicles. We are the primary beneficiary of securitization vehicles associated with our financing of consumer and small business loans. In the creation of the securitization vehicles, we were involved in the decisions made during the establishment and design of the entities and hold variable interests consisting of the securities retained that could potentially be significant. The assets of the VIEs consist of the small business loans and term loans backed by consumer installment receivables, which are available for the benefit of the vehicles' beneficial interest holders. The creditors of the VIEs do not have recourse to our general credit and the assets of the VIEs are not available to satisfy any other debt.

We are also the primary beneficiary of mortgage-backed financing vehicles to which we sell agency and non-agency residential and commercial mortgage loans and mortgage-backed securities pursuant to the terms of a master repurchase agreement. We manage the assets within these vehicles. Our variable interests in these vehicles consist of our collateral margin maintenance obligations under the master repurchase agreement and retained interests in securities issued. The assets of these VIEs consist of reverse repurchase agreements, which are available for the benefit of the vehicle's debt holders. The creditors of these VIEs do not have recourse to our general credit and each such VIE's assets are not available to satisfy any other debt.

Other. We are the primary beneficiary of certain investment vehicles set up for the benefit of our employees. We manage and invest alongside our employees in these vehicles. The assets of these VIEs consist of private equity securities, and are available for the benefit of the entities' equity holders. Our variable interests in these vehicles consist of equity securities. The creditors of these VIEs do not have recourse to our general credit and each such VIE's assets are not available to satisfy any other debt.

Nonconsolidated VIEs

The following tables present information about our variable interests in nonconsolidated VIEs (in millions):

	November 30, 2016			
	Carrying Amount			
	Assets	Liabilities	Maximum Exposure to Loss	VIE Assets
CLOs	$ 263.3	$ 4.8	$ 920.0	$ 4,451.7
Consumer loan vehicles	90.3	—	219.6	985.5
Related party private equity vehicles	37.6	—	63.6	155.6
Other private investment vehicles	52.3	—	53.8	3,874.7
Total	$ 443.5	$ 4.8	$ 1,257.0	$ 9,467.5

	November 30, 2015			
	Carrying Amount			
	Assets	Liabilities	Maximum Exposure to Loss	VIE Assets
CLOs	$ 73.6	$ 0.2	$ 458.1	$ 6,368.7
Consumer loan vehicles	188.3	—	845.8	1,133.0
Related party private equity vehicles	39.3	—	65.8	168.2
Other private investment vehicles	51.3	—	52.8	4,312.0
Total	$ 352.5	$ 0.2	$ 1,422.5	$ 11,981.9

Our maximum exposure to loss often differs from the carrying value of the variable interests. The maximum exposure to loss is dependent on the nature of our variable interests in the VIEs and is limited to the notional amounts of certain loan and equity commitments and guarantees. Our maximum exposure to loss does not include the offsetting benefit of any financial instruments that may be utilized to hedge the risks associated with our variable interests and is not reduced by the amount of collateral held as part of a transaction with a VIE.

Collateralized Loan Obligations. Assets collateralizing the CLOs include bank loans, participation interests and sub-investment grade and senior secured U.S. loans. We underwrite securities issued in CLO transactions on behalf of sponsors and provide advisory services to the sponsors. We may also sell corporate loans to the CLOs. Our variable interests in connection with CLOs where we have been involved in providing underwriting and/or advisory services consist of the following:

- Forward sale agreements whereby we commit to sell, at a fixed price, corporate loans and ownership interests in an entity holding such corporate loans to CLOs,
- Warehouse funding arrangements in the form of participation interests in corporate loans held by CLOs and commitments to fund such participation interests,
- Trading positions in securities issued in a CLO transaction,
- Investments in variable funding notes issued by CLOs, and
- A guarantee to a CLO managed by Jefferies Finance, LLC ("Jefferies Finance"), whereby we guarantee certain of the obligations of Jefferies Finance to the CLO.

In addition, we owned variable interests in a CLO previously managed by us. During the year ended November 30, 2016, the CLO was liquidated and our variable interests, which consisted of debt securities and a right to a portion of the CLO's management and incentive fees, were repaid. Our exposure to loss from the CLO was limited to our investments in the debt securities held. The assets of the CLO consisted primarily of senior secured loans, unsecured loans and high yield bonds.

Consumer Loan Vehicles. We provide financing and lending related services to certain client-sponsored VIEs in the form of revolving funding note agreements, revolving credit facilities and forward purchase agreements. The underlying assets, which are collateralizing the vehicles, are primarily composed of unsecured consumer and small business loans. In addition, we may provide structuring and advisory services and act as an underwriter or placement agent for securities issued by the vehicles. We do not control the activities of these entities.

Related Party Private Equity Vehicles. We have committed to invest equity in private equity funds (the "JCP Funds") managed by Jefferies Capital Partners, LLC (the "JCP Manager"). Additionally, we have committed to invest equity in the general partners of the JCP Funds (the "JCP General Partners") and the JCP Manager. Our variable interests in the JCP Funds, JCP General Partners and JCP Manager (collectively, the "JCP Entities") consist of equity interests that, in total, provide us with limited and general partner investment returns of the JCP Funds, a portion of the carried interest earned by the JCP General Partners and a portion of the management fees earned by the JCP Manager. Our total equity commitment in the JCP Entities is $148.1 million, of which $125.1 million and $124.6 million was funded at November 30, 2016 and 2015, respectively. The carrying value of our equity investments in the JCP Entities was $37.6 million and $39.3 million at November 30, 2016 and 2015, respectively. Our exposure to loss is limited to the total of our carrying value and unfunded equity commitment. The assets of the JCP Entities primarily consist of private equity and equity related investments.

We have also provided a guarantee of a portion of Energy Partners I, LP's obligations under a credit agreement. Energy Partners I, LP, is a private equity fund owned and managed by our employees. The maximum exposure to loss of the guarantee was $3.0 million at November 30, 2016 and 2015. Energy Partners I, LP, has assets consisting primarily of debt and equity investments.

Other Private Investment Vehicles. At November 30, 2016 and 2015, we had equity commitments to invest $75.8 million and $50.8 million, respectively, in various other private investment vehicles, of which $74.3 million and $49.3 million was funded, respectively. The carrying value of our equity investments was $52.3 million and $51.3 million at November 30, 2016 and 2015, respectively. Our exposure to loss is limited to the total of our carrying value and unfunded equity commitment. These private investment vehicles have assets primarily consisting of private and public equity investments, debt instruments and various oil and gas assets.

Mortgage- and Other Asset-Backed Securitization Vehicles. In connection with our secondary trading and market making activities, we buy and sell agency and non-agency mortgage-backed securities and other asset-backed securities, which are issued by third party securitization SPEs and are generally considered variable interests in VIEs. Securities issued by securitization SPEs are backed by residential mortgage loans, U.S. agency collateralized mortgage obligations, commercial mortgage loans, CDOs and CLOs and other consumer loans, such as installment receivables, auto loans and student loans. These securities are accounted for at fair value and included in Financial instruments owned on our Consolidated Statements of Financial Condition. We have no other involvement with the related SPEs and therefore do not consolidate these entities.

We also engage in underwriting, placement and structuring activities for third-party-sponsored securitization trusts generally through agency (FNMA ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") or GNMA ("Ginnie Mae")) or non-agency-sponsored SPEs and may purchase loans or mortgage-backed securities from third parties that are subsequently transferred into the securitization trusts. The securitizations are backed by residential and commercial mortgage, home equity and auto loans. We do not consolidate agency-sponsored securitizations as we do not have the power to direct the activities of the SPEs that most significantly impact their economic performance. Further, we are not the servicer of non-agency-sponsored securitizations and therefore do not have power to direct the most significant activities of the SPEs and accordingly, do not consolidate these entities. We may retain unsold senior and/or subordinated interests at the time of securitization in the form of securities issued by the SPEs.

We transfer existing securities, typically mortgage-backed securities, into resecuritization vehicles. These transactions in which debt securities are transferred to a VIE in exchange for new beneficial interests occur in connection with both agency and non-agency-sponsored VIEs. Our consolidation analysis is largely dependent on our role and interest in the resecuritization trusts. Most resecuritizations in which we are involved are in connection with investors seeking securities with specific risk and return characteristics. As such, we have concluded that the decision-making power is shared between us and the investor(s), considering the joint efforts involved in structuring the trust and selecting the underlying assets as well as the level of security interests the investor(s) hold in the SPE; therefore, we do not consolidate the resecuritization VIEs.

At November 30, 2016 and 2015, we held $1,002.2 million and $3,359.1 million of agency mortgage-backed securities, respectively, and $439.4 million and $630.5 million of non-agency mortgage and other asset-backed securities, respectively, as a result of our secondary trading and market making activities, underwriting, placement and structuring activities and resecuritization activities. Our maximum exposure to loss on these securities is limited to the carrying value of our investments in these securities. Mortgage- and other asset-backed securitization vehicles discussed within this section are not included in the above table containing information about our variable interests in nonconsolidated VIEs.

Note 9. Investments

We have investments in Jefferies Finance, Jefferies LoanCore LLC ("Jefferies LoanCore") and KCG Holdings, Inc. ("KCG"). Our investments in Jefferies Finance and Jefferies LoanCore are accounted for under the equity method and are included in Loans to and investments in related parties on the Consolidated Statements of Financial Condition with our share of the investees' earnings recognized in Other revenues in the Consolidated Statements of Earnings. Our investment in KCG is accounted for at fair value by electing the fair value option available under U.S. GAAP and is included in Financial instruments owned, at fair value - Corporate equity securities on the Consolidated Statements of Financial Condition with changes in fair value recognized in Principal transaction revenues on the Consolidated Statements of Earnings. We have limited partnership interests of 11% and 50% in Jefferies Capital Partners V L.P. and the SBI USA Fund L.P. (together, "JCP Fund V"), respectively, which are private equity funds managed by a team led by Brian P. Friedman, one of our directors and our Chairman of the Executive Committee.

Jefferies Finance

On October 7, 2004, we entered into an agreement with Massachusetts Mutual Life Insurance Company ("MassMutual") and Babson Capital Management LLC (which is now Barings, LLC) to form Jefferies Finance, a joint venture entity. Jefferies Finance is a commercial finance company whose primary focus is the origination and syndication of senior secured debt to middle market and growth companies in the form of term and revolving loans. Loans are originated primarily through the investment banking efforts of Jefferies. Jefferies Finance may also originate other debt products such as second lien term, bridge and mezzanine loans, as well as related equity co-investments. Jefferies Finance also purchases syndicated loans in the secondary market.

At November 30, 2016, we and MassMutual each have equity commitments to Jefferies Finance of $600.0 million for a combined total commitment of $1.2 billion. At November 30, 2016, we have funded $493.9 million of our $600.0 million commitment, leaving $106.1 million unfunded. The investment commitment is scheduled to expire on March 1, 2017 with automatic one year extensions absent a 60 day termination notice by either party.

Jefferies Finance has executed a Secured Revolving Credit Facility with us and MassMutual, to be funded equally, to support loan underwritings by Jefferies Finance. The Secured Revolving Credit Facility bears interest based on the interest rates of the related Jefferies Finance underwritten loans and is secured by the underlying loans funded by the proceeds of the facility. The total Secured Revolving Credit Facility is a committed amount of $500.0 million, at November 30, 2016. Advances are shared equally between us and MassMutual. The facility is scheduled to mature on March 1, 2017 with automatic one year extensions absent a 60 day termination notice by either party. At November 30, 2016 and 2015, we have funded $0.0 and $19.3 million, respectively, of each of our $250.0 million and $250.0 million commitments, respectively. During the years ended November 30, 2016, 2015 and 2014, we earned interest income of $0.1 million, $0.9 million, $2.0 million, respectively, and unfunded commitment fees of $1.2 million, $1.6 million and $1.9 million, respectively, which are included in the Consolidated Statements of Earnings related to the Secured Revolving Credit Facility.

The following is a summary of selected financial information for Jefferies Finance (in millions):

	November 30,	
	2016	2015
Total assets	$ 7,277.3	$ 7,292.1
Total liabilities	6,336.3	6,297.3
Total equity	941.1	994.8
Our total equity balance	470.5	497.4

Separate financial statements for Jefferies Finance are included in this Annual Report on Form 10-K. The results of Jefferies Finance were a net loss of $(19.6) million for the year ended November 30, 2016, and net earnings of $83.4 million and $138.6 million for the years ended November 30, 2015 and 2014, respectively.

We engage in debt capital markets transactions with Jefferies Finance related to the originations of loans by Jefferies Finance. In connection with such transactions, we earned fees of $112.6 million, $122.7 million and $199.5 million, during the years ended November 30, 2016, 2015 and 2014, respectively, which are recognized in Investment banking revenues in the Consolidated Statements of Earnings. In addition, we paid fees to Jefferies Finance in respect of certain loans originated by Jefferies Finance of $0.5 million, $5.9 million and $10.6 million during the years ended November 30, 2016, 2015 and 2014, respectively, which are recognized as Business development expenses in the Consolidated Statements of Earnings.

We acted as placement agent in connection with several CLOs managed by Jefferies Finance, for which we recognized fees of $2.6 million, $6.2 million and $4.6 million during the years ended November 30, 2016, 2015 and 2014, respectively, which are included in Investment banking revenues on the Consolidated Statement of Earnings. At November 30, 2016 and 2015, we held securities issued by CLOs managed by Jefferies Finance, which are included within Financial instruments owned, and provided a guarantee whereby we are required to make certain payments to a CLO in the event that Jefferies Finance is unable to meet its obligations to the CLO. Additionally, we have entered into participation agreements and derivative contracts with Jefferies Finance based on certain securities issued by the CLO.

We acted as underwriter in connection with senior notes issued by Jefferies Finance, for which we recognized underwriting fees of $1.3 million and $7.7 million during the years ended November 30, 2015 and 2014, respectively.

Under a service agreement, we charged Jefferies Finance $46.1 million, $51.7 million, and $41.6 million for services provided during the years ended November 30, 2016, 2015 and 2014, respectively. At November 30, 2016, we had a payable to Jefferies Finance, included within Accrued expenses and other liabilities on the Consolidated Statements of Financial Condition, of $5.8 million. At November 30, 2015 we had a receivable from Jefferies Finance, included within Other assets on the Consolidated Statements of Financial Condition, of $7.8 million.

Jefferies LoanCore

On February 23, 2011, we entered into a joint venture agreement with the Government of Singapore Investment Corporation ("GIC") and LoanCore, LLC and formed Jefferies LoanCore, a commercial real estate finance company. In March 2016, the Canada Pension Plan Investment Board acquired a 24% equity interest in Jefferies LoanCore through a direct acquisition from the GIC. Jefferies LoanCore originates and purchases commercial real estate loans throughout the U.S. with the support of the investment banking and securitization capabilities of Jefferies and the real estate and mortgage investment expertise of the GIC and LoanCore, LLC. During the year ended November 30, 2016, Jefferies LoanCore's aggregate equity commitments were reduced from $600.0 million to $400.0 million. At November 30, 2016 and 2015, we had funded $70.1 million and $207.4 million, respectively, of each of our $194.0 million and $291.0 million equity commitments, respectively, and have a 48.5% voting interest in Jefferies LoanCore.

The following is a summary of selected financial information for Jefferies LoanCore (in millions):

	November 30,	
	2016	2015
Total assets	$ 1,827.2	$ 2,069.1
Total liabilities	1,505.0	1,469.8
Total equity	322.2	599.3
Our total equity balance	156.3	290.7

Separate financial statements for Jefferies LoanCore are included in this Annual Report on Form 10-K. The net earnings of Jefferies LoanCore were $71.8 million, $79.0 million and $38.7 million for the years ended November 30, 2016, 2015 and 2014, respectively.

Under a service agreement, we charged Jefferies LoanCore $0.2 million, $0.2 million and $0.1 million during the years ended November 30, 2016, 2015 and 2014, respectively, for administrative services. Receivables from Jefferies LoanCore, included within Other assets on the Consolidated Statements of Financial Condition, were $16,000 and $16,000 at November 30, 2016 and 2015, respectively.

In connection with the securitization of commercial real estate loans originated by Jefferies LoanCore, we earned placement fees of $0.1 million, $1.6 million and $1.6 million during the years ended November 30, 2016, 2015 and 2014, respectively.

JCP Fund V

The amount of our investments in JCP Fund V included within Investments in managed funds on the Consolidated Statements of Financial Condition was $29.1 million and $29.7 million at November 30, 2016 and 2015, respectively. We account for these investments at fair value based on the NAV of the funds provided by the fund managers (see Note 2, Summary of Significant Accounting Policies). Losses from these investments were $1.1 million, $24.3 million and $10.3 million for the years ended November 30, 2016, 2015 and 2014, respectively, and are included in Asset management fees and investment income (loss) from managed funds in the Consolidated Statements of Earnings.

At November 30, 2016 and 2015, we were committed to invest equity of up to $85.0 million in JCP Fund V. At November 30, 2016, our unfunded commitment relating to JCP Fund V was $11.3 million.

The following is a summary of selected financial information for 100.0% of JCP Fund V, in which we own effectively 35.2% of the combined equity interests (in thousands):

	September 30, 2016 (1)	December 31, 2015 (1)
Total assets	$ 82,869	$ 76,555
Total liabilities	73	99
Total partners' capital	82,616	76,456

	Nine Months Ended September 30, 2016 (1)	Three Months Ended December 31, 2015 (1)	Nine Months Ended September 30, 2015 (1)	Three Months Ended December 31, 2014 (1)	Nine Months Ended September 30, 2014 (1)	Three Months Ended December 31, 2013 (1)
Net increase (decrease) in net assets resulting from operations	$ 6,159	$ (7,886)	$ (1,751)	$ (65,700)	$ (24,239)	$ (2,947)

(1) Financial information for JCP Fund V within our financial position and results of operations at November 30, 2016 and 2015 and for the years ended November 30, 2016, 2015 and 2014 is included based on the presented periods.

KCG

At November 30, 2016, we owned approximately 24% of the outstanding common stock of KCG. We elected to record our investment in KCG at fair value under the fair value option as the investment was acquired as part of our capital markets activities. The valuation of our investment at November 30, 2016 is based on the closing exchange price of KCG and included within Level 1 of the fair value hierarchy. Changes in the fair value of our investment in KCG were $19.6 million, $49.1 million and $(14.7) million for the years ended November 30, 2016, 2015 and 2014, respectively, and are recognized in Principal transactions revenues on the Consolidated Statements of Earnings.

The following is a summary of selected financial information for KCG at December 31, 2016 and 2015, the most recently available public financial information for the company (in millions):

	December 31,	
	2016	2015
Total assets	$ 6,260.8	$ 6,040.5
Total liabilities	4,903.5	4,596.4
Total equity	1,357.3	1,444.1

For the years ended December 31, 2016, 2015 and 2014, KCG reported net income of $255.7 million, $249.1 million and $61.1 million, respectively.

In connection with a KCG shares and warrants exchange transaction, we earned advisory fees of $2.9 million during the year ended November 30, 2016.

We have separately entered into securities lending transactions with KCG in the normal course of our capital markets activities. The balances of securities borrowed and securities loaned were $9.2 million and $9.2 million, respectively, at November 30, 2016, and $6.3 million and $16.5 million, respectively, at November 30, 2015.

Note 10. Goodwill and Other Intangible Assets

Goodwill

Goodwill attributed to our reportable segments are as follows (in thousands):

	November 30,	
	2016	2015
Capital Markets (1)	$ 1,637,653	$ 1,653,588
Asset Management (1)	3,000	3,000
Total goodwill	$ 1,640,653	$ 1,656,588

(1) Accumulated goodwill impairments related to the Capital Markets segment were $51.9 million at December 1, 2016 and 2015, and goodwill prior to these impairments was $1,689.6 million and $1,705.5 million at December 1, 2016 and 2015, respectively. Accumulated goodwill impairments related to the Asset Management segment were $2.1 million at December 1, 2016 and 2015, and goodwill prior to these impairments was $5.1 million at both December 1, 2016 and 2015.

The following table is a summary of the changes to goodwill (in thousands):

	Year Ended November 30,	
	2016	2015
Balance, at beginning of period	$ 1,656,588	$ 1,662,636
Purchase accounting adjustments (1)	—	(1,959)
Translation adjustments	(15,935)	(4,089)
Balance, at end of period	$ 1,640,653	$ 1,656,588

(1) During the year ended November 30, 2015, we made correcting adjustments to decrease goodwill by $2.0 million. Goodwill had been overstated in the historical financial statements since we became an indirect wholly owned subsidiary of Leucadia on March 1, 2013. Financial instruments owned and Accrued expenses and other liabilities had been understated, while the net deferred tax asset and net income tax receivable, both of which are presented within Other assets on the face of the consolidated statements of financial condition, had been overstated. We do not believe this misstatement is material to our financial statements for any previously reported period.

Goodwill Impairment Testing

A reporting unit is an operating segment or one level below an operating segment. The quantitative goodwill impairment test is performed at the level of the reporting unit and consists of two steps. In the first step, the fair value of each reporting unit is compared with its carrying value, including goodwill and allocated intangible assets. If the fair value is in excess of the carrying value, the goodwill for the reporting unit is considered not to be impaired. If the fair value is less than the carrying value, then a second step is performed in order to measure the amount of the impairment loss, if any, which is based on comparing the implied fair value of the reporting unit's goodwill to the carrying value of the reporting unit's goodwill.

Allocated equity plus allocated goodwill and intangible assets are used for the carrying amount of each reporting unit. The amount of equity allocated to a reporting unit is based on our cash capital model deployed in managing our businesses, which seeks to approximate the capital a business would require if it were operating independently. Intangible assets are allocated to a reporting unit based on either specifically identifying a particular intangible asset as pertaining to a reporting unit or, if shared among reporting units, based on an assessment of the reporting unit's benefit from the intangible asset in order to generate results.

Estimating the fair value of a reporting unit requires management judgment. Estimated fair values for our reporting units were determined using a market valuation method that incorporate price-to-earnings and price-to-book multiples of comparable public companies. In addition, as the fair values determined under the market approach represent a noncontrolling interest, we applied a control premium to arrive at the estimated fair value of each reporting unit on a controlling basis. We engaged an independent valuation specialist to assist us in our valuation process at August 1, 2016.

Our annual goodwill impairment testing at August 1, 2016 did not indicate any goodwill impairment in any of our reporting units. Substantially all of our goodwill is allocated to our Investment Banking, Equities, and Fixed Income reporting units, for which the results of our assessment indicated that these reporting units had a fair value in excess of their carrying amounts based on current projections. At November 30, 2016, goodwill allocated to these reporting units is $1,637.7 million of total goodwill of $1,640.7 million. For the remaining less significant reporting units, we have used a net asset approach for valuation and the fair value of each of the reporting units is equal to its book value.

Intangible Assets

Intangible assets are included in Other assets in the Consolidated Statements of Financial Condition. The following tables present the gross carrying amount, changes in carrying amount, net carrying amount and weighted average amortization period of identifiable intangible assets at November 30, 2016 and 2015 (in thousands):

	November 30, 2016					Weighted average remaining lives (years)
	Gross cost	Disposals (1)	Impairment losses	Accumulated amortization	Net carrying amount	
Customer relationships	$ 125,381	$ —	$ —	$ (42,283)	$ 83,098	12.1
Trade name	128,052	—	—	(13,720)	114,332	31.3
Exchange and clearing organization membership interests and registrations	11,704	(1,379)	(1,284)	—	9,041	N/A
Total	$ 265,137	$ (1,379)	$ (1,284)	$ (56,003)	$ 206,471	

	November 30, 2015					Weighted average remaining lives (years)
	Gross cost	Disposals (1)	Impairment losses	Accumulated amortization	Net carrying amount	
Customer relationships	$ 127,667	$ —	$ —	$ (34,754)	$ 92,913	12.9
Trade name	131,288	—	—	(10,315)	120,973	32.3
Exchange and clearing organization membership interests and registrations	14,413	(1,227)	(1,289)	—	11,897	N/A
Total	$ 273,368	$ (1,227)	$ (1,289)	$ (45,069)	$ 225,783	

(1) Activity is primarily related to the sale of certain exchange and clearing organization membership interests in the Futures reporting unit due to the exit of the business.

We performed our annual impairment testing of intangible assets with an indefinite useful life, which consists of exchange and clearing organization membership interests and registrations, at August 1, 2016. We elected to perform a quantitative assessment of membership interests and registrations that have available quoted sales prices as well as certain other membership interests and registrations that have declined in utilization. A qualitative assessment was performed on the remainder of our indefinite-life intangible assets. In applying our quantitative assessment at August 1, 2016 and 2015, we recognized an impairment loss of $1.3 million and $1.3 million, respectively, on certain exchange memberships. With regard to our qualitative assessment of the remaining indefinite-life intangible assets, based on our assessment of market conditions, the utilization of the assets and the replacement costs associated with the assets, we have concluded that it is not more likely than not that the intangible assets are impaired.

Amortization Expense

For finite life intangible assets, aggregate amortization expense amounted to $12.0 million, $12.2 million and $12.8 million for the years ended November 30, 2016, 2015 and 2014, respectively. These expenses are included in Other expenses on the Consolidated Statements of Earnings.

The estimated future amortization expense for the five succeeding fiscal years is as follows (in thousands):

Year ended November 30, 2017	$ 12,198
Year ended November 30, 2018	12,198
Year ended November 30, 2019	12,198
Year ended November 30, 2020	12,198
Year ended November 30, 2021	12,198

Note 11. Short-Term Borrowings

Short-term borrowings at November 30, 2016 and 2015 include the following (in thousands):

	November 30,	
	2016	2015
Bank loans (1)	$ 372,301	$ 262,000
Secured revolving loan facilities	57,086	48,659
Floating rate puttable notes	96,455	—
Total short-term borrowings	$ 525,842	$ 310,659

(1) Bank loans are payable on demand and must be repaid in one year or less. Amount at November 30, 2016 includes $10.3 million related to bank overdrafts.

At November 30, 2016, the weighted average interest rate on short-term borrowings outstanding is 1.77% per annum. Average daily short-term borrowings outstanding were $399.6 million and $65.3 million for the year ended November 30, 2016 and 2015, respectively.

During 2016, under our $2.0 billion Euro Medium Term Note Program, we issued floating rate puttable notes with an aggregate principal amount of €91.0 million. These notes are currently redeemable.

On February 19, 2016, we entered into a demand loan margin financing facility (“Demand Loan Facility”) in a maximum principal amount of $25.0 million to satisfy certain of our margin obligations. Interest is based on an annual rate equal to weighted average LIBOR as defined in the Demand Loan Facility agreement plus 150 basis points. The Demand Loan Facility was terminated with an effective date of November 30, 2016.

On October 29, 2015, we entered into a secured revolving loan facility (“First Secured Revolving Loan Facility”), whereby the lender agrees to make available a revolving loan facility in a maximum principal amount of $50.0 million to purchase eligible receivables that meet certain requirements as defined in the First Secured Revolving Loan Facility agreement. Interest is based on an annual rate equal to the lesser of the LIBOR rate plus three and three-quarters percent or the maximum rate as defined in the First Secured Revolving Loan Facility agreement. On December 14, 2015, we entered into a second secured revolving loan facility (“Second Revolving Loan Facility”), whereby the lender agrees to make available a revolving loan facility in a maximum principal amount of $50.0 million to purchase eligible receivables that meet certain requirements as defined in the Second Secured Revolving Loan Facility agreement. Interest is based on an annual rate equal to the lesser of the LIBOR rate plus four and one-quarter percent or the maximum rate as defined in the Second Secured Revolving Loan Facility agreement.

The Bank of New York Mellon agrees to make revolving intraday credit advances (“Intraday Credit Facility”) for an aggregate committed amount of $250.0 million. The Intraday Credit Facility contains a financial covenant, which includes a minimum regulatory net capital requirement. Interest is based on the higher of the Federal funds effective rate plus 0.5% or the prime rate. At November 30, 2016, we were in compliance with debt covenants under the Intraday Credit Facility.

Note 12. Long-Term Debt

The following summarizes our long-term debt carrying values (including unamortized discounts and premiums and valuation adjustment, where applicable) (in thousands):

	November 30, 2016	November 30, 2015
Unsecured Long-Term Debt		
5.5% Senior Notes, due March 15, 2016 (effective interest rate of 2.52%)	$ —	$ 353,025
5.125% Senior Notes, due April 13, 2018 (effective interest rate of 3.46%)	817,813	830,298
8.5% Senior Notes, due July 15, 2019 (effective interest rate of 4.00%)	778,367	806,125
2.375% Euro Medium Term Notes, due May 20, 2020 (effective rate of 2.42%)	528,250	526,436
6.875% Senior Notes, due April 15, 2021 (effective interest rate of 4.40%)	823,797	838,765
2.25% Euro Medium Term Notes, due July 13, 2022 (effective rate of 4.08%)	3,848	3,779
5.125% Senior Notes, due January 20, 2023 (effective interest rate of 4.55%)	618,355	620,890
6.45% Senior Debentures, due June 8, 2027 (effective interest rate of 5.46%)	377,806	379,711
3.875% Convertible Senior Debentures, due November 1, 2029 (effective interest rate of 3.50%) (1)	346,187	347,307
6.25% Senior Debentures, due January 15, 2036 (effective interest rate of 6.03%)	512,396	512,730
6.50% Senior Notes, due January 20, 2043 (effective interest rate of 6.09%)	421,333	421,656
Structured Notes (2) (3)	255,203	—
Total long-term debt	$ 5,483,355	$ 5,640,722

(1) The change in fair value of the conversion feature, which is included within Principal transaction revenues in the Consolidated Statements of Earnings, was not material for the years ended November 30, 2016 and 2015, and amounted to a gain of $8.9 million for the year ended November 30, 2014.

(2) Includes $248.9 million at fair value at November 30, 2016. A weighted average coupon rate is not meaningful, as substantially all of the structured notes are carried at fair value.

(3) Of the $255.2 million of structured notes at November 30, 2016, $6.3 million matures in 2018, $10.7 million matures in 2019, and the remaining $238.2 million matures in 2024 or thereafter.

During the year ended November 30, 2016, we issued structured notes with a total principal amount of approximately $275.4 million. Structured notes of $248.9 million at November 30, 2016 contain various interest rate payment terms and are accounted for at fair value, with changes in fair value resulting from a change in the instrument-specific credit risk presented in other comprehensive income and changes in fair value resulting from non-credit components recognized in Principal transaction revenues. During the year ended November 30, 2014, under our $2.0 billion Euro Medium Term Note Program, we issued senior unsecured notes with a principal amount of €500.0 million, due 2020. Proceeds amounted to €498.7 million. We did not issue notes during the year ended November 30, 2015. During the years ended November 30, 2016, 2015 and 2014, approximately $350.0 million, $500.0 million and $250.0 million of long-term borrowings matured or were retired, respectively. On January 17, 2017, we issued 4.85% senior notes with a principal amount of $750.0 million, due 2027.

In addition, on January 21, 2016, we issued $15.0 million of Class A Notes, due 2022, and $7.5 million of Class B Notes, due 2022, secured by aircraft and related operating leases and which were non-recourse to us. In June 2016, the Class A Notes and the Class B Notes were repurchased and retired.

Our 3.875% convertible debentures due 2029 (principal amount of $345.0 million) (the "debentures") remain issued and outstanding and are convertible into common shares of Leucadia. At December 12, 2016, each $1,000 debenture is currently convertible into 22.7634 shares of Leucadia's common stock (equivalent to a conversion price of approximately $43.93 per share of Leucadia's common stock). The debentures are convertible at the holders' option any time beginning on August 1, 2029 and convertible at any time if: 1) Leucadia's common stock price is greater than or equal to 130% of the conversion price for at least 20 trading days in a period of 30 consecutive trading days; 2) if the trading price per debenture is less than 95% of the price of the common stock times the conversion ratio for any 10 consecutive trading days; 3) if the debentures are called for redemption; or 4) upon the occurrence of specific corporate actions. The debentures may be redeemed for par, plus accrued interest, on or after November 1, 2012 if the price of Leucadia's common stock is greater than 130% of the conversion price for at least 20 days in a period of 30 consecutive trading days and we may redeem the debentures for par, plus accrued interest, at our election any time on or after November 1, 2017. Holders may require us to repurchase the debentures for par, plus accrued interest, on November 1, 2017, 2019 and 2024. In addition to ordinary interest, commencing November 1, 2017, contingent interest will accrue at 0.375% if the average trading price of a debenture for five trading days ending on and including the third trading day immediately preceding a six-month interest period equals or exceeds $1,200 per $1,000 debenture. The conversion option to Leucadia common shares embedded within the debentures is accounted for on a standalone basis at fair value with changes in fair value recognized in Principal transaction revenues and is presented within Long-term debt in the Consolidated Statements of Financial Condition. At November 30, 2016 and 2015, the fair value of the conversion option was not material.

Secured Long-Term Debt – On August 26, 2011, certain subsidiaries with a guarantee from Jefferies Group LLC entered into a committed senior secured revolving credit facility ("Credit Facility") with a group of commercial banks in U.S. dollars, Euros and Sterling, for an aggregate committed amount of $950.0 million with availability subject to one or more borrowing bases and of which $250.0 million could be borrowed without a borrowing base requirement. On June 26, 2014, we amended and restated the Credit Facility for three years and reduced the committed amount to $750.0 million. The Credit Facility contained certain financial covenants, including, but not limited to, restrictions on future indebtedness of our subsidiaries, minimum tangible net worth and liquidity requirements and minimum capital requirements. Interest was based on, in the case of U.S. dollar borrowings, the Federal funds rate or the London Interbank Offered Rate or, in the case of Euro and Sterling borrowings, the Euro Interbank Offered Rate and the London Interbank Offered Rate, respectively. The obligations of each borrower under the Credit Facility were secured by substantially all the assets of such borrower, but none of the borrowers was responsible for any obligations of any other borrower. We terminated the Credit Facility on July 31, 2015, due to the exiting of the Bache business. For further information with respect to the Credit Facility, refer to Note 22, Exit Costs.

Note 13. Noncontrolling Interests

Noncontrolling interests represent equity interests in consolidated subsidiaries, comprised primarily of asset management entities and investment vehicles set up for the benefit of our employees that are not attributable, either directly or indirectly, to us (*i.e.*, minority interests). The following table presents noncontrolling interests at November 30, 2016 and 2015 (in thousands):

	November 30,	
	2016	2015
Global Equity Event Opportunity Fund, LLC (1)	$ —	$ 26,292
Other	651	1,176
Noncontrolling interests	$ 651	$ 27,468

(1) The reduction is primarily related to the deconsolidation of the entity on December 1, 2015, due to the adoption of ASU No. 2015-02. (See Note 3, Accounting Developments, for further information on the adoption of this guidance.) No gain or loss was recognized upon deconsolidation. Noncontrolling interests attributed to Leucadia were $26.3 million at November 30, 2015.

Note 14. Benefit Plans

U.S. Pension Plan

We maintain a defined benefit pension plan, Jefferies Group LLC Employees' Pension Plan (the "U.S. Pension Plan"), which is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, and covers certain of our employees. Under the U.S. Pension Plan, benefits to participants are based on years of service and the employee's career average pay. Effective December 31, 2005, benefits under the U.S. Pension Plan were frozen with no further benefit accruing to participants for future service after December 31, 2005.

Employer Contributions - Our funding policy is to contribute to the U.S. Pension Plan at least the minimum amount required for funding purposes under applicable employee benefit and tax laws. We contributed $3.0 million to the U.S. Pension Plan during the year ended November 30, 2016. We do not anticipate making a contribution to the plan during the year ended November 30, 2017.

The following tables summarize the changes in the projected benefit obligation, the fair value of the assets and the funded status of the plan (in thousands):

	Year Ended November 30,	
	2016	2015
Change in projected benefit obligation:		
Projected benefit obligation, beginning of period	$ 58,330	$ 55,262
Service cost	400	250
Interest cost	2,311	2,340
Actuarial losses	862	4,280
Administrative expenses paid	(461)	(359)
Benefits paid	(2,711)	(729)
Settlements	—	(2,714)
Projected benefit obligation, end of period	$ 58,731	$ 58,330
Change in plan assets:		
Fair value of assets, beginning of period	$ 47,031	$ 51,085
Benefits paid	(2,711)	(729)
Administrative expenses paid	(461)	(359)
Actual return on plan assets	3,133	(252)
Contributions	3,000	—
Settlements	—	(2,714)
Fair value of assets, end of period	$ 49,992	$ 47,031
Funded status at end of period	$ (8,739)	$ (11,299)

The amounts recognized in our Consolidated Statements of Financial Condition are as follows (in thousands):

	November 30,	
	2016	2015
Consolidated statements of financial condition:		
Liabilities	$ 8,739	$ 11,299
Accumulated other comprehensive income, before taxes:		
Net losses	$ (5,901)	$ (5,255)

JEFFERIES GROUP LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The following tables summarize the components of net periodic pension cost and other amounts recognized in Other comprehensive income, before taxes (in thousands):

	Year Ended November 30,		
	2016	2015	2014
Components of net periodic pension cost:			
Service cost	$ 400	$ 250	$ 250
Interest cost on projected benefit obligation	2,311	2,340	2,429
Expected return on plan assets	(2,917)	(3,357)	(3,125)
Net amortization	—	—	(94)
Settlement losses	—	244	—
Net periodic pension cost	$ (206)	$ (523)	$ (540)

	Year Ended November 30,		
	2016	2015	2014
Amounts recognized in Other comprehensive income:			
Net losses arising during the period	$ 646	$ 7,890	$ 3,784
Amortization of net gain	—	—	94
Settlements during the period	—	(244)	—
Total losses recognized in Other comprehensive income	646	7,646	3,878
Net losses recognized in net periodic benefit cost and Other comprehensive income	$ 440	$ 7,123	$ 3,338

The assumptions used to determine the actuarial present value of the projected obligation and net periodic pension benefit cost are as follows:

	Year Ended November 30,		
	2016	2015	2014
Discount rate used to determine benefit obligation	3.90%	4.10%	4.30%
Weighted average assumptions used to determine net pension cost:			
Discount rate	4.10%	4.30%	5.10%
Expected long-term rate of return on plan assets	6.25%	6.75%	6.75%

Expected Benefit Payments - Expected benefit payments for each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows (in thousands):

2017	$ 1,981
2018	2,149
2019	3,039
2020	2,475
2021	2,311
2022 through 2026	23,957

Plan Assets - The following tables present the fair value of plan assets by level within the fair value hierarchy (in thousands):

	At November 30, 2016		
	Level 1	Level 2	Total
Plan assets (1):			
Cash and cash equivalents	$ 1,135	$ —	$ 1,135
Listed equity securities (2)	32,342	—	32,342
Fixed income securities:			
Corporate debt securities	—	4,906	4,906
Foreign corporate debt securities	—	1,835	1,835
U.S. government securities	5,370	—	5,370
Agency mortgage-backed securities	—	3,330	3,330
CMBS	—	591	591
ABS	—	483	483
Total plan assets	$ 38,847	$ 11,145	$ 49,992

(1) There are no plan assets classified within Level 3 of the fair value hierarchy.
(2) Listed equity securities are diversified across a spectrum of primarily U.S. large-cap companies.

	At November 30, 2015		
	Level 1	Level 2	Total
Plan assets (1):			
Cash and cash equivalents	$ 487	$ —	$ 487
Listed equity securities (2)	29,156	—	29,156
Fixed income securities:			
Corporate debt securities	—	6,598	6,598
Foreign corporate debt securities	—	2,140	2,140
U.S. government securities	3,975	—	3,975
Agency mortgage-backed securities	—	3,504	3,504
CMBS	—	425	425
ABS	—	746	746
Total plan assets	$ 33,618	$ 13,413	$ 47,031

(1) There are no plan assets classified within Level 3 of the fair value hierarchy.
(2) Listed equity securities are diversified across a spectrum of primarily U.S. large-cap companies.

Valuation technique and inputs - The following is a description of the valuation techniques and inputs used in measuring plan assets accounted for at fair value on a recurring basis:

- Cash equivalents are valued at cost, which approximates fair value and are categorized in Level 1 of the fair value hierarchy;
- Listed equity securities are valued using the quoted prices in active markets for identical assets;
- Fixed income securities:
    - Corporate debt, mortgage- and asset-backed securities and other securities valuations use data readily available to all market participants and use inputs available for substantially the full term of the security. Valuation inputs include benchmark yields, reported trades, broker dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers, [redacted] data, and industry and economic events;
    - U.S. government and agency securities valuations generally include quoted bid prices in active markets for identical or similar assets.

Investment Policies and Strategies - Assets in the plan are invested under guidelines adopted by the Administrative Committee of the U.S. Pension Plan. Because the U.S. Pension Plan exists to provide a vehicle for funding future benefit obligations, the investment objectives of the portfolio take into account the nature and timing of future plan liabilities. The policy recognizes that the portfolio's long-term investment performance and its ability to meet the plan's overall objectives are dependent on the strategic asset allocation which includes adequate diversification among assets classes.

The target allocation of plan assets for 2017 is approximately 50% equities and 50% fixed income securities. The target asset allocation was determined based on the risk tolerance characteristics of the plan and, at times, may be adjusted to achieve the plan's investment objective and to minimize any concentration of investment risk. The Administrative Committee evaluates the asset allocation strategy and adjusts the allocation if warranted based upon market conditions and the impact of the investment strategy on future contribution requirements. The expected long-term rate of return assumption is based on an analysis of historical experience of the portfolio and the summation of prospective returns for each asset class in proportion to the fund's current asset allocation.

The equity portfolio may invest up to 5% of the market value of the portfolio in any one company and may invest up to 10% of the market value of the portfolio in any one sector or up to two times the percentage weighting of any one sector as defined by the S&P 500 or the Russell 1000 Value indices, whichever is higher. Permissible investments specified under the equity portfolio of the plan include equity securities of U.S. and non-U.S. incorporated entities and private placement securities issued pursuant to Rule 144A. At least 75% of the market value of the fixed income portfolio must be invested in investment grade securities rated BBB-/Baa3, including cash and cash equivalents. Permissible investments specified under the fixed income portfolio of the plan include: public or private debt obligations issued or guaranteed by U.S. or foreign issuers; preferred, hybrid, mortgage or asset-backed securities; senior loans; and derivatives and foreign currency exchange contracts.

German Pension Plan

In connection with the acquisition of Jefferies Bache from Prudential on July 1, 2011, we acquired a defined benefits pension plan located in Germany (the "German Pension Plan") for the benefit of eligible employees of Jefferies Bache in that territory. The German Pension Plan has no plan assets and is therefore unfunded. We have purchased insurance contracts from multi-national insurers held in the name of Jefferies Bache Limited to provide for the plan's future obligations. The investment in these insurance contracts is included in Financial Instruments owned in the Consolidated Statements of Financial Condition and has a fair value of $15.2 million and $15.3 million at November 30, 2016 and 2015, respectively. We expect to pay our pension obligations from the cash flows available to us under the insurance contracts. All costs relating to the plan (including insurance premiums and other costs as computed by the insurers) are paid by us. In connection with the acquisition, it was agreed with Prudential that any insurance premiums and funding obligations related to pre-acquisition date service will be reimbursed to us by Prudential.

The provisions and assumptions used in the German Pension Plan are based on local conditions in Germany. We did not contribute to the plan during the years ended November 30, 2016 and 2015.

The following tables summarize the changes in the projected benefit obligation and the components of net periodic pension cost (in thousands):

	Year Ended November 30,	
	2016	2015
Change in projected benefit obligation:		
Projected benefit obligation, beginning of period	$ 23,545	$ 28,434
Interest cost	529	523
Actuarial loss (gain)	1,157	(40)
Benefits paid	(1,104)	(1,069)
Currency adjustment	39	(4,303)
Projected benefit obligation, end of period	$ 24,166	$ 23,545
Funded status at end of period	$ (24,166)	$ (23,545)

The amounts recognized in our Consolidated Statements of Financial Condition are as follows (in thousands):

	November 30, 2016	November 30, 2015
Consolidated statements of financial condition:		
Liabilities	$ 24,166	$ 23,545
Accumulated other comprehensive income, before taxes:		
Net losses	$ (5,748)	$ (4,917)

The following tables summarize the components of net periodic pension cost and other amounts recognized in Other comprehensive income, before taxes (in thousands):

	Year Ended November 30, 2016	2015	2014
Components of net periodic pension cost:			
Service cost	$ —	$ —	$ 40
Interest cost on projected benefit obligation	529	523	801
Net amortization	326	325	244
Net periodic pension cost	$ 855	$ 848	$ 1,085

	Year Ended November 30, 2016	2015	2014
Amounts recognized in other comprehensive income:			
Net (gain) loss arising during the period	$ 1,157	$ (39)	$ 4,631
Amortization of net loss	(326)	(325)	(244)
Total loss (gain) recognized in Other comprehensive income	$ 831	$ (364)	$ 4,387
Net losses recognized in net periodic benefit cost and Other comprehensive income	$ 1,686	$ 484	$ 5,472

The following are assumptions used to determine the actuarial present value of the projected benefit obligation and net periodic pension benefit cost:

	Year Ended November 30, 2016	2015	2014
Projected benefit obligation:			
Discount rate	1.70%	2.20%	2.10%
Rate of compensation increase (1)	N/A	N/A	3.00%
Net periodic pension benefit cost:			
Discount rate	2.20%	2.10%	3.40%
Rate of compensation increase (1)	N/A	N/A	3.00%

(1) There were no active participants of the pension plan at November 30, 2016 and 2015.

Expected Benefit Payments - Expected benefit payments for each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows (in thousands):

2017	$	1,142
2018		1,147
2019		1,122
2020		1,169
2021		1,177
2022 through 2026		5,814

Note 15. Compensation Plans

Leucadia sponsors our following share-based compensation plans: Incentive Compensation Plan, Employee Stock Purchase Plan ("ESPP") and the Deferred Compensation Plan. The outstanding and future share-based awards relating to these plans relate to Leucadia common shares. The fair value of share-based awards is estimated on the date of grant based on the market price of the underlying common stock less the impact of market conditions and selling restrictions subsequent to vesting, if any, and is amortized as compensation expense over the related requisite service periods. We are allocated costs associated with awards granted to our employees under such plans.

In addition, we sponsor non-share-based compensation plans. Non-share-based compensation plans sponsored by us include a profit sharing plan and other forms of restricted cash awards.

The components of total compensation cost associated with certain of our compensation plans are as follows (in millions):

	Year Ended November 30,		
	2016	2015	2014
Components of compensation cost:			
Restricted cash awards	$ 263.7	$ 249.2	$ 193.7
Restricted stock and RSUs (1)	23.5	57.9	84.5
Profit sharing plan	6.0	6.1	6.1
Total compensation cost	$ 293.2	$ 313.2	$ 284.3

(1) Total compensation cost associated with restricted stock and RSUs includes the amortization of sign-on, retention and senior executive awards, less forfeitures and clawbacks. Additionally, we recognize compensation cost related to the discount provided to employees in electing to defer compensation under the Deferred Compensation Plan. This compensation cost was approximately $150,000, $399,000 and $268,000 for the years ended November 30, 2016, 2015 and 2014, respectively.

Remaining unamortized amounts related to certain compensation plans at November 30, 2016 are as follows (dollars in millions):

	Remaining Unamortized Amounts	Weighted Average Vesting Period (in Years)
Non-vested share-based awards	$ 29.9	2
Restricted cash awards	468.3	3
Total	$ 498.2	

In December 2016, we approved approximately $96.1 million of restricted cash awards related to the 2016 performance year that contain a future service requirement. Absent estimated or actual forfeitures or cancellations or accelerations, the annual compensation cost for these awards will be recognized as follows (in millions):

	Year Ended November 30,				
	2016	2017	2018	Thereafter	Total
Restricted cash awards	$ 19.1	$ 19.1	$ 18.4	$ 39.5	$ 96.1

The following are descriptions of the compensation plans.

Incentive Compensation Plan. The Incentive Compensation Plan ("Incentive Plan") allows for awards in the form of incentive stock options (within the meaning of Section 422 of the Internal Revenue Code), nonqualified stock options, stock appreciation rights, restricted stock, unrestricted stock, performance awards, restricted stock units, dividend equivalents or other share-based awards. Restricted stock units ("RSUs") give a participant the right to receive fully vested common shares at the end of a specified deferral period, allowing a participant to hold an interest tied to common stock on a tax deferred basis. Prior to settlement, RSUs carry no voting or dividend rights associated with the stock ownership, but dividend equivalents are accrued to the extent there are dividends declared on the underlying common shares as cash amounts or as deemed reinvestments in additional RSUs. Awards issued and outstanding related to the Incentive Plan relate to shares of Leucadia.

Restricted stock and RSUs may be granted to new employees as sign-on awards, to existing employees as "retention" awards and to certain executive officers as awards for multiple years. Sign-on and retention awards are generally subject to annual ratable vesting over a four-year service period and are amortized as compensation expense on a straight line basis over the related four years. Restricted stock and RSUs are granted to certain senior executives with market, performance and service conditions. Market conditions are incorporated into the grant-date fair value of senior executive awards using a Monte Carlo valuation model. Compensation expense for awards with market conditions is recognized over the service period and is not reversed if the market condition is not met. Awards with performance conditions are amortized over the service period if we determine that it is probable that the performance condition will be achieved. Awards granted to senior executives related to the 2015 and 2014 fiscal years did not meet performance targets, and as a result, compensation expense has been adjusted to reflect the reduced number of shares that have vested.

Employee Stock Purchase Plan. There is also an ESPP which we consider noncompensatory effective January 1, 2007. The ESPP permits all regular full-time employees and employees who work part time over 20 hours per week to purchase, at a discount, Leucadia common shares. Annual employee contributions are limited to $21,250, are voluntary and made through payroll deduction. The stock purchase price is equal to 95% of the closing price of common stock on the last day of the applicable session (monthly).

Deferred Compensation Plan. There is also a Deferred Compensation Plan, which was established in 2001. Eligible employees are able to defer compensation on a pre-tax basis, with deferred amounts deemed invested at a discount in Leucadia common shares, or by allocating among any combination of other investment funds available under the Deferred Compensation Plan. We often invest directly, as a principal, in investments corresponding to the other investment funds, relating to our obligations to perform under the Deferred Compensation Plan. The compensation deferred by our employees is expensed in the period earned. The change in fair value of our investments in assets corresponding to the specified other investment funds are recognized in Principal transaction revenues and changes in the corresponding deferred compensation liability are reflected as Compensation and benefits expense in our Consolidated Statements of Earnings.

Profit Sharing Plan. We have a profit sharing plan, covering substantially all employees, which includes a salary reduction feature designed to qualify under Section 401(k) of the Internal Revenue Code.

Restricted Cash Awards. We provide compensation to new and existing employees in the form of loans and/or other cash awards which are subject to ratable vesting terms with service requirements. We amortize these awards to compensation expense over the relevant service period, which is generally considered to start at the beginning of the annual compensation year.

Note 16. Non-interest Expenses

See the Consolidated Statements of Earnings for details on our non-interest expenses. Included within Other expenses are the following (in thousands):

	Year Ended November 30,		
	2016	2015	2014
Bad debt provision (1)	$ 7,365	$ (396)	$ 55,355
Goodwill impairment (2)	—	—	54,000
Intangible assets amortization and impairment (3)	13,328	13,487	20,569

(1) During the year ended November 30, 2015, we released $4.4 million in reserves related to the resolution of bankruptcy claims against Lehman Brothers Holdings, Inc. During the fourth quarter of 2014, we recognized a bad debt provision, which primarily relates to a receivable of $52.3 million from a client to which we provided futures clearing and execution services, which declared bankruptcy.

(2) Goodwill impairment losses of $51.9 million and $2.1 million at November 30, 2014 were recognized in the Futures and International Asset Management reporting units at November 30, 2014, respectively. (See Note 10, Goodwill and Other Intangible Assets for further information.)

(3) The amounts for the years ended November 30, 2016 and 2015 both include an impairment loss of $1.3 million on certain exchange memberships. The amount for the year ended November 30, 2014 includes impairment losses at November 30, 2014 of $7.5 million and $0.1 million in the Futures business and the International Asset Management business, respectively. (See Note 10, Goodwill and Other Intangible Assets for further information.)

Note 17. Income Taxes

Total income taxes were allocated as follows (in thousands):

	Year Ended November 30,		
	2016	2015	2014
Income tax expense	$ 14,566	$ 18,898	$ 142,061
Stockholders' equity, for compensation expense for tax purposes (in excess of)/less than amounts recognized for financial reporting purposes	4,186	5,935	(1,276)

The provision for income tax expense consists of the following components (in thousands):

	Year Ended November 30,		
	2016	2015	2014
Current:			
U.S. Federal	$ 27,473	$ (45,007)	$ 4,335
U.S. state and local	6,196	(28,260)	4,056
Foreign	(5,090)	3,369	11,475
Total current	28,579	(69,898)	19,866
Deferred:			
U.S. Federal	(11,249)	74,085	87,293
U.S. state and local	(4,819)	22,811	27,181
Foreign	2,055	(8,100)	7,721
Total deferred	(14,013)	88,796	122,195
Total income tax expense	$ 14,566	$ 18,898	$ 142,061

The following table presents the U.S. and non-U.S. components of income before income tax expense (in thousands):

	Year Ended November 30,		
	2016	2015	2014
U.S.	$ 34,178	$ 82,515	$ 285,806
Non-U.S. (1)	(4,206)	31,712	17,215
Income before income tax expense	$ 29,972	$ 114,227	$ 303,021

(1) For purposes of this table, non-U.S. income is defined as income generated from operations located outside the U.S.

Income tax expense differed from the amounts computed by applying the U.S. Federal statutory income tax rate of 35% to earnings before income taxes as a result of the following (dollars in thousands):

	Year Ended November 30,					
	2016		2015		2014	
	Amount	Percent	Amount	Percent	Amount	Percent
Computed expected income taxes	$ 10,490	35.0%	$ 39,979	35.0%	$ 106,058	35.0%
Increase (decrease) in income taxes resulting from:						
State and city income taxes, net of Federal income tax benefit	124	0.5	(3,542)	(3.1)	20,304	6.7
International operations (including foreign rate differential)	(3,404)	(11.4)	(11,474)	(10.0)	(3,061)	(1.0)
Tax exempt income	(4,640)	(15.5)	(6,789)	(5.9)	(6,746)	(2.2)
Non deductible settlements	—	—	—	—	3,850	1.3
Valuation allowance related to the Jefferies Bache business	—	—	—	—	4,655	1.5
Goodwill impairment	—	—	—	—	13,619	4.5
Foreign tax credits	—	—	(7,240)	(6.3)	(3,149)	(1.0)
Non-deductible Jefferies Bache wind down costs	—	—	3,225	2.8	—	—
Meals and entertainment	4,640	15.5	5,232	4.6	4,103	1.4
Excess stock detriment	9,755	32.6	—	—	—	—
Federal benefits related to prior year tax filings	(2,928)	(9.8)	199	0.1	1,055	0.3
Other, net	529	1.7	(692)	(0.7)	1,373	0.4
Total income taxes	$ 14,566	48.6%	$ 18,898	16.5%	$ 142,061	46.9%

The following table presents a reconciliation of gross unrecognized tax benefits (in thousands):

	Year Ended November 30,		
	2016	2015	2014
Balance at beginning of period	$ 107,902	$ 126,662	$ 126,844
Increases based on tax positions related to the current period	5,045	—	4,831
Increases based on tax positions related to prior periods	1,447	2,818	1,624
Decreases based on tax positions related to prior periods	(4,520)	(3,883)	(1,709)
Decreases related to settlements with taxing authorities	(347)	(17,695)	(4,928)
Balance at end of period	$ 109,527	$ 107,902	$ 126,662

The total amount of unrecognized benefit that, if recognized, would favorably affect the effective tax rate was $73.1 million and $71.9 million (net of federal benefits of taxes) at November 30, 2016 and 2015, respectively.

We recognize interest accrued related to unrecognized tax benefits in Interest expense. Penalties, if any, are recognized in Other expenses in the Consolidated Statements of Earnings. Net interest expense related to unrecognized tax benefits was $6.5 million, $2.2 million and $7.7 million for the years ended November 30, 2016, 2015 and 2014, respectively. At November 30, 2016 and 2015, we had interest accrued of approximately $39.3 million and $32.8 million, respectively, included in Accrued expenses and other liabilities in the Consolidated Statements of Financial Condition. No material penalties were accrued for the years ended November 30, 2016 and 2015.

The cumulative tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below (in thousands):

	November 30,	
	2016	2015
Deferred tax assets:		
Compensation and benefits	$ 285,542	$ 253,291
Net operating loss	11,021	7,862
Long-term debt	60,707	95,765
Accrued expenses and other	124,269	113,259
Sub-total	481,539	470,177
Valuation allowance	(9,464)	(13,337)
Total deferred tax assets	472,075	456,840
Deferred tax liabilities:		
Amortization of intangibles	107,474	103,560
Other	21,630	26,345
Total deferred tax liabilities	129,104	129,905
Net deferred tax asset, included in Other assets	$ 342,971	$ 326,935

The valuation allowance represents the portion of our deferred tax assets for which it is more likely than not that the benefit of such items will not be realized. We believe that the realization of the net deferred tax asset of $343.0 million is more likely than not based on expectations of future taxable income in the jurisdictions in which we operate.

At November 30, 2016, we had gross net operating loss carryforwards of $56.3 million, primarily in Europe (primarily the United Kingdom ("U.K.")). The losses in the U.K. have an unlimited carryforward period. A deferred tax asset of $0.8 million related to net operating losses in Asia has been fully offset by a valuation allowance while $5.9 million of deferred tax assets related to net operating losses in Europe has been fully offset by a valuation allowance. The remaining valuation allowance is attributable to deferred tax assets related to compensation and benefits, capital losses, and tax credits in the U.K.

We have a tax sharing agreement between us and Leucadia. Refer to Note 21. Related Party Transactions, for further information.

At November 30, 2016 and 2015, we had approximately $157.0 million and $205.0 million, respectively, of earnings attributable to foreign subsidiaries that are indefinitely reinvested abroad and for which no U.S. Federal income tax provision has been recorded. Accordingly, a deferred tax liability of approximately $55.0 million and $59.0 million has not been recorded with respect to these earnings at November 30, 2016 and 2015, respectively.

We are currently under examination by the Internal Revenue Service and other major tax jurisdictions. We do not expect that resolution of these examinations will have a material effect on our consolidated financial position, but could have a material impact on the consolidated results of operations for the period in which resolution occurs. It is reasonably possible that, within the next twelve months, statutes of limitation will expire which would have the effect of reducing the balance of unrecognized tax benefits by $2.7 million.

The table below summarizes the earliest tax years that remain subject to examination in the major tax jurisdictions in which we operate:

Jurisdiction	Tax Year
United States	2007
California	2007
New Jersey	2010
New York State	2001
New York City	2003
United Kingdom	2014
Hong Kong	2009

Note 18. Commitments, Contingencies and Guarantees

Commitments

The following table summarizes our commitments at November 30, 2016 (in millions):

	Expected Maturity Date (fiscal years)					
	2017	2018	2019 and 2020	2021 and 2022	2023 and Later	Maximum Payout
Equity commitments (1)	$ 0.8	$ 8.6	$ 11.3	$ —	$ 234.0	$ 254.7
Loan commitments (1)	304.6	11.9	71.6	44.0	—	432.1
Underwriting commitments	349.4	—	—	—	—	349.4
Forward starting reverse repos (2)	4,668.7	—	—	—	—	4,668.7
Forward starting repos (2)	2,539.2	—	—	—	—	2,539.2
Other unfunded commitments (1)	—	37.0	4.8	33.8	13.2	88.8
Total commitments	$ 7,862.7	$ 57.5	$ 87.7	$ 77.8	$ 247.2	$ 8,332.9

(1) Equity, loan and other unfunded commitments are presented by contractual maturity date. The amounts, however, are available on demand.

(2) At November 30, 2016, $4,592.9 million within forward starting reverse repos and $2,464.6 million within repos settled within three business days.

Equity Commitments. Includes commitments to invest in our joint ventures, Jefferies Finance and Jefferies LoanCore, and commitments to invest in private equity funds and in Jefferies Capital Partners, LLC, the manager of the private equity funds, which consists of a team led by Brian P. Friedman, one of our directors and Chairman of the Executive Committee. At November 30, 2016, our outstanding commitments relating to Jefferies Capital Partners, LLC and its private equity funds was $23.1 million.

See Note 9, Investments, for additional information regarding our investments in Jefferies Finance and Jefferies LoanCore.

Additionally, at November 30, 2016, we had other outstanding equity commitments to invest up to $1.6 million in various other investments.

Loan Commitments. From time to time we make commitments to extend credit to investment banking and other clients in loan syndication, acquisition finance and securities transactions and to SPE sponsors in connection with the funding of CLO and other asset-backed transactions. These commitments and any related drawdowns of these facilities typically have fixed maturity dates and are contingent on certain representations, warranties and contractual conditions applicable to the borrower. At November 30, 2016, we had $182.1 million of outstanding loan commitments to clients.

Loan commitments outstanding at November 30, 2016 also include our portion of the outstanding secured revolving credit facility provided to Jefferies Finance, to support loan underwritings by Jefferies Finance.

Underwriting Commitments. In connection with investment banking activities, we may from time to time provide underwriting commitments to our clients in connection with capital raising transactions.

Forward Starting Reverse Repos and Repos. We enter into commitments to take possession of securities with agreements to resell on a forward starting basis and to sell securities with agreements to repurchase on a forward starting basis that are primarily secured by U.S. government and agency securities.

Other Unfunded Commitments. Other unfunded commitments include obligations in the form of revolving notes to provide financing to asset-backed and CLO vehicles. Upon advancing funds, drawn amounts are collateralized by the assets of an entity.

Leases. As lessee, we lease certain premises and equipment under non-cancelable agreements expiring at various dates through 2039 which are operating leases. At November 30, 2016, future minimum aggregate annual lease payments under such leases (net of subleases) for fiscal years ended November 30, 2017 through 2021 and the aggregate amount thereafter, are as follows (in thousands):

Fiscal Year	Operating Leases
2017	$ 61,226
2018	61,701
2019	59,364
2020	50,521
2021	48,429
Thereafter	564,077
Total	$ 845,318

The total minimum rentals to be received in the future under non-cancelable subleases at November 30, 2016 was $17.6 million.

Rental expense, net of subleases, amounted to $56.1 million, $57.4 million and $57.4 million for the years ended November 30, 2016, 2015 and 2014, respectively.

During 2012, we entered into a master sale and leaseback agreement under which we sold and have leased back existing and additional new equipment supplied by the lessor. The transaction resulted in a gain of $2.0 million, which is being amortized into earnings in proportion to and is reflected net against the leased equipment. The lease may be terminated by us in the third quarter of fiscal 2017 for a termination cost of the present value of the remaining lease payments plus a residual value. If not terminated early, the lease term is approximately five years from the start of the supply of new and additional equipment, which commenced on various dates in 2013 and continued into 2015. At November 30, 2016, minimum future lease payments are as follows (in thousands):

Fiscal Year	Minimum Future Lease Payments
2017	$ 3,798
2018	1,513
2019	189
Net minimum lease payments	5,500
Less amount representing interest	177
Present value of net minimum lease payments	$ 5,323

Guarantees

Derivative Contracts. As a dealer, we make markets and trade in a variety of derivative instruments. Certain derivative contracts that we have entered into meet the accounting definition of a guarantee under U.S. GAAP, including credit default swaps, written foreign currency options and written equity put options. On certain of these contracts, such as written interest rate caps and foreign currency options, the maximum payout cannot be quantified since the increase in interest or foreign exchange rates are not contractually limited by the terms of the contract. As such, we have disclosed notional values as a measure of our maximum potential payout under these contracts.

The following table summarizes the notional amounts associated with our derivative contracts meeting the definition of a guarantee under U.S. GAAP at November 30, 2016 (in millions):

	Expected Maturity Date (Fiscal Years)					
	2017	2018	2019 and 2020	2021 and 2022	2023 and Later	Notional/ Maximum Payout
Guarantee Type:						
Derivative contracts—non-credit related	$ 18,838.6	$ 820.4	$ —	$ —	$ 421.8	$ 20,080.8
Written derivative contracts—credit related	—	52.2	24.6	360.8	—	437.6
Total derivative contracts	$ 18,838.6	$ 872.6	$ 24.6	$ 360.8	$ 421.8	$ 20,518.4

At November 30, 2016 the external credit ratings of the underlyings or referenced assets for our credit related derivatives contracts (in millions):

	External Credit Rating						
	AAA/ Aaa	AA/Aa	A	BBB/ Baa	Below Investment Grade	Unrated	Notional/ Maximum Payout
Credit related derivative contracts:							
Index credit default swaps	$ 54.0	$ —	$ —	$ —	$ —	$ —	$ 54.0
Single name credit default swaps	—	—	79.5	42.9	261.2	—	383.6

The derivative contracts deemed to meet the definition of a guarantee under U.S. GAAP are before consideration of hedging transactions and only reflect a partial or "one-sided" component of any risk exposure. Written equity options and written credit default swaps are often executed in a strategy that is in tandem with long cash instruments (*e.g.*, equity and debt securities). We substantially mitigate our exposure to market risk on these contracts through hedges, such as other derivative contracts and/or cash instruments, and we manage the risk associated with these contracts in the context of our overall risk management framework. We believe notional amounts overstate our expected payout and that fair value of these contracts is a more relevant measure of our obligations. At November 30, 2016, the fair value of derivative contracts meeting the definition of a guarantee is approximately $313.1 million.

Loan Guarantees. We have provided a guarantee to Jefferies Finance that matures in January 2021, whereby we are required to make certain payments to an SPE sponsored by Jefferies Finance in the event that Jefferies Finance is unable to meet its obligations to the SPE. The maximum amount payable under the guarantee is $18.1 million at November 30, 2016. We have also provided a guarantee of a portion of Energy Partners I, LP's obligations under a credit agreement. The maximum exposure to loss of the guarantee is $3.0 million at November 30, 2016. See Note 8, Variable Interest Entities for further information.

Standby Letters of Credit. At November 30, 2016, we provided guarantees to certain counterparties in the form of standby letters of credit in the amount of $33.3 million, which expire within two years. Standby letters of credit commit us to make payment to the beneficiary if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary. Since commitments associated with these collateral instruments may expire unused, the amount shown does not necessarily reflect the actual future cash funding requirement.

Other Guarantees. We are members of various exchanges and clearing houses. In the normal course of business we provide guarantees to securities clearinghouses and exchanges. These guarantees generally are required under the standard membership agreements, such that members are required to guarantee the performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet these shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. Our obligations under such guarantees could exceed the collateral amounts posted. Our maximum potential liability under these arrangements cannot be quantified; however, the potential for us to be required to make payments under such guarantees is deemed remote. Accordingly, no liability has been recognized for these arrangements.

Note 19. Net Capital Requirements

As broker-dealers registered with the SEC and member firms of the Financial Industry Regulatory Authority ("FINRA"), Jefferies and Jefferies Execution are subject to the SEC Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital, and have elected to calculate minimum capital requirements under the alternative method permitted by Rule 15c3-1 in calculating net capital. Jefferies is also registered as an FCM and is subject to Rule 1.17 of the CFTC, which sets forth minimum financial requirements. The minimum net capital requirement in determining excess net capital for a dually registered U.S. broker-dealer and FCM is equal to the greater of the requirement under Rule 15c3-1 or CFTC Rule 1.17.

At November 30, 2016, Jefferies and Jefferies Execution's net capital and excess net capital were as follows (in thousands):

	Net Capital	Excess Net Capital
Jefferies	$ 1,467,729	$ 1,398,748
Jefferies Execution	8,260	8,010

FINRA is the designated self-regulatory organization ("DSRO") for our U.S. broker-dealers and the National Futures Association is the DSRO for Jefferies as an FCM.

Certain other U.S. and non-U.S. subsidiaries are subject to capital adequacy requirements as prescribed by the regulatory authorities in their respective jurisdictions, including Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority in the U.K.

The regulatory capital requirements referred to above may restrict our ability to withdraw capital from our regulated subsidiaries.

At November 30, 2016 and 2015, $4,833.0 million and $5,202.7 million, respectively, of net assets of our consolidated subsidiaries are restricted, as they reflect regulatory capital requirements or require regulatory approval prior to the payment of cash dividends and advances to the parent company.

Note 20. Segment Reporting

We operate in two principal segments – Capital Markets and Asset Management. The Capital Markets segment includes our securities, commodities, futures and foreign exchange brokerage trading activities and investment banking, which is composed of underwriting and financial advisory activities. The Capital Markets reportable segment provides the sales, trading, origination and advisory effort for various fixed income, equity and advisory products and services. The Asset Management segment provides investment management services to investors in the U.S. and overseas.

Our reportable business segment information is prepared using the following methodologies:

- Net revenues and expenses directly associated with each reportable business segment are included in determining earnings before taxes.
- Net revenues and expenses not directly associated with specific reportable business segments are allocated based on the most relevant measures applicable, including each reportable business segment's net revenues, headcount and other factors.
- Reportable business segment assets include an allocation of indirect corporate assets that have been fully allocated to our reportable business segments, generally based on each reportable business segment's capital utilization.

Our net revenues and expenses by segment are summarized below (in millions):

	Year Ended November 30,		
	2016	2015	2014
Capital Markets:			
Net revenues	$ 2,339.3	$ 2,415.1	$ 2,949.0
Expenses	$ 2,321.5	$ 2,325.2	$ 2,652.0
Asset Management:			
Net revenues	$ 75.3	$ 60.1	$ 41.1
Expenses	$ 63.1	$ 35.8	$ 35.1
Total:			
Net revenues	$ 2,414.6	$ 2,475.2	$ 2,990.1
Expenses	$ 2,384.6	$ 2,361.0	$ 2,687.1

The following table summarizes our total assets by segment (in millions):

	November 30,	
	2016	2015
Segment assets:		
Capital Markets	$ 35,931.8	$ 37,805.0
Asset Management	1,009.5	759.0
Total assets	$ 36,941.3	$ 38,564.0

Net Revenues by Geographic Region

Net revenues for the Capital Market segment are recorded in the geographic region in which the position was risk-managed or, in the case of investment banking, in which the senior coverage banker is located. For Asset Management, net revenues are allocated according to the location of the investment advisor. Net revenues by geographic region were as follows (in thousands):

	Year Ended November 30,		
	2016	2015	2014
Americas (1)	$ 1,870,355	$ 1,887,007	$ 2,261,683
Europe (2)	458,046	510,044	634,358
Asia	86,213	78,190	94,097
Net revenues	$ 2,414,614	$ 2,475,241	$ 2,990,138

(1) Substantially all relates to U.S. results.
(2) Substantially all relates to U.K. results.

Note 21. Related Party Transactions

Jefferies Capital Partners Related Funds. We have equity investments in the JCP Manager and in private equity funds, which are managed by a team led by Brian P. Friedman, one of our directors and our Chairman of the Executive Committee ("Private Equity Related Funds"). At November 30, 2016 and 2015, our equity investments in Private Equity Related Funds were in aggregate $37.7 million and $39.6 million, respectively. We also charge the JCP Manager for certain services under a service agreement. The following table presents other revenues and investment income (loss) related to net gains and losses on our investment in Private Equity Related Funds and service charges (in thousands):

	Year Ended November 30,		
	2016	2015	2014
Other revenues and investment income (loss)	$ (2,328)	$ (26,179)	$ (14,868)
Service charges	760	1,341	2,497

For further information regarding our commitments and funded amounts to the Private Equity Related Funds, see Note 18, Commitments, Contingencies and Guarantees.

Berkadia Commercial Mortgage, LLC. At November 30, 2016 and 2015, we have commitments to purchase $817.0 million and $752.4 million, respectively, in agency CMBS from Berkadia Commercial Mortgage, LLC, which is partially owned by Leucadia.

HRG Group Inc. ("HRG"). As part of our loan secondary trading activities we had unsettled purchases and sales of loans pertaining to portfolio companies within funds managed by HRG, which is partially owned by Leucadia, of $261.6 million at November 30, 2015. Additionally, we recognized investment banking and advisory revenues of $1.3 million and $0.5 million, for the years ended November 30, 2015 and 2014, respectively.

Officers, Directors and Employees. At November 30, 2016 and 2015, we had $38.4 million and $28.3 million, respectively, of loans outstanding to certain of our employees (none of whom are executive officers or directors) that are included in Other assets on the Consolidated Statements of Financial Condition. Receivables from and payables to customers include balances arising from officers, directors and employees individual security transactions. These transactions are subject to the same regulations as all customer transactions and are provided on substantially the same terms. During the year ended November 30, 2014, we sold private equity interests with a fair value of $4.0 million at their then fair value to a private equity fund owned by our employees. At November 30, 2016 and 2015, we have provided a guarantee of a credit agreement for a private equity fund owned by our employees. See Note 8, Variable Interest Entities and Note 18, Commitments, Contingencies & Guarantees for further information.

Leucadia. The following is a description of related party transactions with Leucadia:

- Under a service agreement we charge Leucadia for certain services, which amounted to $27.6 million, $34.6 million and $22.3 million for the years ended November 30, 2016, 2015 and 2014, respectively. At November 30, 2016 and 2015, we had a receivable from Leucadia of $2.8 million and $10.2 million, respectively, which is included within Other assets on the Consolidated Statements of Financial Condition. At November 30, 2016 and 2015, we had a payable to Leucadia of $1.9 million and $0.6 million, respectively, related to certain services provided by Leucadia, which is included within Accrued expenses and other liabilities on the Consolidated Statements of Financial Condition.
- Pursuant to a tax sharing agreement entered into between us and Leucadia, payments are made between us and Leucadia to settle current tax assets and liabilities. At November 30, 2016 and 2015, a net current tax receivable from Leucadia of $80.1 million and $109.5 million, respectively, is included in Other assets on the Consolidated Statements of Financial Condition.
- Of the total noncontrolling interests in asset management entities that are consolidated by us at November 30, 2015, $26.3 million are attributed to Leucadia.
- In July 2016, Leucadia Funding LLC, a subsidiary of Leucadia, made a $30.0 million capital contribution to a hedge fund managed by us.
- In March 2016, we made a capital contribution of $114.0 million to a hedge fund managed by a subsidiary of Leucadia.
- On August 28, 2015, we sold an equity position to Leucadia at fair value of $124.4 million for cash. There was no gain or loss on the transaction.

- We provide capital markets and asset management services to Leucadia and its affiliates. The following table presents the revenues earned by type of services provided (in thousands):

	Year Ended November 30,		
	2016	2015	2014
Investment banking and advisory	$ 1,786	$ 21,185	$ 2,800
Asset management	155	400	—
Commissions and other fees	88	43	—

For information on transactions with our equity method investees, see Note 9, Investments.

Note 22. Exit Costs

Jefferies Bache. On April 9, 2015, we entered into an agreement with Société Générale S.A. (the "Agreement") to transfer certain client exchange and OTC transactions associated with our Jefferies Bache business for the net book value of the over-the-counter transactions, calculated in accordance with certain principles set forth in the agreement, plus the repayment of certain margin loans in respect of certain exchange transactions. In addition, we initiated a plan to substantially exit the remaining aspects of the business, which was completed during the second quarter of 2016. The pre-tax losses of the Jefferies Bache business were $1.9 million, $134.7 million and $145.4 million for the years ended November 30, 2016, 2015 and 2014, respectively.

In addition, we terminated our $750.0 million Credit Facility on July 31, 2015. During the year ended November 30, 2015, we recognized costs of $3.8 million related to the Credit Facility.

The following summarizes our recorded restructuring and impairment costs (in thousands):

	Year Ended November 30,	
	2016	2015
Severance costs	$ 279	$ 30,327
Accelerated amortization of restricted stock and restricted cash awards	41	7,922
Accelerated amortization of capitalized software	—	19,745
Contract termination costs	1,234	11,247
Other expenses	300	3,853
Total	$ 1,854	$ 73,094

Of the above costs, $341,000 and $28.7 million are of a non-cash nature for the years ended November 30, 2016 and 2015, respectively. Restructuring and exit costs are wholly attributed to our Capital Markets segment and were recorded in the following categories on the Consolidated Statement of Earnings (in thousands):

	Year Ended November 30,	
	2016	2015
Compensation and benefits	$ 320	$ 38,249
Technology and communications	1,234	30,992
Professional services	—	2,508
Other expenses	300	1,345
Total	$ 1,854	$ 73,094

The following summarizes our restructuring reserve activity (in thousands):

	Severance costs	Other costs	Contract termination costs	Total restructuring costs	Accelerated amortization of restricted stock and restricted cash awards	Accelerated amortization of capitalized software	Impairments	Total
Balance at February 28, 2015	$ —	$ —	$ —	$ —				
Expenses	30,327	2,774	11,247	44,348	$ 7,922	$ 19,745	$ 1,079	$ 73,094
Payments	(25,522)	(2,774)	(11,247)	(39,543)				
Liability at November 30, 2015	$ 4,805	$ —	$ —	$ 4,805				
Expenses	279	300	1,234	1,813	$ 41	$ —	—	$ 1,854
Payments	(5,084)	(300)	(1,234)	(6,618)				
Liability at November 30, 2016	$ —	$ —	$ —	$ —				

Note 23. Selected Quarterly Financial Data (Unaudited)

The following is a summary of unaudited quarterly statements of earnings for the years ended November 30, 2016 and 2015 (in thousands):

	Three Months Ended			
	November 30, 2016	August 31, 2016	May 31, 2016	February 29, 2016
Total revenues	$ 939,960	$ 863,841	$ 936,917	$ 493,105
Net revenues	741,769	654,450	719,408	298,987
Earnings (loss) before income taxes	96,529	80,722	102,597	(249,876)
Net earnings (loss) attributable to Jefferies Group LLC	87,180	41,169	53,898	(166,813)

	Three Months Ended			
	November 30, 2015	August 31, 2015	May 31, 2015	February 28, 2015
Total revenues	$ 701,930	$ 781,123	$ 1,008,510	$ 783,332
Net revenues	513,087	578,928	791,554	591,672
Earnings before income taxes	9,538	7,093	84,712	12,884
Net earnings attributable to Jefferies Group LLC	19,962	2,057	59,833	11,682

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management, under the direction of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of November 30, 2016. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of November 30, 2016 are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Internal Control over Financial Reporting

Management's annual report on internal control over financial reporting is contained in Part II, Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended November 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Omitted pursuant to General Instruction I(2)(c) to Form 10-K.

Item 11. Executive Compensation

Omitted pursuant to General Instruction I(2)(c) to Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Omitted pursuant to General Instruction I(2)(c) to Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Omitted pursuant to General Instruction I(2)(c) to Form 10-K.

Item 14. Principal Accountant Fees and Services

For the fiscal years ended November 30, 2016 and 2015, the fees for services provided by PricewaterhouseCoopers LLP were as follows:

	Year Ended November 30,	
	2016	2015
Audit Fees	$ 6,685,689	$ 6,481,521
Audit-Related Fees	410,000	435,000
Tax Fees	514,359	320,370
All Other Fees	—	87,000
Total All Fees	$ 7,610,048	$ 7,323,891

Audit Fees — The Audit Fees reported above reflect fees for services provided during fiscal 2016 and 2015. These amounts include fees for professional services rendered as our principal accountant for the audit of our consolidated financial statements included in this Annual Report on Form 10-K, the audits of various affiliates and investment funds managed by Jefferies or its affiliates, the audit of internal controls over financial reporting required by Section 404 of Sarbanes-Oxley, reviews of the interim consolidated financial statements included in our quarterly reports on Form 10-Q, the issuance of comfort letters, consents and other services related to SEC and other regulatory filings, audit fees related to other services that are normally provided in connection with statutory and regulatory filings or engagements. The Audit Committee preapproves all auditing services and permitted non-audit services to be performed for us by our independent registered public accounting firm, which are approved by the Audit Committee prior to the completion of the audit. In 2016, the Audit Committee preapproved all auditing services performed for us by the independent registered public accounting firm.

Audit-Related Fees — The Audit-Related Fees reported above reflect fees for services provided during fiscal 2016 and 2015. These amounts include fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit Fees” above. Specifically, the Audit-Related services included the audit of our pension plan, preparation of our SOC1 report, performing agreed upon procedures related to specific matters at our request, the audits of our employee benefit plans, accounting consultations, and other services that are normally provided in connection with statutory and regulatory filings or engagements.

Tax Fees — Tax Fees includes fees for services provided during fiscal 2016 and 2015 related to tax compliance, tax advice and tax planning.

All Other Fees — Includes fees during fiscal 2015 for performing agreed upon procedures relating to structuring and placing certain funds.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)1. **Financial Statements**

The financial statements required to be filed hereunder are listed on page S-1.

(a)2**. Financial Statement Schedules**

The financial statement schedules required to be filed hereunder are listed on page S-1.

(a)3. **Exhibits**

3.1	Certificate of Formation of Jefferies Group LLC effective as of March 1, 2013 is incorporated by reference to Exhibit 3.2 of Registrant's Form 8-K filed on March 1, 2013.
3.2	Certificate of Conversion of Jefferies Group LLC effective as of March 1, 2013 is incorporated by reference to Exhibit 3.1 of Registrant's Form 8-K filed on March 1, 2013.
3.3	Limited Liability Company Agreement of Jefferies Group LLC dated as of March 1, 2013 is incorporated by reference to Exhibit 3.3 of Registrant's Form 8-K filed on March 1, 2013.
4	Instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Registrant hereby agrees to furnish copies of these instruments to the Commission upon request.
12*	Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.
23.1*	Consent of PricewaterhouseCoopers LLP.
23.2*	Consent of Deloitte & Touche LLP.
23.3*	Consent of PricewaterhouseCoopers LLP.
31.1*	Rule 13a-14(a)/15d-14(a) Certification by Chief Financial Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification by Chief Executive Officer.
32*	Rule 13a-14(b)/15d-14(b) and Section 1350 of Title 18 U.S.C. Certification by the Chief Executive Officer and Chief Financial Officer.
101*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Financial Condition as of November 30, 2016 and November 30, 2015; (ii) the Consolidated Statements of Earnings for the years ended November 30, 2016, 2015 and 2014; (iii) the Consolidated Statements of Comprehensive Income for the years ended November 30, 2016, 2015 and 2014; (iv) the Consolidated Statements of Changes in Equity for the years ended November 30, 2016, 2015 and 2014; (v) the Consolidated Statements of Cash Flows for the years ended November 30, 2016, 2015 and 2014; and (vi) the Notes to Consolidated Financial Statements.

* Filed herewith.

(c) Financial Statement Schedules

Jefferies Finance LLC financial statements as of November 30, 2016 and 2015, and for the years ended November 30, 2016, 2015 and 2014

Jefferies LoanCore financial statements as of November 30, 2016 and 2015, and for the years ended November 30, 2016, 2015 and 2014

Item 16. Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JEFFERIES GROUP LLC

/s/ [redacted]

Richard B. Handler
Chairman of the Board of Directors,
Chief Executive Officer

Dated: January 27, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ [redacted] Richard B. Handler	Chairman of the Board of Directors, Chief Executive Officer	January 27, 2017
/s/ [redacted] Peregrine C. Broadbent	Executive Vice President and Chief Financial Officer (Principal Accounting Officer)	January 27, 2017
/s/ [redacted] Brian P. Friedman	Director and Chairman, Executive Committee	January 27, 2017
/s/ [redacted] W. Patrick Campbell	Director	January 27, 2017
/s/ [redacted] Barry J. Alperin	Director	January 27, 2017
/s/ [redacted] Richard G. Dooley	Director	January 27, 2017
/s/ [redacted] MaryAnne Gilmartin	Director	January 27, 2017
/s/ [redacted] Joseph S. Steinberg	Director	January 27, 2017
/s/ [redacted] Jacob M. Katz	Director	January 27, 2017

Jefferies Group LLC
Index to Financial Statements and
Financial Statement Schedules
Items (15)(a)(1) and (15)(a)(2)

	Page
Financial Statements	
Management's Report on Internal Control over Financial Reporting	46
Report of Independent Registered Public Accounting Firm	47
Consolidated Statements of Financial Condition	48
Consolidated Statements of Earnings	49
Consolidated Statements of Comprehensive Income	50
Consolidated Statements of Changes in Equity	51
Consolidated Statements of Cash Flows	52
Notes to Consolidated Financial Statements	54
Financial Statement Schedules	
Schedule I - Condensed Financial Information of Jefferies Group LLC (Parent Company Only) at November 30, 2016 and 2015 and for each of the three fiscal years ended November 30, 2016, 2015 and 2014	S-2 - S-5

JEFFERIES GROUP LLC
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF FINANCIAL CONDITION
(In thousands)

	November 30, 2016	November 30, 2015
ASSETS		
Cash and cash equivalents	$ 1,178,475	$ 824,239
Cash and securities segregated and on deposited for regulatory purposes or deposited with clearing and depository organizations	36,148	66,203
Financial instruments owned, at fair value	130,116	138,820
Investments in managed funds	34,170	34,933
Loans to and investments in related parties	473,912	520,550
Investment in subsidiaries	4,757,824	4,892,454
Advances to subsidiaries	1,262,211	1,423,175
Subordinated notes receivable	2,802,440	2,924,479
Other assets	569,291	590,581
Total assets	$ 11,244,587	$ 11,415,434
LIABILITIES AND EQUITY		
Short-term borrowings	$ 96,456	$ —
Financial instruments sold, not yet purchased, at fair value	7,285	21,024
Accrued expenses and other liabilities	287,545	271,779
Long-term debt	5,483,355	5,640,722
Total liabilities	5,874,641	5,933,525
EQUITY		
Member's paid-in capital	5,538,103	5,526,855
Accumulated other comprehensive loss:		
Currency translation adjustments	(152,305)	(36,811)
Changes in instrument specific credit risk	(6,494)	—
Additional minimum pension liability	(9,358)	(8,135)
Total accumulated other comprehensive loss	(168,157)	(44,946)
Total member's equity	5,369,946	5,481,909
Total liabilities and equity	$ 11,244,587	$ 11,415,434

See accompanying notes to condensed financial statements.

JEFFERIES GROUP LLC
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In thousands)

	Year Ended November 30,		
	2016	**2015**	**2014**
Revenues:			
Principal transactions	$ 952	$ 68,720	$ 46,416
Asset management fees and investment income (loss) from managed funds	1,222	(20,889)	(7,452)
Interest	226,781	201,632	194,568
Other	(8,156)	33,193	81,511
Total revenues	220,799	282,656	315,043
Interest expense	235,556	250,919	251,020
Net revenues	(14,757)	31,737	64,023
Non-interest expenses:			
Total non-interest expenses	5,187	5,984	9,263
Earnings (loss) before income taxes	(19,944)	25,753	54,760
Income tax expense (benefit)	(9,574)	3,958	22,650
Net earnings (loss) before undistributed earnings of subsidiaries	(10,370)	21,795	32,110
Undistributed earnings of subsidiaries	25,804	71,739	125,450
Net earnings	15,434	93,534	157,560
Other comprehensive loss, net of tax:			
Currency translation and other adjustments	(115,494)	(27,157)	(30,995)
Change in instrument specific credit risk	(6,494)	—	—
Minimum pension liability adjustments, net of tax	(1,223)	(3,116)	(7,778)
Total other comprehensive loss, net of tax	(123,211)	(30,273)	(38,773)
Comprehensive income (loss)	$ (107,777)	$ 63,261	$ 118,787

See accompanying notes to condensed financial statements.

JEFFERIES GROUP LLC
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended November 30, 2016	2015	2014
Cash flows from operating activities:			
Net earnings	$ 15,434	$ 93,534	$ 157,560
Adjustments to reconcile net earnings to net cash used in operating activities:			
Amortization	(63,681)	(76,945)	(80,424)
Undistributed earnings of subsidiaries	(25,804)	(71,739)	(125,450)
Loss (income) on loans to and investments in related parties	10,251	(40,460)	(67,965)
Distributions received on investments in related parties	17,050	40,500	35,562
Other adjustments	(34,496)	(98,870)	(78,064)
Net change in assets and liabilities:			
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	30,055	(4,714)	(28,155)
Financial instruments owned	8,704	53,290	(45,950)
Investments in managed funds	763	19,907	(1,028)
Other assets	20,986	77,064	47,666
Financial instruments sold, not yet purchased	(13,739)	(8,802)	21,462
Accrued expenses and other liabilities	15,125	(36,397)	38,477
Net cash used in operating activities	(19,352)	(53,632)	(126,309)
Cash flows from investing activities:			
Investments in, advances to and subordinated notes receivable from subsidiaries	327,110	420,797	82,143
Loans to and investments in related parties	19,337	(19,301)	(469)
Cash received from contingent consideration	2,617	4,444	6,253
Net cash provided by investing activities	349,064	405,940	87,927
Cash flows from financing activities:			
Excess tax benefits from the issuance of share-based awards	489	749	1,921
Proceeds from short-term borrowings	102,238	750,000	1,160,000
Payments on short-term borrowings	(5,786)	(750,000)	(1,160,000)
Net proceeds from issuance of senior notes, net of issuance costs	277,583	—	681,222
Repayment of long-term debt	(350,000)	(500,000)	(250,000)
Net cash provided by (used in) financing activities	24,524	(499,251)	433,143
Net increase (decrease) in cash and cash equivalents	354,236	(146,943)	394,761
Cash and cash equivalents at beginning of period	824,239	971,182	576,421
Cash and cash equivalents at end of period	$ 1,178,475	$ 824,239	$ 971,182
Supplemental disclosures of cash flow information:			
Cash paid (received) during the period for:			
Interest	$ 300,680	$ 329,926	$ 330,261
Income taxes, net	(8,654)	(5,859)	111,542

See accompanying notes to condensed financial statements.

JEFFERIES GROUP LLC
(PARENT COMPANY ONLY)
NOTES TO CONDENSED FINANCIAL STATEMENTS

Note 1. Introduction and Basis of Presentation

The accompanying condensed financial statements (the "Parent Company Financial Statements"), including the notes thereto, should be read in conjunction with the consolidated financial statements of Jefferies Group LLC (the "Company") and the notes thereto found in the Company's Annual Report on Form 10-K for the year ended November 30, 2016. For purposes of these condensed non-consolidated financial statements, the Company's wholly owned and majority owned subsidiaries are accounted for using the equity method of accounting ("equity method subsidiaries").

The Parent Company is an indirect wholly owned subsidiary of Leucadia National Corporation ("Leucadia"). Leucadia does not guarantee any of our outstanding debt securities. Our 3.875% Convertible Senior Debentures due 2029 are convertible into Leucadia common shares.

The Parent Company Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for financial information. The significant accounting policies of the Parent Company Financial Statements are those used by the Company on a consolidated basis, to the extent applicable. For further information regarding the significant accounting policies refer to Note 2, Summary of Significant Accounting Policies in the Company's consolidated financial statements included in the Annual Report on Form 10-K for the year ended November 30, 2016.

The Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. GAAP. The most important of these estimates and assumptions relate to fair value measurements, goodwill and intangible assets, the ability to realize deferred tax assets and the recognition and measurement of uncertain tax positions. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Note 2. Transactions with Subsidiaries

The Parent Company has transactions with its consolidated subsidiaries, Leucadia and certain other affiliated entities determined on an agreed upon basis and has guaranteed certain unsecured lines of credit and contractual obligations of certain equity method subsidiaries.

Note 3. Guarantees

In the normal course of its business, the Parent Company issues guarantees in respect of obligations of certain of its wholly owned subsidiaries under trading and other financial arrangements, including guarantees to various trading counterparties and banks. The Parent Company records all derivative contracts and Financial instruments owned and Financial instruments sold, not yet purchased at fair value on its consolidated statements of financial condition.

Certain of the Parent Company's equity method subsidiaries are members of various exchanges and clearing houses. In the normal course of business, the Parent Company provides guarantees to securities clearinghouses and exchanges. These guarantees generally are required under the standard membership agreements, such that members are required to guarantee the performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet these shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. The Parent Company's obligations under such guarantees could exceed the collateral amounts posted. The maximum potential liability under these arrangements cannot be quantified; however, the potential for the Parent Company to be required to make payments under such guarantees is deemed remote. Accordingly no liability has been recognized for these arrangements.

The Parent Company has provided a guarantee in respect of certain obligations of Jefferies Finance LLC that matures in January 2021, whereby the Parent Company is required to make certain payments to an SPE sponsored by Jefferies Finance in the event that Jefferies Finance is unable to meet its obligations to the SPE and a guarantee of a credit agreement for a fund owned by employees. At November 30, 2016, the maximum amount payable under these guarantees is $21.1 million.

The Parent Company guarantees certain financing arrangements of subsidiaries. The financing arrangements totaled a maximum obligation of $62.0 million at November 30, 2016.

Structured Notes. Structured notes of $255.2 million at November 30, 2016 were jointly and severally co-issued by our wholly-owned subsidiary Jefferies Group Capital Finance Inc.

Jefferies Finance LLC and Subsidiaries

Consolidated Balance Sheets as of November 30, 2016 and 2015 and Related Statements of Earnings, Changes in Members' Equity and Cash Flows for the Years Ended November 30, 2016, 2015 and 2014 and Independent Auditor's Report

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Table of contents

	PAGE
Independent Auditors' Report	1
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Balance Sheets	2
Consolidated Statements of Earnings	4
Consolidated Statements of Changes in Members' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jefferies Finance LLC and Subsidiaries
New York, NY

We have audited the accompanying consolidated financial statements of Jefferies Finance LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of November 30, 2016 and 2015, and the related consolidated statements of earnings, changes in members' equity, and cash flows for the years ended November 30, 2016, 2015 and 2014, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jefferies Finance LLC and Subsidiaries as of November 30, 2016 and 2015, and the results of their operations and their cash flows for the years ended November 30, 2016, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

New York, New York
January 26, 2017

CONSOLIDATED FINANCIAL STATEMENTS

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Balance Sheets

As of November 30, 2016 and 2015
(Dollars in thousands)

	NOVEMBER 30, 2016	NOVEMBER 30, 2015
ASSETS		
Cash	$ 656,556	$ 1,491,833
Restricted cash	975,891	1,275,900
Loans receivable, net of deferred loan fees	4,409,558	3,915,273
Less allowance for loan losses	(65,897)	(53,970)
Loans receivable, net	4,343,661	3,861,303
Loans held for sale, net	930,462	247,853
Accrued interest receivable	32,794	32,349
Investments (includes restricted investments of $156,780 and $215,809 at November 30, 2016 and 2015 respectively)	179,216	241,778
Other assets	158,752	141,043
TOTAL ASSETS	$ 7,277,332	$ 7,292,059
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Credit facilities	$ 346,862	$ 381,956
Secured notes payable, net	3,916,792	4,034,711
Interest payable	34,122	27,825
Other liabilities	353,697	182,070
Due to affiliates	23,971	8,175
Long-term debt	1,660,829	1,662,548
Total liabilities	6,336,273	6,297,285
MEMBERS' EQUITY	941,059	994,774
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 7,277,332	$ 7,292,059

See notes to consolidated financial statements.

(Continued)

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)
As of November 30, 2016 and 2015
(Dollars in thousands)

The table below presents the carrying amount and classification of assets of consolidated variable interest entities ("VIEs") that can be used only to settle obligations of the consolidated VIEs and the liabilities of consolidated VIEs for which creditors (or beneficial interest holders) do not have recourse to Jefferies Finance LLC assets. The assets and liabilities of these consolidated VIEs are included in the Consolidated Balance Sheets and are presented net of intercompany eliminations.

	NOVEMBER 30, 2016	NOVEMBER 30, 2015
ASSETS		
Restricted cash	$ 925,969	$ 1,200,396
Loans receivable, net of deferred loan fees	3,825,255	3,388,328
Less allowance for loan losses	(56,089)	(47,828)
Loans receivable, net	3,769,166	3,340,500
Loans held for sale, net	4,034	2,579
Accrued interest receivable	20,867	19,388
Investments (includes restricted investments of $156,780 and $215,809 at November 30, 2016 and 2015, respectively)	164,670	225,629
Other assets	125,169	92,386
TOTAL ASSETS	$ 5,009,875	$ 4,880,878
LIABILITIES		
Credit Facilities	$ 124,151	$ —
Secured notes payable, net	3,916,792	4,034,711
Interest payable	16,839	11,304
Other liabilities	256,601	129,941
Due to affiliates	181	266
TOTAL LIABILITIES	$ 4,314,564	$ 4,176,222

See notes to consolidated financial statements.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Statements of Earnings
For the Years Ended November 30, 2016, 2015 and 2014
(Dollars in thousands)

	NOVEMBER 30, 2016	NOVEMBER 30, 2015	NOVEMBER 30, 2014
NET INTEREST AND FEE INCOME:			
Fee income, net	$ 130,356	$ 170,679	$ 172,314
Interest income	292,457	256,032	195,366
Total interest and fee income	422,813	426,711	367,680
Interest expense	273,833	232,841	144,928
Net interest and fee income	148,980	193,870	222,752
Provision for loan losses	37,880	29,900	7,979
Net interest and fee income after provision for loan losses	111,100	163,970	214,773
OTHER LOSSES, NET	(75,548)	(16,640)	(9,999)
OTHER EXPENSES:			
Compensation and benefits	24,533	32,620	33,029
General, administrative and other	32,148	27,850	27,640
Total other expenses	56,681	60,470	60,669
(LOSSES) EARNINGS BEFORE INCOME TAX EXPENSE	(21,129)	86,860	144,105
INCOME TAX (BENEFIT) EXPENSE	(1,514)	3,421	5,542
NET (LOSS) EARNINGS	$ (19,615)	$ 83,439	$ 138,563

See notes to consolidated financial statements.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Statements of Changes in Members' Equity

For the Years Ended November 30, 2016, 2015 and 2014
(Dollars in thousands)

	CLASS A MEMBERS	CLASS B MEMBERS	TOTAL MEMBERS' EQUITY
BALANCE—November 30, 2014	$ 914,157	$ 78,178	$ 992,335
Distributions	(64,800)	(16,200)	(81,000)
Net earnings	66,752	16,687	83,439
BALANCE—November 30, 2015	$ 916,109	$ 78,665	$ 994,774
Distributions	(27,280)	(6,820)	(34,100)
Net loss	(15,693)	(3,922)	(19,615)
BALANCE—November 30, 2016	$ 873,136	$ 67,923	$ 941,059

See notes to consolidated financial statements.

JEFFERIES FINANCE LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended November 30, 2016, 2015 and 2014
(Dollars in thousands)

	NOVEMBER 30, 2016	NOVEMBER 30, 2015	NOVEMBER 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) earnings	$ (19,615)	$ 83,439	$ 138,563
Adjustments to reconcile net (loss) earnings to net cash (used in) provided by operating activities:			
Amortization of deferred loan fees and discounts	(50,022)	(46,518)	(35,618)
Amortization of deferred structuring fees	19,797	18,430	9,690
Amortization of discount on secured notes	9,611	7,418	3,763
Provision for loan losses	37,880	29,900	7,979
Realized loss (gain) on sale of loans held for sale	34,545	9,610	(5,429)
Change in fair value of loans held for sale	8,267	1,552	8,859
Realized loss on sales of investments	24,597	2,437	114
Unrealized loss on investments	8,139	5,218	6,455
Deferred income tax expense (benefit)	55	(604)	1,489
(Increase) decrease in operating assets:			
Origination of loans held for sale	(9,570,812)	(13,616,750)	(13,937,341)
Proceeds from sales of loans held for sale	8,842,177	14,392,732	13,843,178
Principal collections on loans held for sale	3,215	1,651	13,610
Accrued interest receivable	(445)	(3,796)	(6,005)
Other assets	(15,211)	(4,991)	(15,645)
Increase (decrease) in operating liabilities:			
Interest payable	6,297	307	17,378
Other liabilities	4,679	275,142	11,044
Due to affiliates	15,796	(38,391)	13,494
Net cash (used in) provided by operating activities	(641,050)	1,116,786	75,578
CASH FLOWS FROM INVESTING ACTIVITIES:			
Origination and purchases of loans receivable	(3,824,179)	(4,450,748)	(3,658,903)
Principal collections of loans receivable	2,714,137	3,088,609	1,936,162
Proceeds from sales of loans held for sale	790,602	576,147	369,983
Net change in restricted cash	300,009	(605,886)	(592,060)
Purchases of investments	(661,896)	(475,235)	(589,117)
Proceeds from sales of investments	690,183	464,887	352,998
Net cash provided by (used in) investing activities	8,856	(1,402,226)	(2,180,937)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Capital distributions	(34,100)	(81,000)	(71,124)
Capital contributions	—	—	250,000
Repayments of secured notes payable	(454,780)	(91,317)	(89,028)
Proceeds from sale of secured notes	—	—	12,925
Net proceeds from issuance of secured notes	326,304	1,275,970	1,885,611
Purchases of secured notes	(3,263)	—	—
Net proceeds from long-term debt	—	208,666	832,552
Repayment of long-term debt	(2,150)	—	—
Proceeds from borrowings on credit facilities	1,112,148	4,834,843	7,856,957
Repayments on credit facilities	(1,147,242)	(4,946,111)	(8,158,358)
Net cash (used in) provided by financing activities	(203,083)	1,201,051	2,519,535
NET (DECREASE) INCREASE IN CASH	(835,277)	915,611	414,176
CASH—Beginning of the year	1,491,833	576,222	162,046
CASH—End of the year	$ 656,556	$ 1,491,833	$ 576,222
SUPPLEMENTAL INFORMATION:			
Cash paid for interest	$ 237,719	$ 208,498	$ 114,252
Cash paid for income taxes, net	$ 279	$ 3,316	$ 2,570
NONCASH ITEMS:			
Conversion of loan receivable to investments	$ 24,414	$ 7,880	$ —

See notes to consolidated financial statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

Organizational Structure—Jefferies Finance LLC (“JFIN”), a limited liability company, was organized under the laws of Delaware and commenced operations on October 7, 2004. JFIN will continue in perpetuity unless sooner dissolved as provided in the Amended and Restated Limited Liability Company Agreement, dated May 31, 2011, as amended, modified and/or supplemented from time to time, among JFIN and its members: Massachusetts Mutual Life Insurance Company (“Mass Mutual”), Babson Capital Management LLC (“BCM”), and Jefferies Group LLC (“JGL” and, together with Mass Mutual and BCM, the “Members”). On June 1, 2016 the LLC agreement was amended to transfer BCM’s share of the Class B interest to Mass Mutual and BCM ceased to be a Member.

JFIN is a commercial finance company that structures, underwrites and syndicates primarily senior secured loans to corporate borrowers. JFIN’s operations are primarily conducted through two business lines, Underwriting & Arrangement and Portfolio & Asset Management. JFIN also purchases performing loans in the syndicated markets. JFIN may also originate second lien term loans, bridge loans, mezzanine loans as well as related equity co-investments and purchase stressed and distressed loans in the secondary markets. In addition, JFIN and two of its subsidiaries, Apex Credit Partners LLC and JFIN Asset Management LLC (“JFAM”), each act as investment advisers for several funds and are registered with the Securities and Exchange Commission as Registered Investment Advisers (“RIA”) under the Investment Advisers Act of 1940 since March 1, 2012, November 19, 2014, and February 5, 2016, respectively.

The accompanying consolidated financial statements refer to JFIN and all its subsidiaries (the “Company”), which includes all entities in which the Company has a controlling interest or is the primary beneficiary, including collateralized loan obligation funds (“CLOs”). See Note 8, Variable Interest Entities, for more information on the CLOs. JFIN Fund III LLC and JFIN Business Credit Fund I LLC are wholly owned subsidiaries created for the purpose of holding loans originated and purchased by JFIN which in general are subsequently securitized into CLOs.

JFIN’s capital structure consists of Class A members and Class B members, owning 80% and 20% of JFIN, respectively. Net earnings and losses are allocated on a pro rata basis across all Members, unless a loss allocation would cause a negative capital account.

Subsequent Events—The Company has evaluated events and transactions that occurred subsequent to November 30, 2016 through January 26, 2017, the date that these consolidated financial statements were issued. The Company determined that there were no events or transactions, during such period that would require recognition or disclosure in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates—The preparation of the consolidated financial statements is in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

U.S. GAAP requires management to make estimates that affect the amounts reported in the consolidated financial statements and the accompanying notes. The most significant of these estimates relate to the allowance for loan losses and fair value measurements. These estimates reflect management’s best judgment about current economic and market conditions and their effects based on information available as of the date of these consolidated financial statements. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Principles of Consolidation—The accompanying consolidated financial statements reflect the Company’s consolidated accounts, including the subsidiaries and the related consolidated results of operations with all intercompany balances and transactions eliminated in consolidation. In addition, the Company consolidates entities which meet the definition of a VIE for which the Company is the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a VIE that most significantly impact the entity’s economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity.

Revenue Recognition Policies

Interest and Fee Income—Interest and fee income are recorded on an accrual basis to the extent that such amounts are earned and expected to be collected. Premiums and discounts are amortized into interest income using a level yield over the contractual life of the loan.

Deferred Loan Fees, Net—Direct loan underwriting fees, net of specific costs, are deferred and amortized using a level yield as adjustments to the related loan's yield over the contractual life of the loan. Direct loan fees, net of specific costs, related to revolving credit facilities are amortized on a straight-line basis over the contractual life of the revolving credit facility as fee income.

Underwriting fees are recognized on a pro-rata basis as the corresponding loan is syndicated. If the Company retains a portion of the syndicated loan, a portion of the fee is deferred to produce a yield that is not less than the average yield on the portion of the syndicated loans that is held by the other syndicate members. In the event that a loan is prepaid before the scheduled maturity, all remaining deferred loan fees are recorded to interest income.

Cash and Restricted Cash—Cash represents overnight deposits. The Company maintained its cash and restricted cash balances of $1,632.4 million and $2,767.7 million at November 30, 2016 and 2015, respectively, at several financial institutions.

Restricted cash on deposit in respect of the Company's credit facilities and CLOs represents the amount of principal and interest collections received. The use of principal cash is limited to purchasing eligible loans or the potential reduction of related debt. Cash on deposit in the interest account is limited to the payment of interest, fees and other expenses as outlined in the governing documents.

Loans Receivable, Net—Loans receivable are recorded at cost, adjusted for unamortized premiums or discounts, net of unamortized deferred underwriting fees and net of allowance for loan losses. The Company intends to hold the majority of its loans until maturity. Loans for which the Company has the intent and ability to hold for the foreseeable future or until maturity are classified as held for investment.

Allowance for Loan Losses—The allowance for loan losses is a reserve established through a charge to provision for loan losses. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses inherent in the loan portfolio. The allowance for loan losses includes reserves calculated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 310, *Receivables* and allowance allocations calculated in accordance with ASC Topic 450, *Contingencies*. Further information regarding the Company's policies and methodology used to estimate the allowance for loan losses is presented in Note 4.

Loans Held for Sale, Net—The Company's business includes the structuring and underwriting of loan products with the intent to syndicate the majority of the loan to third parties. During the primary syndication process, loans that have been committed to be purchased by third parties but not yet settled are classified as Loans held for sale, net. The Company may invest in a percentage of an originated loan based upon the management of risk with respect to the entire portfolio. When the Company's position is larger than originally intended, the excess hold is also classified to Loans held for sale, net, on the Consolidated Balance Sheets.

Syndication activities and sales of loans held for sale are accounted for as sales based on the Company's satisfaction of the criteria for such accounting which provides that, as transferor, among other requirements, the Company has surrendered control over the loans. The sale of loans transferred from loans receivable to loans held for sale of approximately $790.6 million are included in proceeds from sales of loans held for sale in investing activities in the Consolidated Statements of Cash Flows.

Loans held for sale, net are carried at the lower of cost or fair value, as determined on an individual loan basis, net of unamortized deferred underwriting fees and valuation allowances. Net unrealized losses or gains, if any, are recognized in a valuation allowance through charges to earnings in Other losses, net in the Consolidated Statements of Earnings.

Unamortized premiums, discounts, origination fees and direct costs on loans held for sale are recognized as a component of the gain or loss on sale. Gains and losses on sales of loans held for sale are recognized on trade dates and are determined by the difference between the sale proceeds and the carrying value of the loans and are recorded in Other losses, net, in the Consolidated Statements of Earnings.

Investments—Investments are recorded on a trade date basis. Investments, including financial derivative instruments are recorded on the Consolidated Balance Sheets at fair value with changes in value recorded as a component of Other losses, net, in the Consolidated Statements of Earnings.

The Company has elected to carry its investments primarily at fair value under the fair value option election in accordance with ASC Topic 825, *Financial Instruments*. The Company's election is done on an instrument-by-instrument basis. The election is made upon the acquisition of the eligible financial asset. The fair value election may not be revoked once an election is made.

The Company presents derivatives on the Consolidated Balance Sheets within Investments, with resulting gains or losses recognized in Other losses, net in the Consolidated Statements of Earnings. Fair value is based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair value may require significant management judgment or estimation. Pricing information obtained from external data providers (including independent pricing services and brokers) may incorporate a range of market quotes from dealers, recent market transactions, benchmarking model derived prices to quoted market prices and trade data for comparable securities. External pricing data is subject to evaluation for reasonableness using a variety of means including comparisons of prices to those of similar product types, quality and maturities, consideration of the narrowness or wideness of the range of prices obtained, knowledge of recent market transactions and an assessment of the similarity in prices to comparable dealer offerings in a recent time period. Derivative contracts are valued using models, whose input reflect the assumption that the Company believes market participants would use in valuing the derivative in a current period transaction. Inputs to valuation models are appropriately calibrated to market data.

Deferred Structuring Fees—Deferred structuring fees on Credit facilities, Secured notes payable and Long-term debt are included in Other assets on the Consolidated Balance Sheets and are amortized to Interest expense in the Consolidated Statements of Earnings over the contractual term of the borrowing using a level yield.

Fair Value Hierarchy—In determining fair value, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources.

If unobservable inputs are used, the Company will use assumptions that reflect the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Company applies a hierarchy to categorize its fair value measurements broken down into three levels based on the transparency of inputs as follows:

Level 1—Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level 2—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these financial instruments include cash instruments, for which quoted prices are available but traded less frequently; derivative instruments whose fair values have been derived using a model where inputs to the model are directly observable in the market or can be derived principally from or corroborated by observable market data; and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3—Instruments that have little to no pricing observability as of the reported date. These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The valuation of financial instruments may include the use of valuation models and other techniques. Adjustments to valuations derived from valuation models may be made when, in management's judgment, the features of the financial instrument, such as its complexity or the market in which the financial instrument is traded and risk uncertainties about market conditions, require that an adjustment be made to the value derived from the models.

The Company's fair value measurements involve third party pricing for the majority of its assets and liabilities. If third party pricing is unavailable, the Company may employ various valuation techniques and models, which involve inputs that are observable, when available. The Company's valuation policies and procedures are reviewed at least annually and are updated as necessary. Further, the Company tracks the fair values of significant assets and liabilities using a variety of methods including third party vendors, comparison to previous trades and an assessment for overall reasonableness. See Note 7 for further information on fair value measurements.

New Accounting Developments

Revenue Recognition—In May 2014, the FASB issued ASU, No. 2014-09, *Revenue from Contracts with Customers* which defines how companies report revenues from contracts with customers, and also require enhanced disclosures. The guidance is effective beginning in the first quarter of fiscal year 2019. FASB issued ASU, No. 2015-14 which deferred the effective date by one year. Subsequently, it was updated with ASU No. 2016-10 and ASU No. 2016-12. The Company does not expect this guidance to have a material effect on the consolidated financial condition, results of operations or cash flows.

Presentation of Financial Statements—In August 2014, the FASB issued ASU, No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* which requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). The guidance is effective beginning in the first quarter of fiscal year 2017. The Company does not expect this guidance to have a material effect on the consolidated financial condition, results of operations or cash flows.

Consolidation—In February 2015, the FASB issued ASU, No. 2015-02, *Amendments to Consolidation Analysis* which requires companies to reevaluate whether they should consolidate certain entities. Subsequently, it was updated with ASU No. 2016-17. The guidance is effective beginning in the first quarter of fiscal year 2017 and early adoption is permitted. The Company early adopted this guidance in fiscal year 2015. The adoption of this guidance did not have an impact on the Company's consolidated financial condition, results of operations or cash flows.

Presentation of Debt Issuance Costs—In April 2015, the FASB issued ASU, No. 2015-03, *Amendments to Simplifying the Presentation of Debt Issuance Costs* which requires companies to present debt issue costs as a direct deduction from that debt liability. The guidance is effective beginning in the first quarter of fiscal year 2017 and early adoption is permitted. The Company is currently evaluating the impact of the new guidance on the Company's consolidated financial statements. The Company does not expect this guidance to have a material effect on the consolidated financial condition, results of operations or cash flows.

Financial Instruments—In January 2016, the FASB issued ASU, No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities.* The guidance affects the accounting for equity investments, financial liabilities under fair value option and the presentation and disclosure requirements of financial instruments. The guidance is effective in the first quarter of fiscal year 2019. Early adoption is permitted for the accounting guidance on financial liabilities under the fair value option. The Company is currently evaluating the impact of the new guidance on the Company's consolidated financial statements. In June 2016, the FASB issued ASU, No. 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments.* The guidance replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance is effective in the first quarter of fiscal year 2021 and early adoption is permitted. The Company is currently evaluating the impact of the new guidance on the Company's consolidated financial statements.

Statement of Cash Flows—In August 2016, the FASB issued ASU, No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments.* The guidance provides specific guidance on eight cash flow classification issues. The guidance is effective in the first quarter of fiscal year 2019 and early adoption is permitted. The Company is currently evaluating the impact of the new guidance on the Company's consolidated financial statements. In November 2016, the FASB issued ASU, No. 2016-18, *Statement of Cash Flows: Restricted Cash.* The guidance provides specific guidance on classification and presentation of changes in restricted cash on the statement of cash flows. The guidance is effective in the first quarter of fiscal year 2019 and early adoption is permitted. The Company is currently evaluating the impact of the new guidance on the Company's consolidated financial statements.

3. RESTRICTED CASH

The following is a summary of restricted cash as of November 30, 2016 and 2015 (in thousands):

	2016	2015
Principal and interest collections on loans held in credit facilities and CLOs	$ 217,146	$ 202,098
Reserves held in credit facilities and CLOs to support future commitments	758,745	1,073,802
Total restricted cash	$ 975,891	$ 1,275,900

As of November 30, 2016 there was $765.0 million of cash and investments in the revolver CLOs to support future drawdowns. The CLOs require the cash on deposit in interest accounts to be used to pay senior management fees, interest to note holders, subordinate management fees and any residual to the subordinate note holders, providing the structure is in compliance with the collateralization tests. In the event the CLOs were not in compliance with the collateralization tests, cash in the interest accounts would be used to pay senior management fees, interest to the note holders and the residual could be diverted to reduce the secured notes outstanding.

4. LOANS RECEIVABLE, NET

The Company's loan receivable portfolio consists primarily of senior secured loans in various industries. The portfolio is segmented into originated and secondary loans which reflect how the portfolio is managed. Originated is a designation that indicates that the Company has had a major role in underwriting the loan either as an arranger or other title. Secondary is a designation that indicates that the Company acquired the loans through primary syndications conducted by other arrangers or purchased in the open market.

The following is a summary of outstanding loan balances as of November 30, 2016 and 2015 (in thousands):

	2016	2015
Loans receivable:		
Originated	$ 1,991,214	$ 2,104,665
Secondary	2,572,418	1,950,678
Total loans receivable	4,563,632	4,055,343
Less: original issue discount	(64,964)	(50,691)
Total loans receivable, net of original issue discount	4,498,668	4,004,652
Less: deferred loan fees	(89,110)	(89,379)
Total loans receivable, net of deferred loan fees	4,409,558	3,915,273
Less: allowance for loan losses	(65,897)	(53,970)
Total loans receivable, net	$ 4,343,661	$ 3,861,303

As of November 30, 2016 there was $33.3 million and $31.7 million of original issue discount included in originated and secondary loans, respectively. As of November 30, 2015 there was $31.8 million and $18.9 million of original issue discount included in originated and secondary loans, respectively.

As of November 30, 2016 and 2015, $4.3 billion and $3.9 billion of loans receivable were pledged as collateral against the Company's credit facilities and secured notes issued by the CLOs, respectively.

Nonaccrual Loans—If a loan is 90 days or more past due or the borrower is not able to service its debt and other obligations, the loan is placed on nonaccrual status. When a loan is placed on nonaccrual status, interest previously recognized as interest income but not yet paid is reversed and the recognition of interest income on that loan will stop until factors indicating doubtful collection no longer exist and the loan has been brought current. Exceptions to this policy will be made if the loan is well secured and in the process of collection. Payments received on nonaccrual loans are typically applied to principal outstanding unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. On the date the borrower pays in full all overdue amounts, the borrower's loan will emerge from nonaccrual status and all overdue interest, including those from prior years, will be recognized as interest income in the current period.

The following is an analysis of past due loans at November 30, 2016 (in thousands):

	LOANS 30-89 DAYS PAST DUE	LOANS 90 OR MORE DAYS PAST DUE	TOTAL PAST DUE LOANS	CURRENT LOANS	TOTAL LOANS
Originated	$ 21,214	$ 6,003	$ 27,217	$ 1,930,723	$ 1,957,940
Secondary	—	8,797	8,797	2,531,931	2,540,728
Total	$ 21,214	$ 14,800	$ 36,014	$ 4,462,654	$ 4,498,668

The following is an analysis of past due loans as of November 30, 2015 (in thousands):

	LOANS 30-89 DAYS PAST DUE	LOANS 90 OR MORE DAYS PAST DUE	TOTAL PAST DUE LOANS	CURRENT LOANS	TOTAL LOANS
Originated	$ —	$ —	$ —	$ 2,072,898	$ 2,072,898
Secondary	13,563	—	13,563	1,918,191	1,931,754
Total	$ 13,563	$ —	$ 13,563	$ 3,991,089	$ 4,004,652

Impaired Loans—Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated on an individual loan basis. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's effective rate or at the fair value of collateral if repayment is expected solely from the collateral.

Payments received on impaired loans are typically applied to principal outstanding unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Loans will be charged off against the allowance when full collection of the principal from the sale of collateral, if applicable, or the enforcement of guarantees is remote. The Company does not necessarily wait until the final resolution of a loan to charge off the uncollectible balance.

The following is a summary of impaired loans as of November 30, 2016 (in thousands):

	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE	RELATED ALLOWANCE	AVERAGE RECORDED INVESTMENT
With allowance recorded:				
Originated	$ 62,301	$ 66,848	$ 20,816	$ 50,551
Secondary	12,912	26,512	10,243	28,211
Total	$ 75,213	$ 93,360	$ 31,059	$ 78,762

The following is a summary of impaired loans as of November 30, 2015 (in thousands):

	RECORDED INVESTMENT	UNPAID PRINCIPAL BALANCE	RELATED ALLOWANCE	AVERAGE RECORDED INVESTMENT
With allowance recorded:				
Originated	$ 38,801	$ 42,701	$ 6,418	$ 11,651
Secondary	43,509	44,883	22,321	22,427
Total	$ 82,310	$ 87,584	$ 28,739	$ 34,078

The average recorded investment reflects the change in the balance of impaired loans as of November 30, 2016 and 2015.

As of November 30, 2016 and 2015, each individual impaired loan had a specific allowance recorded.

Interest income was not recognized on impaired and nonaccrual loans during the years ended November 30, 2016, 2015 and 2014. If the impaired and nonaccrual loans had been performing, an additional $3.9 million, $1.5 million and $0.6 million of interest income would have been recorded for the years ended November 30, 2016, 2015 and 2014, respectively.

Allowance for Loan Losses—The Company's allowance for loan losses reflects management's estimate of net loan losses inherent in the loan portfolio. The allowance for general loan losses is calculated as the aggregate loan loss reserve for losses inherent in the portfolio that have not yet been identified.

Reserve factors are assigned to the loans in the portfolio, which dictate the percentage of the total outstanding loan balance that is reserved. The loan portfolio information is regularly reviewed to determine whether it is necessary to revise the reserve factors.

The reserve factors used in the calculation are determined by analyzing the following elements:

- the types of loans;
- the expected loss with regard to the loan type;
- the internal credit rating assigned to the loans; and
- type of industry for a given loan.

The Company has a policy to reserve for impaired loans based on a comparison of the recorded carrying value of the loan to either the present value of the loan's expected cash flow or the estimated fair value of the underlying collateral where applicable. The Company considers market value of the loan in its determination of the loan losses for impaired loans. There is no threshold when evaluating for impaired loans. Loans will be charged off against the allowance when full collection of the principal from the sale of collateral or the enforcement of guarantees is remote. The Company does not necessarily wait until the final resolution of a loan to charge off the uncollectible balance.

The Company regularly tests the allowance for loan losses for reasonableness. In determining reasonableness, trends in the elements analyzed in establishing the reserve factors described above are reviewed. In addition, the Company continues to monitor the market to corroborate the reserve levels on similar loan products. The Company also computes an allowance for unfunded lending commitments using a methodology that is similar to that used for loans. The table below summarizes the Company's reporting of its allowance for loan losses:

	CONSOLIDATED BALANCE SHEETS	CONSOLIDATED STATEMENTS OF EARNINGS
Allowance for loan losses on:		
Loans	Allowance for loan losses	Provision for loan losses
Unfunded loan commitments	Other liabilities	General, administrative and other

The following is a summary of the activity in the allowance for loan losses for the year ended November 30, 2016 (in thousands):

	ORIGINATED	SECONDARY	TOTAL
Balance, November 30, 2015	$ 17,454	$ 36,516	$ 53,970
Provision for loan losses—general	3,751	5,857	9,608
Provision for loan losses—specific	15,045	13,227	28,272
Transfers to loans held for sale, net	—	(12,654)	(12,654)
Charge-offs	(647)	(12,652)	(13,299)
Balance, November 30, 2016	35,603	30,294	65,897
Balance, end of period—general	$ 14,787	$ 20,051	$ 34,838
Balance, end of period—specific	$ 20,816	$ 10,243	$ 31,059
Loans receivable:			
Loans collectively evaluated—general	$ 1,895,992	$ 2,527,816	$ 4,423,808
Loans individually evaluated—specific	61,948	12,912	74,860
Total	$ 1,957,940	$ 2,540,728	$ 4,498,668

The following is a summary of the activity in the allowance for loan losses for the year ended November, 2015 (in thousands):

	ORIGINATED	SECONDARY	TOTAL
Balance, November 30, 2014	$ 10,373	$ 17,597	$ 27,970
Provision for (recovery of) loan losses—general	2,243	(2)	2,241
Provision for loan losses—specific	8,738	18,921	27,659
Charge-offs	(3,900)	—	(3,900)
Balance, November 30, 2015	17,454	36,516	53,970
Balance, end of period—general	$ 11,036	$ 14,195	$ 25,231
Balance, end of period—specific	$ 6,418	$ 22,321	$ 28,739
Loans receivable:			
Loans collectively evaluated—general	$ 2,034,097	$ 1,888,245	$ 3,922,342
Loans individually evaluated—specific	38,801	43,509	82,310
Total	$ 2,072,898	$ 1,931,754	$ 4,004,652

The following is a summary of the activity in the allowance for loan losses for the year ended November 30, 2014 (in thousands):

	ORIGINATED	SECONDARY	TOTAL
Balance, November 30, 2013	$ 3,755	$ 17,873	$ 21,628
Provision for loan losses—general	5,038	1,420	6,458
Provision for (recovery of) loan losses—specific	2,261	(740)	1,521
Transfers to loans held for sale, net	(681)	(956)	(1,637)
Balance, November 30, 2014	10,373	17,597	27,970
Balance, end of period—general	$ 8,793	$ 14,197	$ 22,990
Balance, end of period—specific	$ 1,580	$ 3,400	$ 4,980
Loans receivable:			
Loans collectively evaluated—general	$ 1,816,276	$ 1,532,017	$ 3,348,293
Loans individually evaluated—specific	7,820	5,776	13,596
Total	$ 1,824,096	$ 1,537,793	$ 3,361,889

The reserve balances related to loan losses on unfunded commitments were $5.1 million and $3.6 million as of November 30, 2016 and 2015, respectively. In addition, the Company increased the reserve related to loan losses on unfunded commitments by $1.5 million, $0.1 million and $0.4 million during the years ended November 30, 2016, 2015 and 2014, respectively. The changes in reserve were recognized in General, administrative and other in the Consolidated Statements of Earnings and the reserve was included in Other liabilities on the Consolidated Balance Sheets.

Credit Quality Indicators—As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management tracks credit quality indicators. Management regularly reviews the performance of its loans receivable to evaluate the credit risk.

The Company evaluates each loan using six weighted credit risk grade categories that have both qualitative and quantitative components that differentiate the level of risk. Credit risk categories are assigned weights based on the characteristics of issuers.

For each borrower, the Company evaluates the following credit risk categories:

- Industry segment
- Position within the industry
- Earnings / Operating Cash Flows
- Asset / Liability values
- Financial flexibility / debt capacity
- Management and controls

The Company utilizes a risk grading matrix to assign an internal credit grade ("ICG") to each of its loans. Loans are individually rated on a tiered scale of one to ten, with each rating further divided into three levels of .2, .5 and .8.

A description of the general characteristics of the ICGs is as follows:

- Grade 1—Issuers assigned this grade are characterized as substantially risk free and having an extremely strong capacity to meet all financial obligations.
- Grade 2—Issuers assigned this grade are characterized as representing minimal risk.
- Grade 3—Issuers assigned this grade are characterized as representing modest risk.
- Grade 4—Issuers assigned this grade are characterized as representing better than average risk.

- Grade 5—Issuers assigned this grade are characterized as representing average risk.
- Grade 6—Issuers assigned this grade are characterized as representing acceptable risk.
- Grade 7—Issuers assigned this grade are currently vulnerable to adverse business, financial and economic conditions and are characterized by increasing credit risk. They possess potential weakness that may, if not checked or corrected, weaken the asset or result in a likelihood of default at some future date. The increasing risk has or may result in discounted pricing levels or decreased trading liquidity.
- Grade 8—Issuers assigned this grade are characterized by inadequate repayment capacity and / or recovery of the obligor or of the collateral pledged resulting in potential loss if deficiencies are not corrected.
- Grade 9—Issuers assigned this grade are in (a) payment default at any level in its debt structure or (b) bankruptcy. In addition, asset weaknesses may make collection or liquidation in full, on the basis of existing facts, highly questionable and improbable.
- Grade 10—Issuers assigned this grade are charged-off.

The following is a summary of credit risk profile by ICG as of November 30, 2016 (in thousands):

ICG	ORIGINATED	SECONDARY	TOTAL
5.2	$ —	$ 14,863	$ 14,863
5.5	—	70,043	70,043
5.8	23,007	264,545	287,552
6.2	202,016	579,886	781,902
6.5	896,859	1,022,226	1,919,085
6.8	466,248	400,933	867,181
7.2	119,092	131,383	250,475
7.5	131,136	16,666	147,802
7.8	9,840	12,102	21,942
8.2	89,310	16,288	105,598
8.5	15,694	—	15,694
9.2	4,738	11,793	16,531
Total	$ 1,957,940	$ 2,540,728	$ 4,498,668

The following is a summary of credit risk profile by ICG as of November 30, 2015 (in thousands):

ICG	ORIGINATED	SECONDARY	TOTAL
5.2	$ —	$ 39,209	$ 39,209
5.5	—	62,460	62,460
5.8	30,269	166,900	197,169
6.2	243,597	376,283	619,880
6.5	856,837	740,159	1,596,996
6.8	628,437	414,041	1,042,478
7.2	186,133	57,194	243,327
7.5	51,799	24,556	76,355
7.8	72,851	10,026	82,877
8.2	2,975	27,363	30,338
8.5	—	13,563	13,563
Total	$ 2,072,898	$ 1,931,754	$ 4,004,652

Troubled Debt Restructurings (TDRs)—The Company periodically modifies or participates in the modification of the terms of a loan receivable in response to a borrower's difficulties. Modifications that include a significant financial concession(s) to the borrower that likely reflect a current view that the repayment on the original terms is unlikely are accounted for as TDRs. The Company uses a consistent methodology across all loans to determine if a modification granted to a borrower, determined to be in financial difficulty is a TDR.

The Company's policies on TDR identification include the following examples of indicators used to determine whether the borrower is in financial difficulty:

- Payment default of principal and/or interest
- Bankruptcy declaration
- Going concern opinion issued by accountants
- Insufficient cash flow to service debt with low likelihood of turnaround in the short term
- Securities (public) are de-listed
- Refinancing sources are unlikely
- Financial covenants breach is unlikely to be amended

If the borrower is determined to be in financial difficulty, then the Company utilizes the following criteria to determine whether a concession has been granted to the borrower:

- Modification of interest rate below market rate
- The borrower does not otherwise have access to funding for debt with similar risk characteristics in the market at the restructured rate and terms
- Capitalization of interest
- Delaying principal and/or interest for a period of year or more
- Forgiveness of some or all of the principal balance

Below is a summary of the Company's loans which were classified as TDR as of November 30, 2016 (in thousands):

	PRE-MODIFICATION OUTSTANDING RECORDED AMOUNT	POST-MODIFICATION OUTSTANDING RECORDED AMOUNT	INVESTMENT IN TDR SUBSEQUENTLY DEFAULTED
Primary	$ 40,613	$ 35,889	$ —
Secondary	$ 58,340	$ 37,660	$ —
Total	$ 98,953	$ 73,549	$ —

Below is a summary of the Company's loans which were classified as TDR as of November 30, 2015 (in thousands):

	PRE-MODIFICATION OUTSTANDING RECORDED AMOUNT	POST-MODIFICATION OUTSTANDING RECORDED AMOUNT	INVESTMENT IN TDR SUBSEQUENTLY DEFAULTED
Secondary	$ 8,660	$ 4,911	$ —
Total	$ 8,660	$ 4,911	$ —

All restructured loans that remain outstanding are on non-accrual status. Because the loans were classified on non-accrual status both before and after restructuring, the modifications did not impact the Company's determination of the allowance for loan losses. There were no payment defaults on loans restructured in troubled debt restructurings during the years ended November 30, 2016 and 2015.

Modified loans that are classified as TDRs are individually evaluated and measured for impairment. Modified loans that meet the definition of a TDR are subject to the Company's standard impaired loan policy, namely that non-accrual loans are individually reviewed for impairment.

Other Liabilities—Included in Other liabilities are amounts payable for loans pending settlement. As of November 30, 2016 and 2015 there were $307.4 million and $140.4 million, respectively, of pending purchases.

5. LOANS HELD FOR SALE, NET

Below is a summary of Loans held for sale, net, as of November 30, 2016 and 2015 (in thousands):

	2016	2015
Loans held for sale	$ 966,425	$ 266,155
Less:		
Original issue discount	(13,124)	(10,979)
Valuation allowance	(16,041)	(7,756)
Deferred loan fees, net	(6,798)	433
Loans held for sale, net	$ 930,462	$ 247,853

Included in the Loans held for sale were $739.2 million and $174.1 million of loans that funded prior to but completion of the syndication process occurred after November 30, 2016 and 2015, respectively. As of November 30, 2016 and 2015 loans held for sale of $7.3 million and $65.1 million were pledged as collateral against the Company's credit facilities and secured notes issued by CLOs, respectively. As of November 30, 2016 and 2015, the Company had one impaired / non-accrual loan in the amount of $1.2 million and $2.6 million, respectively, in Loans held for sale, net.

Other Assets—Included in Other assets are amounts receivable for sales of loans pending settlement. As of November 30, 2016 and 2015, there were $60.4 million and $42.7 million, respectively, of pending sales.

6. INVESTMENTS

As of November 30, 2016 and 2015, one of the CLOs held $156.8 million and $215.8 million, respectively, of U.S. Treasury securities which have short-term maturities and are restricted under the terms as stated in the CLO indenture. Also, under the fair value option as of November 30, 2016 and 2015, the Company held investments of $22.4 million and $26.0 million, respectively, in a corporate bond, interest rate swaps, secured and unsecured notes and other investments which were accounted for at fair value.

DERIVATIVE FINANCIAL INSTRUMENTS

As part of certain CLOs' risk management strategy to protect against the effect of fluctuations in London Interbank Offered Rate ("LIBOR") rates associated with its loan commitments, interest rate swaps were purchased and currently have a notional value of $1,184.5 million with remaining maturities ranging from one to five years. On August 14, 2014, JFIN entered into a Total Return Swap ("TRS") with Jefferies Financial Products, LLC ("JFP"), a wholly owned subsidiary of JGL, with the $23.0 million Variable Funding note for one of the CLOs as the underlying asset. The TRS has a remaining maturity of approximately five years.

As of November 30, 2016 and 2015, the interest rate swaps and the TRS had a fair value of $6.1 million and $9.8 million, respectively and were included within Investments on the Consolidated Balance Sheets. The net loss on the interest rate swaps and TRS was $3.3 million, $10.4 million and $6.2 million for the years ended November 30, 2016, 2015 and 2014 and was included in Other losses, net in the Consolidated Statements of Earnings. As of November 30, 2016 and 2015 the counterparty credit quality with respect to the interest rate swaps was between A+ and BBB.

The following table sets forth the remaining contractual maturities of the interest rate swaps and total return swap at their notional value as of November 30, 2016 (in thousands):

	1-5 YEARS	GREATER THAN 5 YEARS	TOTAL
Interest rate swaps	$ 1,184,472	$ —	$ 1,184,472
Total return swap	$ —	$ 8,723	$ 8,723

7. FINANCIAL INSTRUMENTS AT FAIR VALUE

The following table presents the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of November 30, 2016 and 2015 by level within the fair value hierarchy (in thousands):

NOVEMBER 30, 2016	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets, nonrecurring basis:				
Loans held for sale, net	$ —	$ 930,462	$ —	$ 930,462
Assets, recurring basis:				
Investments				
U.S. treasury securities	$ 156,780	$ —	$ —	$ 156,780
Bonds	—	4,188	—	4,188
Notes	—	—	2,370	2,370
Interest rate swaps	—	2,741	—	2,741
Corporate equity securities	—	951	8,877	9,828
Total return swap	—	—	3,309	3,309
Total Investments	$ 156,780	$ 7,880	$ 14,556	$ 179,216

NOVEMBER 30, 2015	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets, nonrecurring basis:				
Loans held for sale, net	$ —	$ 192,316	$ 55,104	$ 247,420
Assets, recurring basis:				
Investments				
U.S. treasury securities	$ 215,809	$ —	$ —	$ 215,809
Bonds	—	4,450	—	4,450
Interest rate swaps	—	7,300	—	7,300
Corporate equity securities	—	—	11,675	11,675
Total return swap	—	—	2,544	2,544
Total Investments	$ 215,809	$ 11,750	$ 14,219	$ 241,778

For loans held for sale, net, the Company uses observable market data, including pricing on recent trades, third party pricing, or when appropriate, the recovery value of underlying collateral. Included within Loans held for sale, net are loans recorded at lower of cost or fair value, where cost approximates fair value.

For bonds, interest rate swaps and other investments, the Company primarily uses broker quotes for non-exchange traded investments and, based upon the observability of the inputs.

U.S. Treasury securities are measured based on quoted market prices.

The following table presents the changes in Level 3 assets measured on a recurring and nonrecurring basis as of November 30, 2016 (in thousands):

	BALANCE AT DECEMBER 1, 2015	PURCHASES/ ADDITIONS	SETTLEMENTS, NET	TOTAL GAINS/ LOSSES (REALIZED AND UNREALIZED)	TRANSFERS IN AND OUT OF LEVEL 3	BALANCE AT NOVEMBER 30, 2016	NET CHANGE IN UNREALIZED GAINS/LOSSES RELATING TO INSTRUMENTS STILL HELD AT NOVEMBER 30, 2016
Corporate equity securities	$ 11,675	$ 524	$ —	$ (3,322)	$ —	$ 8,877	$ (3,322)
Notes	$ —	$ 262,992	$ (220,386)	$ (23,992)	$ (16,244)	$ 2,370	$ —
Loans held for sale, net	$ 55,103	$ 560,035	$ (483,763)	$ (49,660)	$ (81,715)	$ —	$ —
Total return swap	$ 2,544	$ —	$ 2,280	$ (1,515)	$ —	$ 3,309	$ (1,515)

The following table presents the changes in Level 3 assets measured on a recurring and nonrecurring basis as of November 30, 2015 (in thousands):

	BALANCE AT DECEMBER 1, 2014	PURCHASES/ ADDITIONS	SETTLEMENTS, NET	TOTAL GAINS/ LOSSES (REALIZED AND UNREALIZED)	TRANSFERS IN AND OUT OF LEVEL 3	BALANCE AT NOVEMBER 30, 2015	NET CHANGE IN UNREALIZED GAINS/LOSSES RELATING TO INSTRUMENTS STILL HELD AT NOVEMBER 30, 2015
Corporate equity securities	$ —	$ 3,891	$ —	$ 3,084	$ 4,700	$ 11,675	$ 11,675
Loans held for sale, net	$ —	$ —	$ —	$ —	$ 55,103	$ 55,103	$ —
Total return swap	$ —	$ —	$ 2,544	$ —	$ —	$ 2,544	$ 2,544

For the year ended November 30, 2016, $98.0 million was transferred from Level 3 to Level 2 due to increase in the observability of inputs. For the year ended November 30, 2015, $59.8 million was transferred from Level 2 to Level 3 due to the decreased observability of inputs.

The tables below present information on the valuation techniques, significant unobservable inputs and their ranges for the Company's financial assets and liabilities, subject to threshold levels related to the market value of the positions held, measured at fair value on a recurring basis with a significant Level 3 balance. The range of unobservable inputs could differ significantly across different firms given the range of products across different firms in the financial services sector. The inputs are not representative of the inputs that could have been used in the valuation of any one financial instrument (i.e., the input used for valuing one financial instrument within a particular class of financial instruments may not be appropriate for valuing other financial instruments within that given class). Additionally, the ranges of inputs presented below should not be construed to represent uncertainty regarding the fair values of the Company's financial instruments; rather the range of inputs is reflective of the differences in the underlying characteristics of the financial instruments in each category.

FINANCIAL INSTRUMENTS OWNED	FAIR VALUE (IN THOUSANDS)		VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUT(S)	INPUT RANGE	WEIGHTED AVERAGE
Corporate equity securities						
Non-exchange traded securities	$	8,877	Market Approach	EBITDA multiple	5.9x-10.6x	6.9x
Investments						
Notes	$	2,370	Asset Approach	Collateral Liquidation Values	N/A[(1)]	N/A[(1)]
Derivatives						
Total return swap	$	3,309	Discounted Cash Flows	—	—	—
				Constant prepayment rate	20.0%	20.0%
				Constant default rate	2.0%	2.0%
				Loss severity	25.0%	25.0%
				Yield	16.0%	16.0%

(1) There is no meaningful quantitative information to provide as the methods of valuation are investment specific.

Below is a summary of financial instruments not measured at fair value on a recurring or non-recurring basis as of November 30, 2016 and 2015, but for which fair value is required to be disclosed (in thousands):

	NOVEMBER 30, 2016				NOVEMBER 30, 2015			
	Carrying Value		Fair Value		Carrying Value		Fair Value	
Financial assets:								
Cash	$	656,556	$	656,556	$	1,491,833	$	1,491,833
Restricted cash		975,891		975,891		1,275,900		1,275,900
Loans receivable, net		4,343,661		4,368,982		3,861,303		3,811,651
Total	$	5,976,108	$	6,001,429	$	6,629,036	$	6,579,384
Financial liabilities:								
Credit facilities	$	346,862	$	346,862	$	381,956	$	381,956
Secured notes payable, net		3,916,792		3,915,716		4,034,711		3,995,159
Long-term debt		1,660,829		1,613,927		1,662,548		1,593,656
Total	$	5,924,483	$	5,876,505	$	6,079,215	$	5,970,771

Cash and restricted cash—The carrying value of cash and restricted cash approximates fair value and is considered Level 1 measurement.

Loans receivable, net—A significant portion of the Company's loans receivable are measured primarily using broker quotations and using pricing service data from external providers. When pricing data is unavailable and there are no observable inputs, valuations are based on models involving projected cash flows of the issuer and market prices for comparable issuers and are considered Level 2 measurements since there is no open exchange for loan assets.

Credit facilities—Due to the adjustable rate nature of the borrowings, the fair value of the credit facilities are estimated to be their carrying values and are considered Level 2 measurements. Rates currently are comparable to those offered to the Company for similar debt instruments of comparable maturities by the Company's lenders.

Secured notes payable, net—The Company uses broker quotes for non-exchange traded secured notes payable and are considered Level 2 measurements.

Long-term debt—Fair value of long-term debt is based on broker quotations, which are Level 2 inputs. When broker quotes are not available, values are estimated using a discounted cash flow analysis with a discount rate approximating current market interest rates for issuances of similar term debt.

8. VARIABLE INTEREST ENTITIES

VIEs are entities in which equity investors lack the characteristics of a controlling financial interest. VIEs are consolidated by the primary beneficiary. The primary beneficiary is the party who has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (2) an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity.

Variable interests in VIEs include debt and equity interests, commitments and management and performance fees. Involvement with VIEs arises from involvement as a portfolio manager of collateralized loan obligations ("CLOs"). The Company also acts as sponsor and funds the underlying loans prior to the close of a CLO and owns notes issued by the CLOs.

The Company determines whether it is the primary beneficiary of a VIE upon initial involvement with the VIE and reassess whether it is the primary beneficiary of a VIE on an ongoing basis. The determination of whether the Company is the primary beneficiary of a VIE is based upon the facts and circumstances for each VIE and requires significant judgment. Considerations in determining the VIE's most significant activities and whether the Company has the power to direct those activities include, but are not limited to, the VIE's purpose and design and the risks passed through to investors, the voting interests of the VIE, management, service and/or other agreements of the VIE, involvement in the VIE's initial design and the existence of explicit or implicit financial guarantees.

Variable interests in a VIE are assessed both individually and in aggregate to determine whether the Company has an obligation to absorb losses of or a right to receive benefits from the VIE that could potentially be significant to the VIE. The determination of whether the Company's variable interest is significant to the VIE requires significant judgment. In determining the significance of the Company's variable interest, the Company considers the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, the Company's involvement in the VIE and the Company's market-making activities related to the variable interests.

The Company is the primary beneficiary of CLOs to which the Company transferred bank loans, securities and participation interests in the form of senior secured loans, second lien loans, unsecured loans, senior secured bonds, senior secured floating notes, unsecured bonds and revolving credit loans to corporate entities. The Company also retained a portion of the secured notes issued by the CLOs. In the creation of the CLOs, the Company was involved in the decisions made during the establishment and design of the entity. The Company acts as the portfolio manager for the CLOs and holds variable interests consisting of the retained notes that could potentially be significant. The assets of the CLOs consist of the loans, bonds and notes to corporate entities, which are available for the benefit of the vehicle's beneficial interest holders. The creditors of the VIEs do not have recourse to the assets of the Company and the assets of the VIEs are not available to satisfy any other debt.

9. CREDIT FACILITIES

As of November 30, 2016 and 2015, the Company had secured credit facilities totaling \$1.6 billion and \$1.4 billion, respectively, which were used to fund loans. The interest rates related to the credit facilities are primarily variable interest rates based on LIBOR plus a spread as stated in the respective agreements. The credit facilities are secured by the underlying loans funded with the proceeds of the respective facility.

During the years ended November 30, 2016, 2015 and 2014, the Company entered into revolving credit agreements for \$0.5 billion, \$0.5 billion and \$1.7 billion, respectively. During the years ended November 30, 2016, 2015 and 2014, \$0.3 billion, \$1.8 billion and \$0.7 billion of outstanding commitments matured or terminated and any outstanding amounts were repaid.

Below is a summary of the Credit Facilities and Fronting Lines as of and for the year ended November 30, 2016 (in millions):

	THIRD PARTY FRONTING LINE	MEMBERS' FRONTING LINE	JFIN CLO 2016-II WH	JFIN CLO 2016 WH	JFIN BUSINESS CREDIT FUND I LLC	JFIN FUND III LLC	TOTAL
Total availability under the facility	$ 500.0	$ 500.0	$ 200.0	$ —	$ 100.0	$ 300.0	$ 1,600.0
Outstanding balance	—	—	124.2	—	33.4	189.3	346.9
Current availability	$ 500.0	$ 500.0	$ 75.8	$ —	$ 66.6	$ 110.7	$ 1,253.1
Principal balance of loans pledged as collateral	$ —	$ —	$ 219.4	$ —	$ 45.0	$ 312.1	$ 576.5
Largest outstanding amounts during the periods	218.6	300.0	124.2	$ 227.8	50.1	247.3	1,168.0
Interest expense incurred	0.3	0.1	0.3	1.3	0.7	7.1	9.8
Undrawn facility fees incurred	4.5	2.6	—	—	0.2	0.4	7.7
Variable interest rate based on LIBOR	3.88%	4.19%	2.88%	1.95%	2.39%	3.22%	—
Maturity Date	2/25/2017[(1)]	3/1/2017[(2)]	6/30/2017[(3)]	Terminated	9/12/2021	2/12/2019	—

(1) On February 27, 2016, the Third Party Fronting Line was increased to $500.0 million from $481.7 million.

(2) After March 1, 2016, the Members' Fronting Line contains annual automatic one-year extensions, absent a 60-day termination notice by either party. The commitment on the Members' Fronting Line was reduced to $500 million on August 21, 2015.

(3) JFIN CLO 2016-II Warehouse facility relates to a consolidated VIE.

Below is a summary of the Credit Facilities and Fronting Lines as of and for the year ended November 30, 2015 (in millions):

	THIRD PARTY FRONTING LINE	MEMBERS' FRONTING LINE	JFIN FUND IV 2014 LLC	CLO 2015-II WH	JFIN BUSINESS CREDIT FUND I LLC	JFIN FUND III LLC	TOTAL
Total availability under the facility	$ 481.7	$ 500.0	$ —	$ —	$ 100.0	$ 300.0	$ 1,381.7
Outstanding balance	67.2	38.6	—	—	45.1	231.1	382.0
Current availability	$ 414.5	$ 461.4	$ —	$ —	$ 54.9	$ 68.9	$ 999.7
Principal balance of loans pledged as collateral	$ 67.2	$ 38.6	$ —	$ —	$ 67.2	$ 380.5	$ 553.5
Largest outstanding amounts during the periods	386.7	530.0	350.2	170.9	47.2	231.1	1,716.1
Interest expense incurred	1.0	1.9	1.8	0.6	0.4	5.7	11.4
Undrawn facility fees incurred	2.0	3.0	—	—	0.3	0.6	5.9
Variable interest rate based on LIBOR	3.38%	5.36%	2.26%	1.85%	1.83%	2.66%	—
Maturity Date	2/27/2016	3/1/2016	Terminated	Terminated	9/12/2018	2/12/2019	—

Below is a summary of the Credit Facilities and Fronting Lines as of and for the year ended November 30, 2014 (in millions):

	THIRD PARTY FRONTING LINE	MEMBERS' FRONTING LINE	JFIN FUND IV 2014 LLC	JFIN FUND IV LLC	JFIN BUSINESS CREDIT FUND I LLC	JFIN CAPITAL 2013 LLC	JFIN FUND III LLC	JFIN CAPITAL 2014 LLC	TOTAL
Total availability under the facility	$ 750.0	$ 1,000.0	$ 400.0	$ —	$ 100.0	$ —	$ 300.0	$ 400.0	$ 2,950.0
Outstanding balance	—	—	279.2	—	14.1	—	199.9	—	493.2
Current availability	$ 750.0	$ 1,000.0	$ 120.8	$ —	$ 85.9	$ —	$ 100.1	$ 400.0	$ 2,456.8
Principal balance of loans pledged as collateral	$ —	$ —	$ 385.1	$ —	$ 21.7	$ —	$ 271.9	$ —	$ 678.7
Largest outstanding amounts during the periods	250.0	940.0	279.2	302.0	21.0	320.9	199.9	—	2,313.0
Interest expense incurred	0.1	4.1	1.2	1.0	0.1	4.3	3.6	—	14.4
Undrawn facility fees incurred	0.6	3.2	—	—	0.4	0.4	0.6	0.8	6.0
Variable interest rate based on LIBOR	3.25%	5.88%	1.36%	1.31%	1.73%	2.40%	2.49%	—	—
Maturity date	6-11-15	3-1-16	1-7-16	Terminated	9-12-18	Terminated	2-12-19	5-20-16	—

Natixis LC Facility—On August 17, 2011, JFIN entered into a letter of credit and reimbursement agreement with Natixis for a $50.0 million letter of credit commitment (the "LC Facility"). The LC Facility was established for the purpose of issuing letters of credit to borrowers under credit facilities originated by JFIN. In June 2015, the Company extended its availability under the Facility until June 26, 2018. Interest is charged on issued letters of credit at a rate of LIBOR plus a margin of 2.5%. Interest expense for the years ended November 30, 2016, 2015 and 2014 was $1.0 million, $1.1 million and $1.0 million, respectively, and is included in Interest expense in the Consolidated Statements of Earnings.

Wells Fargo LC Facility—On March 10, 2016, the Company's wholly-owned subsidiary JFIN LC Fund LLC ("LC Fund"), which was formed on February 1, 2016, entered into a Standby Letter of Credit Facility with Wells Fargo Bank, National Association ("Wells Fargo"), as issuing bank, pursuant to which the issuing bank has committed to provide a revolving letter of credit facility in an aggregate principal amount of up to $50.0 million. LC Fund's obligations under the facility mature on the third anniversary of the closing date, and are secured by a first lien perfected security interest in a specified segregated deposit account held at Wells Fargo into which the Company is required to deposit 102% of the outstanding face amount of issued letters of credit. The Company guarantees the payment obligations of LC Fund under the facility. Interest expense for the year ended November 30, 2016 was $0.2 million and is included in Interest expense in the Consolidated Statements of Earnings.

Deferred Structuring Fees—Deferred structuring fees in aggregate were $4.0 million and $5.4 million at November 30, 2016, and 2015, respectively, and are included in Other assets on the Consolidated Balance Sheets. Amortization of deferred structuring fees expense for the years ended November, 2016, 2015 and 2014 was $4.8 million, $7.6 million and $3.9 million, respectively, and is included in Interest expense in the Consolidated Statements of Earnings.

Undrawn Facility Fees—Undrawn facility fees in aggregate were $7.8 million, $5.9 million and $5.9 million for the years ended November 30, 2016, 2015 and 2014, respectively, and are included in Interest expense in the Consolidated Statements of Earnings.

10. SECURED NOTES PAYABLE, NET

CLOs consolidated by the Company are funded by the issuance of notes, which are included in Secured notes payable, net on the Consolidated Balance Sheets. Each of the CLOs' respective assets are pledged as collateral against the secured notes issued by the respective CLO. The cash held by the CLOs is used first to pay interest due to note holders or to be reinvested in loans as prescribed by the indentures. JFIN is entitled to the residual interest of all CLOs after all claims to note holders have been paid.

Following are the remaining maturities of the secured notes payable, net (in thousands):

	NOVEMBER 30, 2016	NOVEMBER 30, 2015
Due in 2017	$ —	$ —
Due in 2018	—	—
Due in 2019	—	—
Due in 2020	100,040	125,749
Due in 2021	315,434	487,374
Thereafter	3,501,318	3,421,588
Total	$ 3,916,792	$ 4,034,711

For the years ended November 30, 2016, 2015 and 2014, the Company repaid $454.8 million, $91.3 million and $89.0 million of outstanding secured notes payable.

Interest rates related to the secured notes are variable interest rates based on LIBOR plus a spread as stated in the respective note agreements ranging from 0.240% to 9.000%.

Deferred Structuring Fees—Deferred structuring fees in aggregate were $39.2 million and $44.5 million as of November 30, 2016 and 2015, respectively, and are included in Other assets on the Consolidated Balance Sheets. Deferred structuring fee expense was $9.8 million, $5.9 million and $2.7 million for the years ended November 30, 2016, 2015 and 2014, respectively, and is included in Interest expense in the Consolidated Statements of Earnings.

Original Issue Discount—The unamortized original issue discount of $58.8 million and $61.3 million as of November 30, 2016 and 2015, respectively, was included within Secured notes payable, net on the Consolidated Balance Sheets. The amortization of the original issue discount was $9.2 million, $7.2 million and $4.1 million for the years ended November 30, 2016, 2015 and 2014, respectively, and was included in Interest expense in the Consolidated Statements of Earnings.

11. LONG-TERM DEBT

Below is a summary of JFIN's long-term debt as of November 30, 2016 (in millions):

DESCRIPTION	ISSUE DATE		OUTSTANDING PRINCIPAL AMOUNT	MATURITY	INTEREST RATE	INTEREST PAYMENT DATES	REDEMPTION FEATURES
2020 Notes (1)	3/26/2013	$	600.0	April 1, 2020	7.375%	April and October 1	35% at 105.531% (prior to April 1, 2017)
2021 Notes (1)	10/14/2014	$	425.0	April 15, 2021	7.500%	April and October 15	35% at 107.500% (prior to October 15, 2017)
2022 Notes (1)	3/31/2014	$	425.0	April 15, 2022	6.875%	April and October 15	35% at 106.875% (prior to April 15, 2017)
Secured Term Loan (2)	5/14/2015	$	212.3	May 15, 2020(3)	Libor +3.5%	Last business day of each fiscal quarter	N/A

(1) Collectively, the 2020 Notes, 2021 Notes and the 2022 Notes are referred to as the "Senior Notes".

(2) Issued with a Libor floor of 1%.

(3) The Secured Term Loan matures on May 15, 2020, or October 1, 2019 if the 2020 Notes are still outstanding on such date.

The Senior Notes are not guaranteed by any of the Company's subsidiaries; however, its subsidiaries may be required to guarantee the Senior Notes in the future pursuant to certain covenants as defined in the Senior Notes offering memorandum. At any time prior to April 1, 2017, October 15, 2017 and April 15, 2017, the Company may redeem the Senior Notes, respectively, in whole or in part, at their option, at a redemption price equal to 100% of the principal amount of such Senior Notes, respectively, plus the relevant applicable premium as of, and accrued and unpaid interest, if any, to but not including the applicable redemption date.

The table below summarizes the redemption prices and dates for the Senior Notes:

YEAR	2020 NOTES	2021 NOTES	2022 NOTES
		PERCENTAGE	
2016	105.531%	—	—
2017	103.688%	105.625%	105.156%
2018	101.844%	103.750%	103.438%
2019	100.000%	101.875%	101.719%
2020 and thereafter	—	100.000%	100.000%

The Company may redeem the Senior Notes with cash proceeds from any equity offering at a redemption price, plus accrued but unpaid interest, if any, to but not including the applicable redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Senior Notes, respectively (including any additional notes); provided that (1) in each case the redemption takes place not later than 180 days after the consummation of the related equity offering; and (2) not less than 65% of the original aggregate principal amount of the Senior Notes, respectively (including any additional notes) issued under the indenture remains outstanding immediately after such redemption (excluding the aggregate principal amount of all Senior Notes, respectively then held by the Issuers or any of their restricted subsidiaries).

If a change of control occurs, the holders of the Senior Notes will have the right to require the Company to repurchase their Senior Notes, respectively, in whole or in part, at a purchase price of 101% of the principal amount of the Senior Notes, respectively, plus accrued and unpaid interest, if any, to the date of repurchase. If the Company sells certain assets and the net cash proceeds are not applied as permitted under the indenture governing the Senior Notes, the Company may have to use such proceeds to offer to purchase some of the Senior Notes, respectively at 100% of the principal, plus accrued and unpaid interest, if any, to the date of repurchase.

On May 14, 2015, JFIN issued a $215.0 million senior secured term loan. The debt under the five-year term loan is secured by a first lien security interest in unrestricted cash and loan receivables not encumbered by other facilities, and is subject to a collateral value coverage ratio test and other negative covenants. As of November 30, 2016, $1.2 billion of loans were pledged as collateral to the term loan.

Interest expense related to Long-term debt was $114.9 million, $110.7 million and $67.9 million for the years ended November 30, 2016, 2015 and 2014, respectively.

Deferred Structuring Fees—Deferred structuring fees in aggregate were $21.4 million and $26.6 million as of November 30, 2016 and 2015, respectively and are included in Other assets on the Consolidated Balance Sheets. Amortization of deferred structuring fee expense was $5.3 million, $4.9 million and $3.0 million for the years ended November 30, 2016, 2015 and 2014, respectively, and is included in Interest expense in the Consolidated Statements of Earnings.

12. FEE INCOME, NET

The Company presents fee income net of origination, syndication and deferred underwriting fees in the Consolidated Statements of Earnings. The following is a summary of the components of Fee income, net for the years ended November 30, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
Underwriting fees	$ 262,933	$ 410,611	$ 438,574
Administration fees	9,508	8,745	5,307
Other fees	52,104	44,056	31,136
	324,545	463,412	475,017
Less:			
Deferred underwriting fees	(72,227)	(56,026)	(80,822)
Jefferies LLC fees, net (1)	(99,013)	(130,958)	(198,349)
Third party fees	(22,949)	(105,749)	(23,532)
Fee income, net	$ 130,356	$ 170,679	$ 172,314

(1) Jefferies LLC is a wholly owned subsidiary of JGL.

13. OTHER LOSSES, NET

The following summarizes Other losses, net for the years ended November 30, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
Realized (loss) gain on sale of loans held for sale	$ (34,545)	$ (9,610)	$ 5,429
Change in fair value of loans held for sale	(8,267)	(1,552)	(8,859)
Realized loss on investments	(24,597)	(2,437)	(114)
Unrealized loss on investments	(8,139)	(5,218)	(6,455)
Dividends	—	2,177	—
Other losses, net	$ (75,548)	$ (16,640)	$ (9,999)

14. INCOME TAXES

Under current federal and state income tax laws and regulations, the Company is treated as a partnership for tax reporting purposes and is generally not subject to income taxes. Additionally, no provision has been made for federal, state, or local income taxes on the results of operations generated by partnership activities; as such taxes are the responsibility of its Members. However, the Company is subject to certain state and local entity level income taxes, including New York City Unincorporated Business Tax. Amounts provided for income taxes are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The realization of deferred tax assets is assessed and a valuation allowance is recorded to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized. The Company follows the provisions of accounting for uncertainty in income taxes which prescribes a recognition threshold under which it is determined whether it is more likely than not that a tax position will be sustained on the basis of the technical merits of the position. For those tax positions that meet the more-likely-than-not recognition threshold, the largest amount of the tax benefit that is more than fifty percent likely to be realized upon ultimate settlement with the tax authority is recognized. Income tax (benefit) expense for year ended November 30, 2016, 2015 and 2014 consists of the following (in thousands):

	2016	2015	2014
Current—local	$ (1,666)	$ 4,411	$ 7,032
Deferred—local	152	(990)	(1,490)
Total income tax (benefit) expense	$ (1,514)	$ 3,421	$ 5,542

Deferred income taxes are provided for temporary differences in reporting certain items, principally the allowance for loan losses and deferred loan fees. The Company had a net deferred tax asset of $5.4 million and $5.5 million at November 30, 2016 and 2015, respectively, included in Other assets on the Consolidated Balance Sheets.

For the years ended November 30, 2016 and 2015, the Company concluded, based upon its assessment of positive and negative evidence, that it is more likely than not that the results of future operations will generate sufficient taxable income to realize its deferred tax assets. Accordingly, the Company did not record a valuation allowance at November 30, 2016 and 2015.

The Company had taxes payable of $14.6 million and $16.4 million at November 30, 2016 and 2015, respectively, included in Other liabilities on the Consolidated Balance Sheets.

The Company's effective tax rate was 4.2%, 4.0% and 3.9% for the years ended November 30, 2016, 2015 and 2014 respectively. The Company's effective tax rate for the years ended November 30, 2015 and 2014 differed from the New York City statutory rate of 4.0% primarily due to the exclusion of foreign income and losses not subject to tax in the United States.

The Company accounts for uncertainties in income taxes under ASC 740, Income Taxes. ASC 740 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, measurement, classification, interest, penalties, accounting in interim periods, disclosure and transition. The balance of net unrecognized tax benefits at November 30, 2016 and 2015, was approximately $19.1 million and $20.5 million, respectively.

Interest related to income tax liabilities is recognized in income tax expense. Penalties, if any, are recognized in other expenses. The Company has interest accrued of approximately $2.4 million and $1.7 million at November 30, 2016 and 2015, respectively. No material penalties were accrued.

The Company is currently under examination by New York City for the years 2006 to 2009. The Company does not expect that the resolution of this examination will have a material impact on the consolidated financial statements.

15. RELATED PARTY TRANSACTIONS

JGL—Distributions by JFIN to JGL in respect of taxes were $17.1 million and $40.5 million for the years ended November 30, 2016 and 2015, respectively. The undrawn capital commitment available to JFIN from JGL as of November 30, 2016 and 2015 was $106.1 million and $102.6 million, respectively.

JFIN owed JGL $0.4 million and $0.5 million as of November 30, 2016 and 2015, respectively related to interest payable on the Fronting Line, which was recorded in Due to affiliates on the Consolidated Balance Sheets.

JGL provides a guarantee to one of the consolidated CLOs, whereby Jefferies is required to make certain payments to the CLO in the event that JFIN is unable to meet its obligations. As of November 30, 2016 and 2015 there was $2.9 million and $2.1 million, respectively, outstanding of the maximum amount payable under the guarantee of $21.0 million which matures in January 2021.

Mass Mutual—Distributions by JFIN to Mass Mutual in respect of taxes were $17.1 million and $36.5 million for the years ended November 30, 2016 and 2015, respectively. The undrawn capital commitment available to JFIN from Mass Mutual as of November 30, 2016 and 2015 was $106.1 million and $102.6 million, respectively.

JFIN owed Mass Mutual $0.4 million and $0.5 million as of November 30, 2016 and 2015, respectively, related to interest payable on the Fronting Line, which was recorded in Due to affiliates on the Consolidated Balance Sheets.

Mass Mutual has also provided JFIN's direct lending subsidiary, JFAM access to capital to invest on their behalf and paid $0.2 million in management fees to JFAM.

BCM—Under the Babson Service Agreement, JFIN is required to reimburse BCM for management fees. Management fees paid to BCM are based on a percentage of the consolidated portfolio, excluding the CLOs. BCM is the sub-advisor to certain CLOs and is entitled to receive management fees underlined in the sub-advisor agreement. All management fees earned by BCM are included in General, administrative and other in the Consolidated Statements of Earnings. The Babson Service Agreement was terminated effective March 1, 2015. Additionally, the Company ended all but one of its CLO sub-advisory and CLO services agreements with BCM effective as of August 31, 2015.

Below is a summary of management fees earned by BCM for the years ended November 30, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
Babson Service Agreement management fees	$ —	$ 2,527	$ 8,050
Collateral management fees	1,488	5,504	6,158
Total management fees charged by BCM	$ 1,488	$ 8,031	$ 14,208

JFIN owed BCM approximately $0.2 million at both November 30, 2016 and 2015, which is recorded in Due to affiliates on the Consolidated Balance Sheets.

In April of 2015, JFIN made a distribution in respect of taxes to BCM in the amount of $4.0 million.

Jefferies LLC—Under the Jefferies Service Agreement, Jefferies LLC ("Jefferies"), a wholly owned subsidiary of JGL, is required to provide specifically identified staff for the benefit of the Company. Also, under the agreement, JFIN is required to reimburse Jefferies for administration, rent, taxes and origination fees as well as any other services performed in the support of loan origination activities. During March 2016, the Jefferies Service Agreement was amended in conjunction with the restructuring of personnel. JFIN shifted underwriting staff to Jefferies and modified the cost sharing arrangement in the service agreement. JFIN continues to retain management of the underwriting process for covered financings and the approval of any transaction is subject to JFIN's credit committee.

Below is a summary of expenses paid by Jefferies on behalf of JFIN for the years ended November 30, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
Compensation and benefits	$ 28,919	$ 39,121	$ 32,165
Administration expenses	13,935	5,827	4,440
Occupancy expenses	2,999	2,670	2,160
New York City Unincorporated Business Tax	347	3,362	2,637
Expenses charged by Jefferies	$ 46,200	$ 50,980	$ 41,402

The Company's operating costs are paid by Jefferies and are included in Compensation and benefits and General, administrative and other in the Consolidated Statements of Earnings. Compensation and benefit costs include salaries, bonuses, retirement and medical insurance plan costs, of which certain amounts are deferred as direct loan origination costs.

All benefit plans that the employees participate in are provided by Jefferies. Therefore, benefit plan expenses are determined based upon participation and are reflected through an allocation from Jefferies to the Company. Administration and occupancy expenses are included in General, administrative and other. The Company reimburses Jefferies for all compensation, administration, occupancy and other amounts paid by Jefferies on behalf of the Company on a monthly basis.

Under the Jefferies Service Agreement, JFIN receives from and pays to Jefferies fees on certain transactions originated by Jefferies. Net origination fees were $99.0 million, $131.0 million and $198.3 million for the years ended November 30, 2016, 2015 and 2014, respectively, and are recorded in Fee income, net, in the Consolidated Statements of Earnings.

In the regular course of business, JFIN enters into agreements, related to specific transactions, with Jefferies and/or JGL to provide certain operational support, subsidies for loans, reimbursement of expenses, or to mitigate potential losses on transactions.

JFIN owed Jefferies $23.0 million and $7.0 million at November 30, 2016 and 2015, respectively, which were recorded in Due to affiliates on the Consolidated Balance Sheets.

At November 30, 2016 and 2015, JGL held securities issued by CLOs managed by JFIN and provided a guarantee whereby they are required to make certain payments to a CLO in the event that JFIN is unable to meet its obligations to the CLO. Additionally, JFP and Jefferies Funding LLC (JFL) have entered into derivative contracts or participation agreements with JFIN whose underlying value is based on certain securities issued by the CLO. Under these contracts, JFIN paid approximately $3.3 million and $3.8 million to JFP and JFL, respectively. Refer to Note 6, Investments, and Note 7, Financial Instruments at Fair Value.

In connection with the issuance of the Senior Notes, Jefferies acted as underwriter. Jefferies also acted as a placement agent for certain CLOs and holds a portion of certain secured notes.

On July 31, 2015, JFIN CLO 2015-II entered into a $300.0 million pre-CLO warehouse financing with Jefferies Leveraged Credit Products LLC. The warehouse was terminated on October 22, 2015 when the assets were contributed into the CLO. Jefferies also acted as underwriter on the closing of JFIN CLO 2015-II. On January 27, 2016, JFIN CLO 2016 entered into a $250.0 million pre-CLO warehouse financing with Jefferies Leveraged Credit Products LLC. The warehouse was terminated on August 10, 2016 when the assets were contributed into the CLO. On September 21, 2016, JFIN CLO 2016-II entered into a $200.0 million pre-CLO warehouse financing with Jefferies Leveraged Credit Products LLC.

16. LOAN COMMITMENTS

From time to time, the Company makes commitments to extend revolving lines of credit and delayed draw term loans to borrowers. These commitments are not recorded on the Consolidated Balance Sheets. Once drawn, the funded amounts can be pledged as collateral under the Company's credit facilities. As of November 30, 2016 and 2015, the Company had undrawn commitments of $1.6 billion and $1.7 billion, respectively, related to loans recorded in Loans receivable, net. As of November 30, 2016, the Company, through the CLOs, had the capacity to fund $0.9 billion of revolving commitments. In addition, $202.7 million of revolving commitments were held in a credit facility subject to equity requirements. As of November 30, 2016 and 2015, these commitments had maturity dates through November 2023 and August 2021, respectively. For the years ended November 30, 2016, 2015 and 2014, the Company earned unfunded fees of $11.5 million, $12.0 million and $9.2 million, respectively. These amounts are included in Fee income, net in the Consolidated Statements of Earnings.

In addition, during the normal course of business, the Company extends commitments to underwrite credit facilities. As of November 30, 2016, the Company had $1.2 billion of commitments to these credit facilities, of which $0.2 billion had been syndicated to third parties. As of November 30, 2015, the Company had $2.7 billion of commitments to lend to such underwritings, of which $0.9 billion had been syndicated to third parties.

17. CONCENTRATIONS OF CREDIT RISK

In the normal course of business, the Company engages in commercial lending activities with borrowers primarily throughout the United States. As of November 30, 2016, there was one borrower whose individual outstanding loan balance represented 7% of all loan balances. As of November 30, 2015, there was no borrower whose individual outstanding loan balances represented 5% of all loan balances. As of November 30, 2016, healthcare, retail, automotive and business services were the largest industry concentrations, which made up approximately 20%, 9%, 9% and 7%, respectively, of all loan balances. As of November 30, 2015, healthcare, retail, high tech industries and business services were the largest industry concentrations, which made up approximately 14%, 10%, 9% and 9%, respectively, of all loan balances. Loans balances include Loans receivable, Loans held for sale and Notes included in Investments.

* * * * * *

Jefferies LoanCore LLC

Consolidated Statements of Financial Condition as of November 30, 2016 and 2015 and Related Statements of Operations and Comprehensive Income, Changes in Members' Equity and Cash Flows for the Years Ended November 30, 2016, 2015 and 2014

Jefferies LoanCore LLC
Index

	Page(s)
Independent Auditor's Report	**1–2**
Consolidated Statements of Financial Condition	3
Consolidated Statements of Operations and Comprehensive Income	4
Consolidated Statement of Changes in Members' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–47

Report of Independent Auditors

To the Management of Jefferies LoanCore LLC

We have audited the accompanying consolidated financial statements of Jefferies LoanCore LLC and its subsidiaries (the "Company"), which comprise the consolidated statements of financial condition as of November 30, 2016 and 2015, and the related consolidated statements of operations and comprehensive income, of changes in members' equity, and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jefferies LoanCore LLC and its subsidiaries as of November 30, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying consolidated statements of operations and comprehensive income, of changes in members' equity, and of cash flows of Jefferies LoanCore LLC and its subsidiaries for the year ended November 30, 2014, are presented for purposes of complying with Rule 3-09 of SEC Regulation S-X; however, Rule 3-09 does not require the financial statements as of and for the year ended November 30, 2014 to be audited and they are, therefore, not covered by this report.

/s/ [redacted]
New York, New York
January 23, 2017

Jefferies LoanCore LLC
Consolidated Statements of Financial Condition
November 30, 2016 and November 30, 2015

(in thousands of dollars)	2016	2015
Assets		
Cash and cash equivalents	$ 89,128	$ 16,954
Restricted cash	17,980	15,632
Loans held for sale, at fair value	768,965	1,979,563
Other investments, at fair value	-	19,524
Real estate and related assets, held for sale	7,043	-
Real estate debt securities, at fair value	13,761	-
Accrued interest receivable	5,367	8,919
Prepaid expenses and other assets	9,715	6,732
Derivative assets, at fair value	13,264	12,911
Deferred financing fees, net	6,600	8,882
Variable interest entity (“VIE”) assets, at fair value	895,350	-
Total assets	$ 1,827,173	$ 2,069,117
Liabilities and Members’ Equity		
Bond payable	$ 300,000	$ 300,000
Accounts payable and accrued expenses	27,846	40,544
Loan participations sold, at fair value	132,515	370,575
Derivative liabilities, at fair value	2,506	2,660
Borrowings under credit facilities	104,035	70,931
Repurchase agreements	68,095	685,066
VIE liabilities, at fair value	869,972	-
Total liabilities	1,504,969	1,469,776
Commitments and contingencies		
Members’ equity	322,204	599,341
Total liabilities and members’ equity	$ 1,827,173	$ 2,069,117

The accompanying notes are an integral part of these consolidated financial statements.

Jefferies LoanCore LLC
Consolidated Statements of Operations and Comprehensive Income
Fiscal Years Ended November 30, 2016, 2015 and 2014

(in thousands of dollars)	**2016**	**2015**	**2014 (unaudited)**
Net interest income			
Interest income	$ 94,422	$ 117,501	$ 61,080
Interest expense	(51,534)	(58,032)	(31,982)
Net interest income	42,888	59,469	29,098
Other income and gains (losses)			
Income from other investments	-	4,695	1,040
Other income	11,404	22,938	6,644
Change in net assets related to consolidated VIEs	(124)	-	-
Realized gain (loss) on sales of loans and other investments	(792)	30,780	34,572
Realized and unrealized gain (loss) on derivative instruments	9,404	19,452	(13,991)
Realized and unrealized gain (loss) on foreign currency, net	9,368	7	(134)
Unrealized gain (loss) on loans held for sale and other investments	18,790	(15,662)	8,789
Unrealized gain on loan participations sold	-	-	307
Unrealized gain on real estate debt securities	744	-	-
Total other income and gains (losses)	48,794	62,210	37,227
Costs and expenses			
Compensation and benefits	(19,074)	(30,655)	(20,680)
Administrative expenses	(8,407)	(11,123)	(6,840)
Net income before income taxes	64,201	79,901	38,805
Income taxes	(501)	(934)	(129)
Net income from continued operations	$ 63,700	$ 78,967	$ 38,676
Discontinued operations			
Income from operations of discontinued real estate properties	1,835	-	-
Bargain purchase gain upon consolidation	1,914	-	-
Realized gain on real estate	4,355	-	-
Net income from discontinued operations	8,104	-	-
Net income	$ 71,804	$ 78,967	$ 38,676
Other comprehensive loss			
Foreign currency translation adjustments, net	(28,875)	(3,986)	(515)
Total comprehensive income	$ 42,929	$ 74,981	$ 38,161

The accompanying notes are an integral part of these consolidated financial statements.

Jefferies LoanCore LLC
Consolidated Statements of Changes in Members' Equity
Fiscal Years Ended November 30, 2016, 2015 and 2014

(in thousands of dollars)	Jefferies JLC Holdings LLC	Finell LLC	LoanCore JLC Holdings LLC and Other Members	Total
Members' equity at November 30, 2013 *	$ 226,447	$ 226,447	$ 14,007	$ 466,901
Contr butions from members	626,734	626,734	38,767	1,292,235
Distr butions to members	(610,615)	(610,615)	(37,770)	(1,259,000)
Net Income	18,758	18,758	1,160	38,676
Other comprehensive loss	(250)	(250)	(15)	(515)
Members' equity at December 1, 2014 *	$ 261,074	$ 261,074	$ 16,149	$ 538,297
Contr butions from members	975,365	975,365	60,333	2,011,063
Distr butions to members	(982,125)	(982,125)	(60,750)	(2,025,000)
Net income	38,299	38,299	2,369	78,967
Other comprehensive loss	(1,933)	(1,933)	(120)	(3,986)
Members' equity at December 1, 2015	$ 290,680	$ 290,680	$ 17,981	$ 599,341
Contr butions from members	338,288	338,288	20,924	697,500
Distr butions to members	(493,519)	(493,519)	(30,528)	(1,017,566)
Net income	34,825	34,825	2,154	71,804
Other comprehensive loss	(14,005)	(14,005)	(865)	(28,875)
Members' equity at November 30, 2016	$ 156,269	$ 156,269	$ 9,666	$ 322,204

* Not covered by the Independent Auditor's Report included herein.

The accompanying notes are an integral part of these consolidated financial statements.

Jefferies LoanCore LLC
Consolidated Statements of Cash Flows
Fiscal Years Ended November 30, 2016, 2015 and 2014

(in thousands of dollars)	November 30, 2016	November 30, 2015	November 30, 2014 (unaudited)
Cash flows from operating activities			
Net income	$ 71 804	$ 78 967	$ 38 676
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Realized (gain) loss on sales of loans and other investments	792	(30,780)	(34,572)
Realized (gain) loss on derivative instruments	(8,615)	(4,132)	11,503
Unrealized (gain) loss on loans held for sale and other investments	(18,790)	15,662	(8,789)
Unrealized gain on foreign currency, net	(9,980)	-	-
Unrealized gain on loan participations sold	-	-	(307)
Unrealized (gain) loss on derivative instruments	(789)	(15,320)	2,488
Unrealized gain on real estate debt securities	(744)	-	-
Change in net assets related to consolidated VIEs	377	-	-
Payment-in-kind interest	-	(893)	(521)
Amortization of deferred financing fees	7,248	7,958	3,864
Accretion of discount on real estate securities	(380)	-	-
Net income from discontinued operations	(8,104)	-	-
Origination discount related to loans and other investments paid down	(4,710)	(3,445)	(3,371)
Purchases and funding of loans held for sale	(1,159,275)	(2,650,528)	(1,770,701)
Purchases of real estate debt securities	(12 638)	-	-
Principal repayments received on loans held for sale	291,488	419,375	162,328
Proceeds from sales of loans	1,019,396	1,683,724	1,129,684
Proceeds from loan participations sold	84,370	329,075	41,500
Payments received on derivative instruments	23,712	17,067	13,676
Payments on settlement of derivative instruments	(12,639)	(13,006)	(25,677)
Changes in operating assets and liabilities			
Accrued interest receivable	3,552	(2,965)	(2,185)
Prepaid expenses and other assets	(2,983)	(3,353)	(2,716)
Accounts payable and accrued expenses	(14,533)	12,486	(5,448)
Net cash provided by (used in) operating activities	248,559	(160,108)	(450,568)
Cash flows from investing activities			
Principal repayments on loans held for sale	-	-	32,000
Purchase of real estate	(143)	-	-
Proceeds from sale of real estate asset	46,953	-	-
Purchase of loans by consolidated VIEs	(202,259)	-	-
Distributions of cash from consolidated VIEs	354	-	-
Increase in restricted cash	(3,000)	(6,387)	(729)
Contributions to other investments	-	(9,736)	(53,140)
Net decrease in restricted cash at real estate subsidiary	655	-	-
Paydowns received on other investments	618	24,661	3,670
Proceeds from sales of other investments	-	14,925	-
Net cash provided by (used in) investing activities	(156,822)	23,463	(18,199)
Cash flows from financing activities			
Upfront fees received on derivative instruments	9,816	6,545	-
Payments on settlement of derivative instruments	(13,267)	(6,457)	-
Proceeds from credit facilities	542,536	586,000	724,812
Paydowns on credit facilities	(481,547)	(641,000)	(568,280)
Proceeds from repurchase agreements	606,456	1,872,443	1,174,666
Paydowns on repurchase agreements	(1,223,427)	(1,656,017)	(893,691)
Payment of deferred financing fees	(5,247)	(8,324)	(3,107)
Issuance of debt of consolidated V Es	864,927	-	-
Repayment of debt of consolidated VIEs	(354)	-	-
Contributions from members	676,576	1,954,905	1,253,468
Distributions to members	(994,805)	(1,964,250)	(1,221,413)
Net cash provided by (used in) financing activities	(18,336)	143,845	466,455
Effect of exchange-rate changes on cash and cash equivalents	(1,227)	552	(60)
Net increase in cash and cash equivalents	72,174	7,752	(2,372)
Cash and cash equivalents			
Beginning of period	16,954	9,202	11,574
End of period	**$ 89,128**	**$ 16,954**	**$ 9,202**
Supplemental cash flow information			
Cash paid for interest	$ 51,562	$ 49,479	$ 27,167
Cash paid for income taxes	261	40	148
Change in distributions payable to members	1,835	4,594	617
Non-cash distributions applied to contributions from members	20,924	56,158	38,767
Non-cash reversal of loan participations sold	322,430	-	17,688

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization

Jefferies LoanCore LLC (the "Company"), a Delaware limited liability company, was formed on February 23, 2011 ("Inception") and its members are Jefferies JLC Holdings LLC ("Jefferies"), FINEII LLC ("FINEII"), LoanCore JLC Holdings LLC ("LoanCore") and certain other individuals ("LoanCore Investors"). The Company was formed for the purpose of acquiring, originating, syndicating and securitizing real estate related debt. The Company shall remain in existence unless dissolved in accordance with the terms of the Amended and Restated Limited Liability Company Agreement (the "LLC Agreement"). All initially capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the LLC Agreement of the Company dated February 23, 2011 and as subsequently amended.

A board of managers ("Manager") appointed by Jefferies, FINEII and LoanCore, shall have the sole and exclusive right and authority to manage and control the business and affairs of the Company. A three person credit committee ("Credit Committee"), equally represented by Jefferies, FINEII and LoanCore, has been established to review and approve all new investments, material amendments to existing investments, and the securitization or other sales of investments. Any action of the Credit Committee shall be authorized by a majority of the members of the Credit Committee.

Capital commitments had been made to the Company totaling $600,000. On May 31, 2016, the capital commitments made to the Company were reduced to $400,000. Jefferies and FINEII each have a 48.5% membership interest in the Company, LoanCore with a 0.333% interest and LoanCore Investors with a combined 2.667% interest. The interest held by the Members is represented by Units in the form of Preferred Units, Class A Common Units and Class B Common Units. Capital calls may be made at the discretion of the Manager to fund investments and cover expenses, costs, and liabilities incurred in the conduct of Company business as further specified in the LLC Agreement. Subject to certain limitations, capital returned to the members may be recalled.

To increase its funding capacity, the Company has formed various wholly owned subsidiaries that have separately entered into master repurchase agreements with different financial institutions as described in Note 5. The Company also formed JLC Finance Corporation, a wholly owned subsidiary, to co-issue with the Company $300,000 of unsecured senior notes on May 31, 2013 as described in Note 7. To facilitate European loan origination operations, the Company has various wholly owned subsidiaries in foreign countries.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The accompanying financial statements are presented on a consolidated basis and include all wholly owned subsidiaries of the Company. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates
The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions. The Company's most significant estimates include the fair value of financial instruments, including loans held for sale, derivatives, other investments, debt securities, loan participations sold, and VIE assets and liabilities that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenue and expenses during the reporting periods. The actual results could differ from those estimates.

Cash and Cash Equivalents
The Company considers highly liquid short-term investments denominated in US Dollars ("USD"), British Pound Sterling ("GBP") or Euros ("EUR") with original maturities of less than ninety days from the date of purchase to be cash equivalents. Cash and cash equivalents are comprised of deposits and money market accounts with commercial banks that each may be in excess of depository insurance limits. The Company believes it adequately mitigates this risk by only investing in or through major financial institutions.

Restricted Cash
Restricted cash represents amounts required to be held with the Company's counterparties as collateral under certain requirements of the Company's repurchase agreements, credit facilities and derivative transactions.

Consolidated Statements of Cash Flows
During the year ended November 30, 2012, the Company achieved key strategic objectives and the Commercial Mortgage Backed Securities ("CMBS") secondary markets experienced favorable economic conditions that increased the demand for commercial real estate loans. As a result, the Company began classifying cash flows related to loans that were originated subsequent to November 30, 2011 as operating activities. During the years ended November 30, 2016, 2015 and 2014, $0, $0 and $32,000, respectively, related to the principal repayment of loans originated or acquired in the year ended November 30, 2011 have been classified as investing activities.

The Company classifies cash flows from its economic hedges in the same category as the cash flows from the items subject to the economic hedging relationships. Accordingly, cash flows related to derivative instruments are classified as operating activities. Cash flows related to certain derivative instruments that are used to hedge general credit risk are classified as financing activities as they have a financing element attributed to them at inception.

Loans Held for Sale
The Company originates and purchases its loans with the intent to sell them in the secondary market. Loans held for sale consist primarily of first and mezzanine mortgage loans that are collateralized by commercial, mixed use and multifamily residential real estate throughout the United States and Europe. Loans held for sale are initially recorded at cost, which approximates fair value and are net of purchase or origination discounts and premiums. Subsequent changes in the estimated fair value of loans are recorded as unrealized gains or losses in the accompanying consolidated statements of operations and comprehensive income as the Company has elected the fair value option under ASC 825 for all of its loans. Certain of the Company's loans may include embedded derivatives that are not bifurcated from the related loans, but rather accounted for as one instrument under the fair value option in accordance with ASC 815. Any change to the fair value of the embedded derivatives is recorded in the unrealized gain (loss) on loans held for

sale in the Company's accompanying consolidated statements of operations and comprehensive income. The estimated fair value of loans held for sale is determined using current secondary market prices for loans with similar coupons, maturities and credit quality. Of the loans held for sale, $232,442 and $1,015,142 are pledged as collateral under the Company's master repurchase agreements as of November 30, 2016 and November 30, 2015, respectively.

The performance of the underlying collateral is considered a key factor in the valuation process. As of November 30, 2016 and November 30, 2015, all loans were performing. The Company considers a loan to be non-performing if it is delinquent on debt service or maturity, or if the loan to value ratio falls below a certain threshold at which the Company does not believe it will recover its investment.

The Company evaluates the collectability of both interest and principal of each loan on an ongoing basis, at least quarterly, to determine whether they are impaired. A loan is impaired when it is probable that the Company will not be able to collect all amounts due pursuant to the contractual terms of the loan. Because the Company's loans are collateralized either by real property or by equity interests in the borrower, impairment is usually measured by comparing the estimated fair value of the underlying collateral to the Company's investment in the respective loan. The valuation of the underlying collateral requires significant judgment. When a loan is impaired, the amount of the loss accrual is calculated and recorded accordingly in realized gain (loss) on sales of loans and other investments on the consolidated statements of operations and comprehensive income.

The Company has also evaluated, where appropriate, its loans held for sale which may have an element of a lending arrangement collateralized by real estate for accounting treatment as loans or investments as required by sections of ASC 310 governing the accounting for acquisition, development and construction type loans ("ADC loans"). Except as described in Note 12, the Company has concluded that it has no decision making authority or power to direct activity, except normal lender rights as further discussed in Note 9 and that the Company's loans evaluated as ADC loans under ASC 310 should be accounted for as loans rather than investments.

The Company relies substantially on the secondary mortgage market as all of the loans originated are intended to be sold into this market. The secondary mortgage market relies primarily on the CMBS market, into which loans are sold and securitized into CMBS bonds. The CMBS bond market can be very volatile along with other fixed income securities' markets. Fluctuations in values of CMBS bonds will most likely lead to similar fluctuations in the estimated fair value of loans held for sale and could limit the Company's ability to securitize loans.

Real Estate Debt Securities
Investments in real estate debt securities are recorded in accordance with ASC 320 and ASC 325-40. The Company has chosen to elect the fair value option pursuant to ASC 825 for its real estate debt securities. Real estate debt securities are recorded at fair market value on the consolidated statements of financial condition and the periodic change in fair market value is recorded in current period earnings on the consolidated statements of operations and comprehensive income as a component of unrealized gain (loss) on real estate debt securities.

These investments meet the requirements to be classified as available for sale under ASC 320-10-25, which requires the securities to be carried at fair value on the consolidated statements of financial condition with changes in fair value recorded in other comprehensive income, a component of Members' Equity. Electing the fair value option allows the Company to record changes in fair value in the consolidated statements of operations and comprehensive income,

which more appropriately reflects the results of operations for a particular reporting period as all of the Company's investments including loans held for sale are recorded in a similar manner.
The Company accounts for its securities under ASC 320 and ASC 325 and evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. When the estimated fair value of an available-for-sale security is less than the amortized cost, the Company will consider whether there is an other-than-temporary impairment in the value of the security. When a real estate security is impaired, the amount of the loss accrual is calculated and recorded accordingly in realized gain (loss) on real estate debt securities on the consolidated statements of operations and comprehensive income. The Company uses third-party valuations to determine the fair market value of the securities.

The determination as to whether an OTTI exists is subjective, given that such determination is based on information available at the time of assessment as well as the Company's estimate of future performance and cash flow projections for the individual security. As a result, the timing and amount of an OTTI constitutes an accounting estimate that may change materially over time.

Increases in interest income may be recognized on a security on which the Company previously recorded an OTTI charge if the performance of such security subsequently improves and the Company updates estimated yields to calculate interest income accordingly.

Real Estate Held for Sale
Real estate held for sale is carried at the lower of cost or fair value less costs to sell as the Company's real estate meets the requirements to classify as held for sale under ASC 360-10, including a plan to dispose of the real estate within one year. Once a property is determined to be held for sale, depreciation is no longer recorded.

Ordinary repairs and maintenance are expensed as incurred, and major replacements and betterments, which improve or extend the life of the asset, are capitalized over their useful lives or over the extension of the useful life for the existing asset.

The Company follows the purchase method for an acquisition of real estate, where the purchase price is allocated to tangible assets such as land, building, tenant and land improvements and other identified intangibles, such as goodwill. The Company's real estate properties, which have met the criteria to be classified as held for sale, are separately presented on the consolidated statements of financial condition and the results from the Company's real estate properties held for sale are reflected in income from discontinued operations.

Transfer of Financial Assets
For a transfer of financial assets to be considered a sale, the transfer must meet the sale criteria of ASC 860 under which the Company must surrender control over the transferred assets which must qualify as recognized financial assets at the time of transfer. The assets must be isolated from the Company, even in bankruptcy or other receivership; the purchaser must have the right to pledge or sell the assets transferred and the Company may not have an option or obligation to reacquire the assets. If the sale criteria are not met, the transfer is considered to be a secured borrowing, the assets remain on the Company's consolidated statements of financial condition and the sale proceeds are recognized as loan participations sold, a liability.

Loan Participations Sold
Loan participations sold represent senior interests in certain loans that were sold, however, the Company presents such loan participations sold as liabilities because these arrangements do not

qualify as sales under ASC 860. These participations are non-recourse and remain on the Company's consolidated statements of financial condition until the loan is repaid. The gross presentation of loan participations sold does not impact member's equity or net income.

Other Investments

At times, the Company may invest in special purpose vehicles structured as limited liability companies for the purpose of investing in commercial real estate debt and preferred equity positions. Some of these entities in which the Company may invest in may qualify as Variable Interest Entities ("VIEs") as discussed in Note 12. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its related party affiliates and agents, has both the: (i) power to direct the activities that most significantly impact the VIE's economic performance; and (ii) obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be potentially significant to the VIE. The Company considers the facts and circumstances pertinent to each VIE borrowing under the loan or through the Company's investment, including the relative amount of financing the common equity holders of the VIE are contributing to the overall project cost, decision making rights or control held by the common equity holders, guarantees provided by third parties, and rights to expected residual gains or obligations to absorb expected residual losses that could be significant from the project. If the Company is deemed to be the primary beneficiary of a VIE, consolidation treatment would be required. The Company's exposure to each investment is limited to the fair market value reflected on the consolidated statements of financial condition.

The Company has also evaluated, where appropriate, its loan investments which may have an element of a lending arrangement collateralized by real estate for accounting treatment as investments rather than loans as required by ASC 310. The Company has concluded that it has no decision making authority or power to direct activity, except normal lender rights, which are subordinate to the senior loans on the projects. For each investment described in Note 12, the characteristics, facts and circumstances indicate that investment accounting under the equity method treatment is appropriate.

The Company has elected to account for its other investments at estimated fair value. The fair value option provides an election that allows a company to irrevocably elect fair value for certain financial assets and liabilities on an instrument-by-instrument basis at initial recognition. Under the fair value option, investments are initially recorded at cost which approximates estimated fair value. The estimated fair value of other investments is determined based upon completed or pending transactions involving the underlying investment. In the absence of such evidence, estimated fair value is determined using multiple methodologies, including the market and income approaches.

Income from limited liability companies in which the Company invests is reflected in the accompanying consolidated financial statements as income from other investments and changes in estimated fair value of the investments are reflected as a component of unrealized gain (loss) on loans held for sale and other investments.

Presentation of Variable Interest Entities

The Company acquires unrated, investment grade and non-investment grade rated CMBS. These securities represent interests in securitization structures (commonly referred to as special purpose entities, or "SPEs"). These SPEs are structured as pass through entities that receive principal and interest on the underlying collateral and distribute those payments to the certificate holders. These SPEs typically qualify as VIEs.

As the holder of the controlling class of the trust the Company has the right to name and remove the special servicer for the trust, which typically can direct the significant actions of the trust and requires consolidation of these structures pursuant to ASC 810. This results in a presentation on the consolidated statements of financial condition of the gross assets and liabilities of the VIEs. The assets and other instruments held by these VIEs are restricted and can only be used to fulfill the obligations of the entity. Additionally, the obligations of the VIEs do not have any recourse to the general credit of any other consolidated entities, nor to the consolidator of these VIEs.

The Company separately presents the assets and liabilities of consolidated securitization VIEs as individual line items on the consolidated statements of financial condition. The liabilities of consolidated securitization VIEs consist principally of obligations to the bondholders of the related CMBS trusts, and are thus presented as a single line item entitled "VIE liabilities." The assets of consolidated securitization VIEs consist principally of loans. These assets in the aggregate are likewise presented as a single line item entitled "VIE assets."

The Company elects the fair value option for initial and subsequent recognition of the assets and liabilities of the consolidated securitization VIEs. The VIEs are recorded by following the guidance of ASU 2014-13 which values the assets and liabilities utilizing the more observable input. All of the underlying assets, liabilities and equity of the securitization VIE's are recorded on the Company's financial statements, and the initial investment, along with any associated unrealized holding gains and losses, are eliminated in consolidation. Interest income and interest expense associated with these VIEs are no longer relevant on a standalone basis because these amounts are already reflected in the fair value changes. The Company has elected to present these items in a single line its consolidated statements of operations and comprehensive income. All net residual amounts from consolidation are recorded in the "Change in net assets related to consolidated VIEs" which represents the Company's income from its retained beneficial interest in the VIEs.

Other Income
The Company recognizes other income related to origination discounts, termination fees and miscellaneous other fees when loans are paid off per terms of the related loan agreement.

Deferred Financing Fees, Net
Fees and expenses incurred in connection with the Company's repurchase agreements and credit facilities are capitalized and amortized to interest expense over the financing term under the straight-line method. Fees and expenses incurred in connection with Company's bond payable are capitalized and amortized to interest expense over the financing term under the effective interest method.

Derivative Instruments
In the normal course of business, the Company is exposed to the effect of interest rate changes and may undertake a strategy to limit these risks through the use of derivatives. To address exposure to interest rates, the Company uses derivatives primarily to hedge the fair value variability of fixed rate assets caused by interest rate fluctuations. The Company may use a variety of derivative instruments, including interest rate swaps, indices, caps, collars and floors, to manage interest rate and credit risk.

To determine the fair value of derivative instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each statement of financial condition date. Standard market conventions and techniques such as discounted cash flow analysis, option-pricing models, replacement cost, and termination cost may be used to determine fair value. All such methods of measuring fair value for derivative instruments result in an estimate of fair value, and such value may never actually be realized.

The Company recognizes all derivatives on the consolidated statements of financial condition at estimated fair value. The Company does not designate derivatives as hedges to qualify for hedge accounting. Any net payments under open or terminated derivatives are included in realized gain (loss) on derivative instruments, and fluctuations in the fair value of derivatives held are recognized in unrealized gain (loss) on derivative instruments in the accompanying consolidated statements of operations and comprehensive income.

Initial payments made or received on open derivatives at November 30, 2016 and November 30, 2015 are included in derivative liabilities and derivative assets, at fair value, on the accompanying consolidated statements of financial condition.

As a part of the risk management strategy of the Company, it may enter into Interest Rate Lock Commitments ("IRLCs") in connection with its loan origination activities. The Company accounts for IRLCs as derivative instruments and records them at fair value with changes in fair value recorded in unrealized gains and losses on the consolidated statements of operations and comprehensive income. In estimating the fair value of an IRLC, the Company assigns a probability to the loan commitment based on an expectation that it will be exercised and the loan will be funded. The fair value of the commitments is derived from the fair value of related loans which is based on observable market data and includes the expected net future cash flows of the loans. Changes to the fair value of IRLCs are recognized based on interest rate fluctuations, changes in the probability that the commitment will be exercised and the passage of time. Outstanding IRLCs expose the Company to the risk that the price of the loans underlying the commitments might decline from inception of the rate lock to funding of the loan. To protect against this risk, the Company utilizes other derivative instruments, including interest rate swaps and options to economically hedge the risk of potential changes in the value of the loans that would result from the commitments. The changes in the fair value of these IRLCs are recorded in realized gain (loss) on sales of loans and other investments and unrealized gain (loss) on loans held for sale and other investments on the consolidated statements of operations and comprehensive income. At the time the related loan is funded, any remaining fair value is transferred to the basis of that loan as a discount or premium, as applicable.

The Company enters into foreign currency forward contracts with counterparties primarily as hedges against portfolio positions with each instrument's primary risk exposure being foreign exchange risk. Forward currency contracts are over-the-counter contracts for delayed delivery of currency in which the buyer agrees to buy and the seller agrees to deliver a specified currency at a specified price on a specified date. The Company did not incur an upfront cost to acquire the contracts and all commitments are marked-to-market on each valuation date at the applicable forward exchange rate and adjusted for nonperformance risk of counterparties, as appropriate. Any resulting unrealized appreciation or depreciation is recorded on such date in derivative assets, at fair value or derivative liabilities, at fair value on the Company's consolidated statements of financial condition and reflected as unrealized gain (loss) on the Company's consolidated statements of operations and comprehensive income as the Company does not designate its forward currency contracts as hedges to qualify for hedge accounting, but rather as economic hedges to manage the Company's foreign currency risk related to its European operations. The Company realizes gains and losses at the time forward contracts are extinguished or closed upon entering into an offsetting contract or delivering the foreign currency.

The Company has also entered into other derivatives, including share warrants, related to loans or other investments it has originated in the UK. The Company did not incur an upfront cost to acquire the other derivatives and all other derivatives are marked-to-market on each valuation date. Any resulting unrealized appreciation or depreciation is recorded on such date in derivative assets, at fair value or derivative liabilities, at fair value on the Company's consolidated statements of financial condition and reflected as unrealized gain (loss) on the Company's consolidated statements of operations and comprehensive income. The Company realizes gains and losses at the time the other derivative is either exercised or terminated.

Repurchase Agreements
Loans sold under repurchase agreements are treated as collateralized financing transactions unless they meet sales treatment. Loans financed through a repurchase agreement remain on the Company's consolidated statements of financial condition as an asset and cash received from the purchaser is recorded on the Company's consolidated statements of financial condition as a liability. Interest incurred in accordance with repurchase agreements is recorded in interest expense.

Bond Payable
Bond payable is accounted for on an amortized cost basis. Interest incurred in accordance with the indenture agreement is recorded in interest expense and calculated using the effective interest method.

Credit Facilities
Borrowings under the credit facilities are stated at their outstanding principal amount. Interest incurred in accordance with the credit facilities agreements is recorded in interest expense and accrued interest is included in accounts payable and accrued expenses.

Fair Value Measurement
In accordance with the authoritative guidance on estimated fair value measurements and disclosures under GAAP (Financial Accounting Standards Board - Accounting Standards Codification Topic 820), the methodologies used for valuing such instruments have been categorized into three broad levels as follows:

Level 1 - Quoted prices in active markets for identical instruments.

Level 2 - Valuations based principally on other observable market parameters, including

- Quoted prices in active markets for similar instruments,
- Quoted prices in less active or inactive markets for identical or similar instruments,
- Other observable inputs (such as interest rates, yield curves, volatilities, prepayment spreads, loss severities, credit risks and default rates), and
- Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 - Valuations based significantly on unobservable inputs.

- Valuations based on third party indications (broker quotes, counterparty quotes or pricing services) which are, in turn, based significantly on unobservable inputs or are otherwise not supportable as Level 2 valuations.
- Valuations based on internal models with significant unobservable inputs.

Pursuant to the authoritative guidance, these levels form a hierarchy. The determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy is performed at the end of each reporting period. The Company considers all available information, including observable market data, indications of market liquidity and orderliness, and its understanding of the valuation techniques and significant inputs. Based upon the specific facts and circumstances of each instrument or instrument category, judgments are made regarding the significance of the Level 3 inputs into the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3. The process for determining fair value using unobservable inputs is generally more subjective and involves a high degree of management judgment and assumptions.

Financial instruments are considered Level 3 when pricing models are used, including discounted cash flow methodologies and at least one significant model assumption or input is unobservable or has significant variability between sources. The tables in Note 14 present a reconciliation for all assets and liabilities that are measured and recognized at fair value on a recurring basis using significant unobservable inputs. When assets and liabilities are transferred between levels, the Company recognizes the transfer as of the end of the period. There were no transfers between levels for the years ended November 30, 2016 and November 30, 2015.

Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, estimated fair values are not necessarily indicative of the amounts the Company could realize upon disposition of the financial instruments. Financial instruments with readily available active quoted prices, or for which an estimated fair value can be measured from actively quoted prices, generally have a higher degree of pricing observability, and therefore, require a lesser degree of judgment to be utilized in measuring estimated fair value. Conversely, financial instruments rarely traded or not quoted will generally have less, or no, pricing observability and require a higher degree of judgment in measuring estimated fair value. Pricing observability is generally affected by such items as the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and the overall market conditions. The use of different market assumptions and/or pricing methodologies may have a material effect on estimated fair value amounts.

Electing the fair value option for loans held for sale, real estate debt securities, consolidated securitization VIEs, other investments, and liabilities related to loan participations sold reflects the manner in which the business is managed and often allows for an offset of the changes in the estimated fair value of these instruments and the interest rate derivatives used to hedge against market interest fluctuations. For a further discussion regarding the measurement of financial instruments, see Note 14.

Revenue Recognition
Interest on loans held for sale is recognized as earned under the contractual terms of the loans and included in interest income in the accompanying consolidated statements of operations and comprehensive income. Interest is only accrued if deemed collectible. Interest is generally

deemed uncollectible when a loan becomes three months or more delinquent. Delinquency is calculated based on the contractual interest due date of the loan. For the years ended November 30, 2016 and November 30, 2015 the Company had no loans deemed delinquent, respectively.

Upon sale of a loan, the Company will reverse previously recorded unrealized gains and losses and recognize realized gains or losses on the loan sold. Any difference between the initial recorded value of the loan, including any discount, and the sales price is recorded as realized gain or loss. For loans that were originated at a discount that are subsequently paid down by the borrower, the origination discount is recognized in other income.

Interest income on the Company's real estate debt securities is accrued based on the actual coupon rate and the outstanding principal balance of such securities. The Company has elected to record interest in accordance with ASC 835-30-35-2 using the effective interest method for all securities accounted for under the fair value option (ASC 825). As such, premiums and discounts are amortized or accreted into interest income over the lives of the securities in accordance with ASC 310-20, ASC 320-10 or ASC 325-40, as applicable. Total interest income from real estate debt securities is recorded in the interest income line item on the consolidated statements of operations and comprehensive income.

The Company reassesses the cash flows on at least a quarterly basis for securities accounted for under ASC 325-40. In estimating these cash flows, there are a number of assumptions that will be subject to uncertainties and contingencies. These include the rate and timing of principal and interest receipts (including assumptions of prepayments, repurchases, defaults and liquidations), the pass-through or coupon rate and interest rate fluctuations. In addition, interest payment shortfalls due to delinquencies on the underlying mortgage loans have to be judgmentally estimated. Differences between previously estimated cash flows and current actual and anticipated cash flows are recognized prospectively through an adjustment of the yield over the remaining life of the security based on the current amortized cost of the investment as adjusted for credit impairment, if any.

Operating lease income is recognized in income from operations of discontinued real estate properties on a straight-line basis over the respective lease terms. The Company commences recognition of operating lease income at the date the property is ready for its intended use and the tenant takes possession of or controls the physical use of the property. Tenant recoveries related to reimbursement of real estate taxes, insurance, utilities, repairs and maintenance, and other operating expenses are recognized as revenue in the period during which the applicable expenses are incurred in income from operations of discontinued real estate properties.

Certain Risks and Concentrations

Due to the nature of the mortgage lending industry, changes in interest rates and spreads on CMBS may significantly impact the estimated fair value of the Company's investments, revenue from originating mortgages and subsequent sales of loans, which is one of the primary sources of income for the Company.

The Company uses third parties to provide loan servicing on its portfolio of investments. There is a credit risk associated with using these third parties. The Company believes it mitigates this risk by using nationally recognized third parties to service loans and other investments. Management also monitors each loan or other investment independently.

Concentration of Credit Risk

The Company invests its cash primarily in demand deposits and money market accounts with commercial banks. At times, cash balances at a limited number of banks and financial institutions may exceed federally insured amounts. The Company believes it mitigates credit risk by depositing cash in or investing through major financial institutions having capital ratios that exceed the regulatory standards defined for a well-capitalized financial institution. To date, there have been no losses from these investments.

In the normal course of its activities, the Company may utilize derivative financial instruments. These derivatives are predominantly used for managing risk associated with the Company's portfolio of investments. Credit risk includes the possibility that a loss may occur from the failure of counterparties or issuers to make payments according to the term of the contract. The Company's exposure to credit risk at any point in time is generally limited to amounts recorded as derivative assets on the consolidated statements of financial condition.

Concentrations of credit risks arise when a number of properties related to the Company's loans and other investments are located in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions. The Company monitors various segments of its investments to assess potential concentrations of credit risks. Management believes the current investments are reasonably well diversified and do not contain any significant concentration of credit risks. Collateral for all of the Company's loans and other investments is located in Europe at 30.6% and the United States at 69.4%, with New York 10.7%, representing the only state with a concentration greater than 10.0% of the total as of November 30, 2016. As of November 30, 2015, the collateral for all of the Company's loans and other investments is located in Europe at 13.1% and the United States at 86.9%, with the only states with collateral concentration greater than 10.0% of the total being New York 24.2% and California 12.7%.

Income Taxes

No provision has been made in the accompanying consolidated financial statements for federal income taxes as the Company has elected to be treated as a partnership for federal income tax purposes. Each member is responsible for its allocable share of income taxes generated by the activities of the Company.

The Company files various foreign, state and local income tax returns. For the years ended November 30, 2016, 2015 and 2014, tax expenses of $501, $934 and $129 were recorded and included in income taxes, respectively. State withholding payments made on behalf of the Company's members that remain due to the Company as of November 30, 2016 and November 30, 2015 were $106 and $209, respectively.

The Company recognizes tax positions in the consolidated financial statements only when it is more-likely-than-not, based on the technical merits, that the position would be sustained upon examination by the relevant taxing authority. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of tax benefit that is greater than fifty percent likely of being realized upon settlement. As of November 30, 2016 and November 30, 2015, unrecognized tax benefits were $1,061 and $974, respectively.

Interest related to unrecognized tax benefits is recognized in income tax expense. Penalties, if any, are recognized in other expenses. At November 30, 2016 and November 30, 2015, the Company has accrued interest expense of approximately $215 and $424, respectively. No penalties have been accrued for the years ended November 30, 2016, 2015 and 2014.

The Company is not under examination by any taxing authorities. The earliest tax year which remains subject to examination by major taxing authorities is 2012.

Foreign Currency
The functional currency of the Company's foreign subsidiaries is GBP. In the normal course of business, the Company enters into transactions not denominated in US dollars in connection with its European loan originations. Foreign exchange gains and losses arising on such transactions are recorded as a gain or loss in the Company's consolidated statements of operations and comprehensive income. As of November 30, 2016 and November 30, 2015, the Company and its wholly owned subsidiaries held 1,023 GBP and 1,323 EUR and 3,898 GBP and 517 EUR in cash and cash equivalents, respectively. In addition, the Company consolidates wholly owned subsidiaries which have non-US dollar functional currency. Non-US dollar denominated assets and liabilities are translated to US dollars at the exchange rate prevailing at the reporting date and income, expenses, gains, and losses at the average rate of exchange prevailing during the period recognized. Cumulative translation adjustments arising from translation of GBP denominated subsidiaries are recorded in other comprehensive income. Certain intercompany transactions between the Company's foreign subsidiaries and the US domiciled parent also create unrealized and realized gains and losses on foreign currency due to those transactions not qualifying as long term advances under ASC 830, Foreign Currency Matters. The Company has recorded $28,875, $3,986 and $515 of other comprehensive loss on foreign currency translation adjustments, respectively, as of November 30, 2016, 2015 and 2014. The Company has entered into various foreign currency forward contracts, as discussed in Note 2, to reduce risk and exposure to foreign currency movements. Substantially all of the Company's foreign currency exposure is hedged.

Indemnifications
The Company enters into contracts that contain a variety of indemnifications under certain representations and warranties, which primarily relate to sales of loans as part of securitization transactions. The Company's maximum exposure under these arrangements is unknown. However, the Company has not had claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Recent Accounting Pronouncements
In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The new ASU disclosure requirement explicitly requires management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. In connection with each annual and interim period, management will assess if there is substantial doubt about an entity's ability to continue as a going concern within one year after the issuance date by considering relevant conditions that are known (and reasonably knowable) at the issuance date. If significant doubt exists, management will need to assess if its plans will or will not alleviate substantial doubt in order to determine the specific disclosures. The ASU is effective for annual periods beginning after December 15, 2016. Earlier application is permitted. The Company is currently evaluating the impact of ASU 2014-15 on the consolidated financial statements.

In August 2014, the FASB issued ASU 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity, which establishes a measurement alternative allowing qualifying entities to measure both the collateralized financing entity's, or CFE's, financial assets and financial liabilities based on the fair value of the financial assets or financial liabilities, whichever is more observable. The measurement alternative is available upon initial consolidation of the CFE or adoption of this ASU and can be applied on a CFE-by-CFE basis. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2015. Early application is permitted. The Company early adopted the standard as of November 30, 2016 which was the initial consolidation of a CFE as discussed in Note 10.

In April 2015, FASB issued ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). The amended guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by the amendments in this ASU. The amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of this ASU is permitted for financial statements that have not been previously issued. Entities must apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. For the Company's fiscal year starting December 1, 2016 the unamortized debt issuance costs related to its Bond Payable will be reclassified from Deferred financing fees to a direct deduction to the Bond Payable balance. All prior comparative periods will also be reclassified in accordance with adoption on the retrospective basis. The unamortized amount of Deferred financing fees related to the Bond Payable at November 30, 2016 is $4,944.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments—Overall. The amendment provides guidance to improve certain aspects of classification and measurement of financial instruments, including significant revisions in accounting related to the classification and measurement of investments in equity securities and presentation of certain fair value changes for financial liabilities when the fair value option is elected. The guidance also amends certain disclosure requirements associated with the fair value of financial instruments. The Company is required to adopt the new guidance in the first quarter of 2018. Early adoption is permitted. The Company is currently evaluating the potential impact of the new guidance on its consolidated financial statements, as well as available transition methods.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which establishes a right-of-use model for lessee accounting which results in the recognition of most leased assets and lease liabilities on the balance sheet of the lessee. Lessor accounting was not significantly changed. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2019 by applying a modified retrospective approach. Early application is permitted. The Company is currently evaluating the potential impacts of the new guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses, an amendment to the guidance on reporting credit losses for assets measured at amortized cost and available-for-sale securities. The Company is required to adopt the new guidance in the first quarter of 2020. Early adoption is permitted. The Company is currently evaluating the potential impacts of the new guidance on its consolidated financial statements, as well as available transition methods.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. The guidance adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. The guidance is effective in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the new guidance on the consolidated statements of cash flows.

3. Members' Equity

As described in Note 1, interests held by the Members are represented by Units in the form of Preferred Units, Class A Common Units and Class B Common Units. Issued at inception and outstanding as of August 31, 2016 were 600 Preferred Units, 10,000 Class A Common Units and 2,195 Class B Common Units, of which 11.5 Preferred Units, 191.668 Class A Common Units and 1,770 Class B Common Units were held by employees.

Class B Common Units were granted at inception to FINEII and one key employee ("Key Employee"). All such Class B Common Units shall become vested units immediately before the consummation of a Company sale that results in an annualized rate of return, realized entirely in cash, on the Preferred Units and Class A Common Units, of at least 15%, an IPO that results in gross proceeds of at least $150,000 and an annualized rate of return, realized entirely in cash, on the Preferred Units and Class A Common Units, of at least 15%, a liquidity event or a transfer, as defined. To the extent the return is not entirely realized in cash in the case of a qualifying IPO, 50% of the Class B Common Units shall become vested and the remainder will vest contingent upon the performance of the Company's stock price over the two years immediately following the IPO. Upon vesting, each Class B Common Unit will convert into one Class A Common Unit. Prior to vesting, Class B Common Units have no voting rights.

In the event that the Company terminates the Key Employee for Cause or he resigns without Good Reason, as defined, all unvested Class B Common Units owned by either party will be forfeited. In the event that the Company terminates the Key Employee without Cause, he resigns for Good Reason, or his employment with the Company ends due to death or disability, the employee and FINEII may retain 20% of the unvested Class B Common Units for each full year the Key Employee was employed by the Company. As of the date of grant, February 23, 2011, the Company has determined the fair value of the Class B Common Units held by the Key Employee to be $3,145, in aggregate. The fair value was determined utilizing a Black-Scholes model, discounted to account for the inherent lack of marketability of the Units. Significant inputs and assumptions utilized in determining the fair value of the Units include the term, expected volatility, dividend yield and risk-free rate.

With respect to Preferred Units and Class A Common Units held by employees, upon termination of employment without Cause or for Good Reason, as defined, the Company shall redeem promptly all Preferred Units and, at the option of such employee, all Class A Common Units held by such employee at Book Value, as defined.

Under the LLC Agreement, as amended, a 7% capital charge ("Capital Charge") accrues as a preference to the Preferred Units on unreturned Capital Contributions and Retained Earnings.

On an accumulated basis through November 30, 2016 and November 30, 2015, respectively, the Company called $8,162,281 and $7,464,781 of capital from its members to fund new investment originations, acquisitions and working capital. Cumulatively through November 30, 2016 and November 30, 2015, respectively, the Company distributed $8,162,799 and $7,145,234, of which $145,067 and $108,022 is considered payments of the Capital Charge and Retained Earnings. Of the distributions declared, $7,046 and $5,211 were due and payable to LoanCore and LoanCore Investors at November 30, 2016 and November 30, 2015, respectively, and are included in accounts payable and accrued expenses on the consolidated statements of financial condition.

The total capital commitments of the Company were $400,000 and $600,000 as of November 30, 2016 and November 30, 2015, respectively, as further described in Note 1. Certain amounts of capital previously returned to Members are considered recallable, resulting in net callable, unfunded commitments of $255,452 and $172,431 at November 30, 2016 and November 30, 2015, respectively.

Pursuant to the LLC Agreement, an affiliate of FINEII has the first right to purchase subordinate loans and investments based on market terms. For the years ended November 30, 2016 and November 30, 2015, no loans or investments were sold to FINEII.

Allocation of Net Income and Net Losses
Net income and net losses are allocated to the members in a manner consistent with the LLC Agreement, as amended, which provides for a hypothetical liquidation at net book value of the Company's assets and liabilities as of the date of presentation and as recorded on the accompanying consolidated statement of changes in members' equity.

Distributions
Non-liquidating Distributions
No less often than semi-monthly (or more frequently as requested by FINEII or Jefferies), the Company shall distribute the Company's Available Cash, as defined in the LLC Agreement, as follows:

1) First, to the extent available, to the holders of the Preferred Units,
    a. pro rata in accordance with their respective Preferred Percentage Interests until each holder of Preferred Units shall have received an amount equal to, but not in excess of, the unpaid accrued 7% Capital Charge attributable to the Preferred Units; and then
    b. pro rata in accordance with their respective Preferred Percentage Interests an amount equal to, but not in excess of, the unpaid accrued 7% Retained Earnings Capital Charge;

2) Second, to the extent available, to the holders of the Preferred Units, pro rata in accordance with their respective Preferred Percentage Interests until each holder of Preferred Units shall have received an amount equal to, but not in excess of, their Unreturned Capital Contribution; and
3) Third, to the extent available, to the holders of the Class A Common Units, pro rata in accordance with their respective Common Percentage Interests (calculated by excluding from the numerator and the denominator the number of Class B Common Units issued and outstanding).

Liquidating Distributions
Upon a Liquidity Event, the proceeds of such sale, disposition or liquidation and any other available cash shall be applied and distributed as follows:

1) First, to the extent available, proceeds shall be applied to the payment of liabilities of the Company (including all expenses of the Company incident to the Liquidity Event and all other liabilities that the Company owes to the Members or any Affiliates of a Member in accordance with the terms hereof);

2) Second, to the extent available, proceeds shall be applied to the setting up of any reserves which are reasonably necessary for contingent, un-matured or unforeseen liabilities or obligations of the Company;

3) Third, to the extent available, to the holders of the Preferred Units,

    a. pro rata in accordance with their respective Preferred Percentage Interests until each holder of Preferred Units shall have received an amount equal to, but not in excess of, their unpaid accrued 7% Capital Charge attributable to the Preferred Units; and then

    b. pro rata in accordance with their respective Preferred Percentage Interests until each holder of the Preferred Units shall have received an amount equal to, but not in excess of, their unpaid accrued 7% Retained Earnings Capital Charge;

4) Fourth, to the extent available, to the holders of the Preferred Units, pro rata in accordance with their respective Preferred Percentage Interests until each holder of Preferred Units shall have received an amount equal to, but not in excess of, their Unreturned Capital Contribution; and

5) Fifth, to the extent available, to the holders of the Common Units, pro rata in accordance with their respective Common Percentage Interests.

Per the May 13, 2016 Amendment to the LLC Agreement, to the extent that the sum of the Company's Retained Earnings and the Maximum Contribution Amounts for all Members exceeds $560,000 as of the end of any fiscal quarter, the Company will promptly (and in any event no later than 45 days after the end of such quarter) make a distribution of Available Cash that is treated as a reduction to Retained Earnings.

(in thousands – except unit data)

Accumulated Other Comprehensive Income (Loss)
Accumulated other comprehensive income (loss) reflected in the Company's members' equity is comprised of the following:

Balance at November 30, 2014	$	(515)
Unrealized loss on translation adjustment		(3,986)
Balance at November 30, 2015		(4,501)
Unrealized loss on translation adjustment		(28,875)
Balance at November 30, 2016	$	(33,376)

4. Transfers of Financial Assets

During the years ended November 30, 2016, 2015 and 2014, the Company sold loans to unaffiliated third parties, as part of securitization transactions. The Company received only cash proceeds from these transactions. As discussed in Note 10, in certain transactions the Company purchased CMBS from the same securitization transactions. Some of the purchased CMBS did not preclude sales accounting treatment for the loans sold under ASC 860. The purchased investment securities, for which the company is the holder of the controlling class, are consolidated as discussed on Note 10.

Transfers of loans as part of securitization transactions that qualified as sales, were derecognized from the consolidated statements of financial condition, resulting in the recognition of aggregate realized gains (losses) of $(2,210), $34,811 and $28,417 for the years ended November 30, 2016, 2015 and 2014, respectively.

During the year ended November 30, 2016, twenty-five loans with an aggregate outstanding principal balance of $616,044 were sold to LoanCore Capital Credit REIT LLC ("LCC REIT"), a related party. LCC REIT is a separate investment vehicle managed by LoanCore Capital, LLC that has certain different investors than the Company. The sale of these loans resulted in a net realized gain of $6,711, which is included in realized gain on sales of loans and other investments in the accompanying consolidated statements of operations and comprehensive income. One of the loans sold to LCC REIT, with an aggregate principal balance of $19,370, as of the date of sale, remains on the Company's consolidated statements of financial condition with a corresponding liability for proceeds received as the sale did not qualify as a sale for accounting purposes because the Company retained the B Note related to the same underlying collateral and the B Note does not receive cash flows on a pari-passu basis with the sold notes.

During the year ended November 30, 2016, five loan participations, with a face value of $211,575 that had previously not qualified for a sale for accounting purposes have been derecognized because the junior loan interests were included in the sale to LCC REIT and the Company no longer has interests in the whole loans. Also, in March 2016, as a result of a junior participation loan payoff, the related senior participation with a face value of $39,000 was derecognized as a loan participation sold as it qualified to be treated as a sale under ASC 860. This resulted in a net realized gain of $224, which is included in realized gains on sales of loans and other investments in the accompanying consolidated statements of operations and comprehensive income.

Additionally, during the year ended November 30, 2016, one A-1 Note and one whole loan were sold for $48,500 to the DivCore CLO 2013-1, Ltd. (the "CLO"), a related party. The sale of the whole loan to the CLO resulted in a realized gain of $130, which is included in realized gain on sales of loans and other investments in the accompanying consolidated statements of operations and comprehensive income. As of the date of the sale, the A-1 Note sold to the CLO remained on the Company's consolidated statements of financial condition with a corresponding liability for proceeds received as the sale did not qualify as a sale for accounting purposes because the Company retained a B Note related to the same underlying collateral and the B Note did not receive cash flows on a pari-passu basis with the sold A-1 Note. In November 2016, as a result of the B Note payoff, the related A-1 Note and A-2 Note with a combined face value of $65,000 were derecognized as loan participations sold as they qualified to be treated as a sale under ASC 860. This resulted in a net realized gain of $103, which is included in realized gains on sales of loans and other investments in the accompanying consolidated statements of operations and comprehensive income.

During the year ended November 30, 2015, two whole loans, one A-note and six senior participations were sold for an aggregate of $384,375 to the CLO. The sale of the two whole loans to the CLO resulted in a realized gain of $503, which is included in realized gain on sales of loans and other investments in the accompanying consolidated statements of operations and comprehensive income. The A-note and the six senior participations sold to the CLO remain on the Company's statements of financial condition with corresponding liabilities for proceeds received as they did not qualify as a sale for accounting purposes because the Company retained either a subordinate participating note or junior participation related to the same underlying collateral and the subordinate participating note or junior participation does not receive cash flows on a pari-passu basis with the sold note or participation.

Additionally, for the year ended November 30, 2015, one whole loan was sold to an unaffiliated third party for $7,177 resulting in a realized gain of $351, one other investment was sold to an unaffiliated third party for $14,925, resulting in a realized gain of $75 and one mezzanine loan was sold to an unaffiliated third party for $5,481, resulting in a realized gain of $451. All realized gains are included in realized gain on sales of loans and other investments in the accompanying consolidated statements of operations and comprehensive income.

During the year ended November 30, 2014, fourteen whole loans and one senior participation were sold for an aggregate of $474,087 to the CLO. Additionally, two loans were sold for $13,492 to unaffiliated third parties. The sale of these loans resulted in a net realized gain of $4,706, which is included in realized gain on sales of loans and other investments in the accompanying consolidated statements of operations and comprehensive income. The senior participation sold to the CLO remains on the Company's statement of financial condition with a corresponding liability for proceeds received as the sale did not qualify as a sale for accounting purposes because the Company retained a junior participation related to the same underlying collateral and the junior participation does not receive cash flows on a pari-passu basis with the sold participation.

In June 2012, one loan, although legally transferred in connection with its securitization, did not qualify as a sale for accounting purposes because the Company retained a junior participation in the whole loan, and accordingly remained on the Company's consolidated statements of financial condition with a corresponding liability recorded as loan participations sold. In July 2014, as a result of the junior participation loan payoff, the senior participation of the whole loan was qualified and treated as a sale by the Company under ASC 860. This transaction resulted in the Company recognizing a $1,450 realized gain on loans for the year ended November 30, 2014. Consequently, the Company also reversed a $2,071 unrealized gain on fixed rate loans and a $621 unrealized loss on loan participations sold during the year ended November 30, 2014.

At November 30, 2016 and 2015, three loans sold and one A-note and seven senior participations, respectively with an aggregate fair value of $132,515 and $370,575 remain on the Company's consolidated statements of financial condition with a corresponding liability for the proceeds received recorded as loan participations sold, at fair value. The Company has elected to measure these liabilities at fair value, with subsequent changes in fair value reflected as unrealized gain (loss) on loan participations sold in the accompanying consolidated statements of operations and comprehensive income. The estimated fair value of these liabilities is determined using current secondary market prices for loans with similar coupons, maturities, and credit quality, which approximates the estimated fair value of the liability related to the financial asset retained.

5. Repurchase Facilities

The Company has entered into multiple committed master repurchase agreements in order to finance its lending activities. As of November 30, 2016, the Company has six committed master repurchase agreements, as outlined in the table below, with multiple counterparties totaling $980,000 of credit capacity. Assets pledged as collateral under these facilities include whole mortgage loans, participation interests in mortgage loans collateralized by first liens on commercial properties and subordinate loans. The Company's repurchase facilities include covenants covering net worth requirements, minimum liquidity levels, and maximum leverage ratios including a ratio of total indebtedness to total assets of .83 to 1. The Company believes it is in compliance with all covenants as of November 30, 2016 and November 30, 2015.

The Company's wholly-owned subsidiary, JLC Warehouse II LLC ("JLC WH II") entered into a $300,000 Master Repurchase Agreement on August 25, 2011. This facility was scheduled to terminate on August 25, 2014 with the option to extend for an additional year, subject to certain conditions. On February 14, 2014, this master repurchase agreement was amended. The facility amount was increased to $350,000 and the termination date was extended to February 14, 2017 with an option to extend for up to two one-year extensions, subject to certain conditions.

The Company's wholly-owned subsidiary, JLC Warehouse IV LLC ("JLC WH IV") entered into a $200,000 Master Repurchase Agreement on December 16, 2013. The facility originally terminated on December 16, 2016. On November 18, 2016, this master repurchase agreement was amended. The facility termination date was extended to December 16, 2017, with an option to extend for two additional one-year periods.

The Company's wholly-owned subsidiary, JLC Warehouse V LLC ("JLC WH V") entered into a $350,000 Master Repurchase Agreement on August 25, 2014. On December 20, 2014, the facility amount was increased to $500,000. On June 3, 2016, the facility amount was decreased to $150,000. The facility terminates on August 25, 2017 and has rolling one-year extension options, subject to certain conditions.

The Company's wholly-owned subsidiaries, JLC Warehouse VI LLC and JLC Mezz VI LLC (collectively "JLC WH VI") entered into a $220,000 Master Repurchase Agreement on January 20, 2015 with Jefferies Funding LLC, a related party. On January 19, 2016, this master repurchase agreement was amended. The facility amount was decreased to $200,000 and the termination date was extended to July 18, 2016, with an option to extend for an additional six months, subject to certain conditions. On June 15, 2016, this master repurchase agreement was amended. The facility amount was decreased to $130,000 and the termination date was extended to January 18, 2017.

The Company's wholly-owned subsidiary, JLC Warehouse VII LLC ("JLC WH VII") entered into a $200,000 Master Repurchase Agreement on July 8, 2015. The facility terminates on July 6, 2016 and has two one-year extension options, subject to certain conditions. On July 12, 2016, this master repurchase agreement was amended. The facility amount was decreased to $150,000 and the termination date was extended to January 12, 2017, with six additional one-month extension options, subject to certain conditions. As of November 30, 2016, the Company has exercised four extension options, which extended the termination date to May 12, 2017.

On August 7, 2013, the Company entered into a Master Repurchase Agreement with Jefferies Funding LLC, a related party. The terms of the agreement are negotiable and determinable on a transaction-by-transaction basis. A transaction is an agreement between JLC ("Seller") and Jefferies Funding LLC ("Buyer") in which the Seller agrees to transfer to the Buyer securities or other assets ("Securities") against the transfer of funds by buyer, with a simultaneous agreement by Buyer to transfer to Seller such Securities at a specified date or on demand, against the transfer of funds by Seller. This Agreement may be terminated by either party upon giving written notice to the other, except that this Agreement shall, notwithstanding such notice, remain applicable to any transactions then outstanding.

(in thousands – except unit data)

A summary of the Company’s repurchase facilities as of November 30, 2016 and November 30, 2015 were as follows:

At November 30, 2016

Name	Committed Amount	Outstanding Amount	Committed but Unfunded	Average Interest Rate(s) at November 30, 2016	Advance Rate	Maturity	Remaining Extension Options	Current Balance of Collateral Pledged
JLC WH II	$350,000	-	$350,000	N/A	N/A	2/14/2017	Two additional one-year periods at Company’s option subject to an extension fee and other certain requirements	-
JLC WH IV	$200,000	-	$200,000	N/A	N/A	12/16/2017	Two additional one-year periods at Company’s option subject to an extension fee and other certain requirements	-
JLC WH V	$150,000	-	$150,000	N/A	N/A	8/25/2017	Rolling one-year extensions at lender and Company’s option subject to an extension fee and other certain requirements	$19,770
JLC WH VI	$130,000	$68,095	$61,905	5.41%	0-51%, depending on loan collateral	1/18/2017	None	$212,672
JLC WH VII	$150,000	-	$150,000	N/A	N/A	5/12/2017	Extension options available through July 5, 2017 at lender and Company’s option subject to an extension fee and other certain requirements	-
JLC	No maximum commitment amount	-	No maximum commitment amount	N/A	N/A	N/A	N/A	-
	$980,000	**$68,095**	**$911,905**					**$232,442**

At November 30, 2015

Name	Committed Amount	Outstanding Amount	Committed but Unfunded	Average Interest Rate(s) at November 30, 2015	Advance Rate	Maturity	Remaining Extension Options	Current Balance of Collateral Pledged
JLC WH II	$350,000	-	$350,000	N/A	N/A	2/14/2017	Two additional one-year periods at Company’s option subject to an extension fee and other certain requirements	-
JLC WH IV	$200,000	$44,600	$155,400	2.83%	50-70%, depending on loan collateral	12/16/2016	Rolling one-year extensions at lender and Company’s op ion subject to an extension fee and other certain requirements	$76,000
JLC WH V	$500,000	$324,982	$175,018	2.79%	60-80%, depending on loan collateral	8/25/2017	Rolling one-year extensions at lender and Company’s option subject to an extension fee and other certain requirements	$456,262
JLC WH VI	$220,000	$175,063	$44,937	4.86%	13-85%, depending on loan collateral	1/19/2016	None	$292,273
JLC WH VII	$200,000	$140,421	$59,579	2.44%	73-75%, depending on loan collateral	7/6/2016	Two one-year extensions at lender and Company’s option subject to an extension fee and other certain requirements	$190,607
JLC	No maximum commitment amount	-	No maximum commitment amount	N/A	N/A	N/A	N/A	-
	$1,470,000	**$685,066**	**$784,934**					**$1,015,142**

The repurchase agreements require principal repayments on the financings as principal payments are received on loans held for sale or upon sale or transfer of the loans. All principal and interest payments from borrowers on the Company's loans held for sale are collected by the Company's third-party servicers. Under the terms of the Company's repurchase agreements, all such loan payments are applied toward interest and principal due on the repurchase agreements first with any excess remitted to the Company.

Amortization of deferred financing fees for all repurchase facilities is included as interest expense in the accompanying consolidated statements of operations and comprehensive income and was $4,496, $6,009 and $2,465 for the years ended November 30, 2016, 2015 and 2014, respectively.

6. Credit Facilities

On March 19, 2014, the Company entered into two committed subscription credit agreements, collateralized by the Company's available commitments, in the aggregate principal amount of $60,000. The Credit Facilities are available on a revolving basis to finance the Company's working capital needs and for general corporate purposes. On March 19, 2015, the Company amended the two committed subscription agreements by extending the initial term to April 19, 2016. On April 18, 2016, the Company amended the two committed subscription agreements by extending the stated maturity date to April 18, 2017. The terms of the facilities are for one year through April 18, 2017, with two one-year extension options, subject to an extension fee. The subscription credit facilities have an upfront fee, an unused fee and a stated interest rate based on a spread to LIBOR or a spread to prime. The Company had $0 and $0 of borrowings outstanding under these facilities at November 30, 2016 and November 30, 2015, respectively. The Company incurred interest expense of $486, $488 and $475 respectively, for the years ended November 30, 2016, 2015 and 2014, including the unused fee.

As of November 30, 2016 and for the year ended November 30, 2016, the Company believes it was in compliance with all covenants, which include maintaining leverage policies detailed in the LLC Agreement and maintaining a sufficient borrowing base consisting of uncalled capital commitments of members to collateralize the credit facilities borrowings.

On May 26, 2015, the Company's wholly-owned subsidiary, Jefferies LoanCore (Europe) 2015-1 DAC, entered into a 51,500 GBP credit facility agreement. The facility terminates on January 9, 2017 and has two six-month extension options. The facility was initially collateralized by a 74,541 GBP whole loan that was originated by Jefferies LoanCore (Europe) 2015-1 DAC. At November 30, 2016, the whole loan current balance was 56,389 GBP. The term of the facility is six months longer than the initial term of the whole loan and required an upfront fee to be paid at closing. The Company had 29,570 GBP outstanding under this facility at November 30, 2016. The interest rate on the facility is three-month LIBOR plus 4.50% as of November 30, 2016. The Company incurred interest expense of $2,370 and $1,807, respectively, for the years ended November 30, 2016 and November 30, 2015. Costs incurred related to the facility that were capitalized to deferred financing fees are amortized over the life of the whole loan as that is the expected term of the facility.

On December 16, 2015, the Company's wholly-owned subsidiary, Jefferies LoanCore (Europe) 2015-2 DAC, entered into a 75,475 GBP credit facility agreement. The facility's termination date is bifurcated and is six months after the maturity dates for each of the underlying loans. The facility was initially collateralized by three whole loans with an aggregate original principal balance of

107,821 GBP. At November 30, 2016, the current balance of the whole loans collateralizing the facility was 88,280 GBP. The Company had 53,601 GBP outstanding under this facility at November 30, 2016. The interest rate on the facility is three-month LIBOR plus 4.0% as of November 30, 2016. The Company incurred interest expense of $4,107 for the year ended November 30, 2016. Costs incurred related to the facility that were capitalized to deferred financing fees are amortized over the life of the underlying loans, which is the expected term of the facility.

Amortization of deferred financing fees for the credit facilities is included as interest expense in the accompanying consolidated statements of operations and comprehensive income and was $1,556, $837 and $365, respectively, for the years ended November 30, 2016, 2015 and 2014.

7. Bond Payable

On May 31, 2013, the Company issued $300,000 of unregistered senior unsecured notes maturing on June 1, 2020 and bearing interest at 6.875%.

The Company may redeem the notes in whole or in part on and after June 1, 2016 at a redemption price equal to the respective percentage of the principal amount of any Notes being redeemed set forth below during the twelve-month period beginning on June 1 of the year indicated below, plus accrued but unpaid interest, thereon, to, but not including, the applicable date of redemption as described in Section 3.07 of the indenture agreement.

Year: Percentage
2016: 105.156%
2017: 103.438%
2018: 101.719%
2019 and thereafter: 100.000%

The Company is subject to various financial and operating covenants, including maintaining a non-funding debt to equity ratio of less than 1.75x and a $300,000 minimum GAAP equity requirement, which may be reduced down by subsequent GAAP losses. The Company believes it was in compliance with all of the debt covenants as of November 30, 2016 and November 30, 2015.

Amortization of bond deferred financing fees included as interest expense in the accompanying consolidated statements of operations and comprehensive income for the years ended November 30, 2016, 2015 and 2014 was $1,196, $1,112 and $1,034, respectively.

8. Related Party Transactions

LoanCore provides management services to the Company and the Company reimburses LoanCore for its costs allocable to such activities. For the years ended November 30, 2016, 2015 and 2014, compensation, benefits and administrative costs allocable to the Company and reimbursable to LoanCore were $18,098, $29,273 and $19,891, respectively. As of November 30, 2016 and 2015, amounts owed to LoanCore, net of any LoanCore expenses paid by the Company, were $15,024 and $25,351, respectively, and are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial condition.

As provided for in the LLC Agreement, the Company engages affiliated entities to provide financial advisory, underwriting, investment banking, loan servicing, insurance, real estate, due diligence, accounting or other services.

The Company has an agreement in place with Divco West Services, LLC ("DWS"), an affiliate, related to the provision of administration, accounting, advisory and financial reporting, which is subject to approval by the Manager. Amounts incurred for services provided by DWS were $240, $240 and $240 for the years ended November 30, 2016, 2015 and 2014, respectively. As of November 30, 2016 and 2015 there were $0 and $0 payable to DWS for these services, respectively.

The Company reimburses DWS for amounts paid on the Company's behalf for certain administrative, IT and payroll-related expenses. The total reimbursements paid to DWS were $959, $707 and $361, for the years ended November 30, 2016, 2015 and 2014, respectively. LoanCore reimburses the Company for its allocable share of the total amount owed to DWS. As of November 30, 2016 and 2015, the amount payable to DWS by the Company, net of any DWS expenses paid by the Company, were $34 and $59, respectively, which are recorded in accounts payable and accrued expenses in the consolidated statements of financial condition.

On October 28, 2011, the Company entered into a service agreement with Jefferies & Company, Inc. ("Jefferies & Co"), as amended, an affiliate of Jefferies, to obtain services for facilities operations, legal and compliance, technology and other services ("Jefferies Services"). Amounts incurred for Jefferies Services for the years ended November 30, 2016, 2015 and 2014 were $145, $184 and $129, respectively. As of November 30, 2016 and 2015, amounts owed to Jefferies & Co net of any LoanCore expenses paid by the Company, totaled $9 and $15, respectively, which were recorded in accounts payable and accrued expenses in the consolidated statements of financial condition.

As discussed in Note 4, during the years ended November 30, 2016, 2015 and 2014, the Company sold multiple loans to LCC REIT and the CLO.

During the years ended November 30, 2016, 2015 and 2014, the Company incurred $1,050, $1,162 and $1,225, respectively, in underwriting fees to Jefferies & Co. related to the securitization of loans. As of November 30, 2016, and November 30, 2015, $0 and $300, respectively, were payable to Jefferies & Co., which is recorded in accounts payable and accrued expenses in the consolidated statements of financial condition.

As discussed in Note 5, on August 7, 2013, the Company entered into a master repurchase agreement with Jefferies Funding LLC. For the years ended November 30, 2016, 2015 and 2014, the Company incurred $0, $569 and $1,243 of interest expense related to this master repurchase agreement, respectively. At November 30, 2016 and 2015, there was no balance outstanding on this master repurchase agreement.

As discussed in Note 5, on January 20, 2015, the Company entered into a master repurchase agreement with Jefferies Funding LLC. For the years ended November 30, 2016, and November 30, 2015, the Company incurred $8,364 and $10,156 of interest expense and fees related to this master repurchase agreement, respectively. At November 30, 2016 and November 30, 2015, there was $68,095 and $175,063 outstanding on this master repurchase agreement, respectively.

(in thousands – except unit data)

9. Loans Held for Sale

The Company has originated and purchased loans mainly consisting of first mortgage and mezzanine positions. The loans are collateralized by various asset types such as office, multi-family, hospitality, industrial, and retail properties. A summary of the Company's loans held for sale at November 30, 2016 and November 30, 2015, respectively, is as follows:

Loan Type	Initial Maturity Date	November 30, 2016 Principal Balance	November 30, 2016 Fair Value	November 30, 2015 Principal Balance	November 30, 2015 Fair Value
Fixed Rate	Less than 1 year	-	-	-	-
Fixed Rate	1 to 5 years	-	-	-	-
Fixed Rate	6 to 11 years	112,250	107,146	366,080	361,475
Sub-total Fixed Rate Loans		112,250	107,146	366,080	361,475
Adj Rate	Less than 1 year	228,424	226,730	761,016	748,740
Adj Rate	1 to 5 years	293,365	288,611	642,651	636,578
Adj Rate	6 to 11 years	-	-	-	-
Sub-total Adj Rate Loans		521,789	515,341	1,403,667	1,385,318
Fixed Rate Mezz and Subordinate	Less than 1 year	10,050	10,050	-	-
Fixed Rate Mezz and Subordinate	1 to 5 years	20,598	20,132	15,060	15,050
Fixed Rate Mezz and Subordinate	6 to 11 years	68,986	60,279	66,140	58,576
Sub-total Fixed Rate Mezz and Subordinate Loans		99,634	90,461	81,200	73,626
Adj Rate Mezz and Subordinate	Less than 1 year	48,210	47,337	142,400	141,055
Adj Rate Mezz and Subordinate	1 to 5 years	8,450	7,836	18,500	17,682
Adj Rate Mezz and Subordinate	6 to 11 years	844	844	865	407
Sub-total Adj Rate Mezz and Subordinate Loans		57,504	56,017	161,765	159,144
Total Loans Held for Sale		**$ 791,177**	**$ 768,965**	**$ 2,012,712**	**$ 1,979,563**

At November 30, 2016 and November 30, 2015, the aggregate fair value of loans in non performing status amounted to $0 and $0, respectively.

During the year ended November 30, 2016, the Company realized $1,000 of impairment on a certain loan with an unpaid principal balance of $9,500 and a fair value of $8,675, which is included

(in thousands – except unit data)

in realized gain (loss) on sale of loans and other investments on the consolidated statements of operations and comprehensive income. The Company recorded the $1,000 of impairment due to an adverse change in the expected cash flows, including an amendment to the loan agreement to write-down the loan principal by $1,000. The fair value of the loan's collateral was less than the Company's cost basis of the respective loan and the loan was collateral dependent, meaning the repayment of the loan is expected to be provided solely by the underlying collateral.
On October 30, 2015, the Company originated a floating rate loan in the UK in the original principal amount of 51,370 EUR. The borrower's project is considered to be a VIE because the equity at risk is not sufficient to finance the activities without additional subordinated financial support. The Company is not considered to be the primary beneficiary of the VIE and the Company also determined its floating rate loan should be accounted for as a loan rather than an investment under ASC 310 given that the Company has no decision making authority or power to direct activity, except normal lender protective rights. The Company elected to account for its loan under the fair value option.

10. Real Estate Debt Securities

Commercial mortgage-backed securities are reported at fair value, given the Company has elected the fair value option, with changes in fair value recorded in unrealized gain on real estate debt securities on the consolidated statements of operations and comprehensive income. The following is a summary of the Company's real estate debt securities at November 30, 2016. The Company did not hold any real estate debt securities in the annual periods prior to the year ended November 30, 2016.

Asset Type	Purchase Date	Outstanding Face Amount	Amortized Cost Basis	Unrealized Gain	Fair Value	Number of Securities	Coupon	Yield	Maturity
CMBS 1	2/10/2016	$ 15,000	$ 9,881	$ 514	$ 10,395	1	4.15%	9.39%	12/10/2025
CMBS 2	3/16/2016	4,826	3,136	230	3,366	1	3.89%	8.90%	2/10/2026

As discussed in Note 2, the Company evaluates all of its investments and other interests in entities for consolidation, including the Company's investments in CMBS and the Company's retained interests in securitization transactions, all of which are generally considered to be variable interests in VIEs.

Securitization VIEs consolidated in accordance with ASC 810 are structured as pass through entities that receive principal and interest on the underlying collateral and distribute those payments to the certificate holders. The Company's exposure to the obligations of consolidated securitization VIEs is generally limited to the Company's investment in these entities. The Company is not obligated to provide, nor has the Company provided, any financial support for any of these consolidated structures. The consolidation of the assets and liabilities of securitization VIEs in which the Company is deemed the primary beneficiary has no economic effect on the Company except for the direct beneficial interest securities the Company owns represented by the net interest in securitization VIE disclosed below. The Company consolidated one securitization VIE during October 2016 upon the purchase of the controlling classes of securities in the trust.

(in thousands – except unit data)

The following is a summary of the Company's consolidated securitization VIEs as of November 30, 2016.

Loans transferred to securitization VIE	$ 688,423
Loans purchased by securitization VIE	202,518
MTM adjustment	4,517
Principal pay downs	(354)
Interest receivable	246
VIE assets, at fair value	895,350
VIE liabilities, at fair value	(869,972)
Net interest in the securitization VIE	$ 25,378

11. Unfunded Lending Commitments

The Company enters into commitments to extend variable credit that are legally binding conditional agreements having fixed expirations or termination dates and purposes. These commitments generally require customers to maintain certain credit standards. Collateral requirements and loan-to-value ratios are the same as those for funded transactions and are established based on management's credit assessment of the customer. These commitments may expire without being drawn upon. Therefore, the total commitment amount does not necessarily represent future funding requirements. The outstanding unfunded floating rate commitments to extend credit were approximately $0 and $27,832 as of November 30, 2016 and November 30, 2015, respectively.

12. Other Investments

On September 11, 2014, the Company originated a loan in the UK in the original principal amount of 13,158 GBP, including future funding commitments, to a third-party borrower. The borrower was considered to be a VIE because it is thinly capitalized; however, the Company is not considered to be the primary beneficiary. Accordingly, the investment is not consolidated. At the time of origination, the Company elected to account for its interest therein under the fair value option. On August 11, 2015, the Company refinanced the original loan with a new 12,500 GBP floating rate loan. The borrower was not considered a VIE and qualified for accounting treatment as a loan which the Company elected to account for under the fair value option.

On October 10, 2014, the Company, through its wholly owned subsidiary, JLC AP PE LLC, originated a $28,500 Preferred Equity Investment ("AP PE") by entering into the operating agreement, along with a subsidiary of Atlas Residential ("Atlas"), of P2 Portfolio Investor Holdings, LLC ("P2 LLC"). AP PE was considered to be a VIE; however, initially, the Company was not considered to be the primary beneficiary. Accordingly, the investment was not consolidated. At the time of investment, the Company elected to account for its interest therein under the fair value option. The Company also originated a $20,000 mezzanine loan in conjunction with the origination of AP PE.

P2 LLC was formed for the purpose of originating and holding equity interests in two multi-family properties located in Orlando, Florida. Under the terms of the P2 LLC operating agreement, JLC AP PE LLC is entitled to a 16.0% preferred return per annum based on its unreturned preferred capital amount balance. Pursuant to the P2 LLC operating agreement, the expected repayment date was November 25, 2014. AP PE was not fully repaid on November 25, 2014, triggering a breach in the operating agreement and an increase in the preferred return rate to 36.0%.

From May 12, 2015 through December 31, 2015, the Company entered into a series of settlement agreements with the Atlas borrower that resulted in Atlas posting $9,250 in payments, which were applied to AP PE capital, accrued yield on AP PE and fees. In return, the Atlas borrower was given extension options and economic incentives to repay AP PE, including a waiver of exit fees, spread maintenance on the mezzanine loan and breach interest on the AP PE. During this time, the Atlas borrower controlled the rights to sell or refinance P2 LLC, along with the property management function of the properties, therefore the Company concluded it was not the primary beneficiary of P2 LLC, since it did not have the power to direct the activities of the VIE that most significantly impacted the VIE's economic performance.

On February 24, 2016 (the "consolidation date"), JLC AP PE LLC controlled the rights to sell or refinance P2 LLC and the Company replaced the in-place property manager with a property manager selected by the Company. This gave the Company control of the day-to-day operations at the properties, which is viewed as a key consideration to "control," in addition to the right to sell the underlying properties. As of February 24, 2016, JLC AP PE LLC was deemed to have control and to have more than a potentially insignificant economic interest in the residual return of P2 LLC, therefore, JLC AP PE was determined to be the primary beneficiary, which triggered consolidation treatment under the Company's VIE assessment under Topic 810. On September 12, 2016, the Company sold its interests in P2 LLC. See Note 13 for further details. As of November 30, 2015, the fair value of AP PE was $19,524.

On October 30, 2014, the Company, through its wholly owned subsidiary, JLC HS PE LLC, originated a $15,000 Preferred Equity Investment ("HS PE") by entering into the operating agreements of Student Housing JV Preferred 1201, LLC, Student Housing JV Preferred A-B, LLC and Student Housing JV Preferred P-V, LLC (collectively, the "HS Housing JVs"). The HS Housing JVs were formed for the purpose of originating and holding preferred equity interests in five student housing properties located in various locations within the United States. HS PE is not considered to be a VIE. At the time of investment, the Company elected to account for its interest therein under the fair value option. On February 27, 2015, HS PE was sold to an unaffiliated third party for $14,925 and the Company recognized a realized gain of $75.

The Company recognized a realized loss of $138 on the write-off of one other investment during the year ended November 30, 2015. The write-off was a result of the senior mortgage holder foreclosing on the property and taking title to the collateral on March 3, 2015.

(in thousands – except unit data)

The following summarizes the activity in other investments for the period from December 1, 2015 to November 30, 2016:

Balance at December 1, 2015, at fair value	$	19,524
Contributions to other investments		-
Proceeds from sale of other investments		-
Pay downs of other investments		(618)
Consolidated other investments		(18,912)
Income from other investments		-
Distributions from other investments		-
Origination discount related to other investments paid down		6
Effect of exchange-rate changes		-
Sales and transfers of investment interests		-
Realized loss included in statement of operations		-
Unrealized loss on other investments		-
Balance at November 30, 2016, at fair value	$	-

13. Real Estate Held for Sale

P2 LLC

During the period ended February 29, 2016, the Company became primary beneficiary related to P2 LLC, the Company's previously sole equity method investment and a VIE as discussed in Note 12. The underlying properties were currently held for sale by the Company and met the held for sale guidance upon consolidation.

At the consolidation date, the Company recorded the real estate at fair value minus costs to sell and recorded all other related operating assets and liabilities of P2 LLC, including a third party senior mortgage loan. The Company eliminated the mezzanine loan and preferred equity interest previously recorded at a fair value of $19,564 and $18,912, respectively. The following table summarizes the consolidation of P2 LLC and the related effects on the Company's consolidated financial statements upon consolidation date:

Real estate, held for sale	$	143,950
P2 LLC operating assets		5,684
Senior mortgage loan		105,000
P2 LLC operating liabilities		3,296
Net real estate assets acquired, held for sale		41,338
Elimination of Company interests:		
Mezzanine loan, at fair value		19,564
Preferred equity investment, at fair value		18,912
Reversal of unrealized loss upon consolidation of real estate		948
Bargain purchase gain upon consolidation	$	1,914

For the year ended November 30, 2016, the Company recorded $525 of income, relating to the Company's interests in P2 LLC before the consolidation date and $1,835 of income from operations of discontinued real estate properties relating to the consolidated results of P2 LLC for year ended November 30, 2016, for the post consolidation date. On September 12, 2016, the Company sold its interests in P2 LLC. This resulted in a net realized gain of $4,455, which is included in realized gain on real estate in the accompanying consolidated statements of operations and comprehensive income.

(in thousands – except unit data)

JLC Hunters LLC

On August 5, 2016, the Company took ownership of a real estate asset that had previously collateralized a $12,500 first mortgage loan the Company had originated. The underlying property is currently held for sale by the Company and met the held for sale guidance upon purchase.

During the year ended November 30, 2016 and before the purchase of the real estate asset, the Company recognized $1,375 of unrealized loss on loans held for sale, reversed $3,500 of accumulated unrealized loss and recognized $3,500 of impairment on the first mortgage loan with an unpaid principal balance of $12,500, which is included in realized gain (loss) on sale of loans and other investments on the consolidated statements of operations and comprehensive income. The Company previously realized $3,825 of impairment on the first mortgage loan as of November 30, 2015. The Company recorded the impairment due to an adverse change in the expected cash flows, as the fair value of the loan's collateral is less than the Company's cost basis of the respective loan and the loan is collateral dependent, meaning the repayment of the loan is expected to be provided solely by the underlying collateral. Since the purchase of the real estate asset, the Company has recognized $100 of impairment on the real estate, which is included in realized gain on real estate in the accompanying consolidated statements of operations and comprehensive income.

At the date of purchase, the Company recorded the real estate at fair value minus costs to sell and recorded all other related operating assets and liabilities of JLC Hunters LLC. The Company eliminated the first mortgage loan and B-note interest previously recorded at a fair value of $7,000. The following table summarizes the consolidation of JLC Hunters LLC and the related effects on the Company's consolidated financial statements:

Real estate, held for sale	$	6,993
Hunters operating assets		150
Net real estate assets acquired, held for sale		7,143
Elimination of Company interests:		
Adjustable rate loan, at fair value	$	7,000

The following table presents additional details related to JLC Hunters LLC's real estate held for sale, related assets and liabilities at November 30, 2016:

Buildings	$	6,131
Land		762
Cash		100
Accounts receivable and other assets		50
Real estate and related assets, held for sale	$	7,043

Future scheduled minimum rents on the JLC Hunters LLC property, exclusive of any renewals, include $51 for the year ended November 30, 2017 and $2 for the year ended November 30, 2018.

(in thousands – except unit data)

The consolidated assets of JLC Hunters LLC are included on the consolidated statements of financial condition as real estate and related assets, held for sale. The assets of JLC Hunters LLC are restricted for use for the operations of JLC Hunters LLC and cannot be used to settle unrelated JLC Hunters LLC liabilities of the Company. Also, the creditors of JLC Hunters LLC have no recourse to the Company's general credit.

14. Fair Value

The following table presents the financial instruments carried on the consolidated statements of financial condition by level within the valuation hierarchy as of November 30, 2016:

	Level 1	Level 2	Level 3	Total
As of November 30, 2016				
Fixed rate loans	$ -	$ -	$ 107,146	$ 107,146
Adjustable rate loans	-	-	515,341	515,341
Fixed rate mezz and subordinate loans	-	-	90,461	90,461
Adjustable rate mezz and subordinate loans	-	-	56,017	56,017
Total loans held for sale	-	-	768,965	768,965
Other investments	-	-	-	-
Total investments	-	-	768,965	768,965
Derivative assets	-	7,457	5,807	13,264
Derivative liabilities	-	(2,506)	-	(2,506)
Real estate debt securities	-	13,761	-	13,761
VIE assets, at fair value	-	895,350	-	895,350
VIE liabilities, at fair value	-	(869,972)	-	(869,972)
Loan participations sold	-	-	(132,515)	(132,515)
	$ -	$ 44,090	$ 642,257	$ 686,347

The following table presents the financial instruments carried on the consolidated statements of financial condition by level within the valuation hierarchy as of November 30, 2015:

	Level 1	Level 2	Level 3	Total
As of November 30, 2015				
Fixed rate loans	$ -	$ -	$ 361,475	$ 361,475
Adjustable rate loans	-	-	1,385,318	1,385,318
Fixed rate mezz loans	-	-	73,626	73,626
Adjustable rate mezz and subordinate loans	-	-	159,144	159,144
Total loans held for sale	-	-	1,979,563	1,979,563
Other investments	-	-	19,524	19,524
Total investments	-	-	1,999,087	1,999,087
Derivative assets	-	4,892	8,019	12,911
Derivative liabilities	-	(2,660)	-	(2,660)
Loan participations sold	-	-	(370,575)	(370,575)
	$ -	$ 2,232	$ 1,636,531	$ 1,638,763

(in thousands – except unit data)

Level 3 Fair Value Asset and Liability Input Sensitivity

Changes in unobservable inputs may have a significant impact on fair value. Certain of the unobservable inputs will, in isolation, have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value may move in the opposite direction for a given change in another input. In general, an increase in the discount rate and credit spreads, in isolation, would result in a decrease in the fair value measurement and a decrease in these same inputs would result in an increase in the fair value measurement.

The following table shows quantitative information about significant unobservable inputs related to the Level 3 fair value measurements at November 30, 2016 and November 30, 2015:

At November 30, 2016						WEIGHTED AVERAGE	
	OUTSTANDING FACE AMOUNT	COST BASIS	FAIR VALUE	VALUATION TECHNIQUE	PROFIT RANGE	YIELD %	REMAINING MATURITY (YEARS)
Assets							
Fixed rate loans held for sale	$ 112,250	$ 112,250	$ 107,146	Discounted cash flows (1)	1.00% - 4.00% (2)	4.98%	9.93
Mezzanine and subordinate loans held for sale	157,138	141,437	146,478	Discounted cash flows	N/A	11.90%	3.99
Adjustable rate loans held for sale - US	279,760	277,647	276,422	Discounted cash flows	0.00% - 1.00%	8.91% (4)	1.23 (4)
Adjustable rate loans held for sale - Europe	242,029	238,016	238,919	Discounted cash flows	0.00% - 1.00%	10.96%	0.76
Loan participations sold - floating	(132,515)	(132,107)	(132,515)	Discounted cash flows	0.00% - 1.00%	N/A	0.80

At November 30, 2015						WEIGHTED AVERAGE	
	OUTSTANDING FACE AMOUNT	COST BASIS	FAIR VALUE	VALUATION TECHNIQUE	PROFIT RANGE	YIELD %	REMAINING MATURITY (YEARS)
Assets							
Fixed rate loans held for sale	$ 366,080	$ 366,225	$ 361,475	Discounted cash flows (1)	0.75% - 3.00% (2)	4.70%	9.93
Mezzanine and subordinate loans held for sale	242,965	225,663	232,770	Discounted cash flows	N/A	11.53%	2.98
Adjustable rate loans held for sale - US	1,137,481	1,123,150	1,122,345	Discounted cash flows	0.00% - 1.00%	6.97% (5)	1.31 (5)
Adjustable rate loans held for sale - Europe	266,186	261,906	262,973	Discounted cash flows	0.00% - 1.00%	10.44%	0.76
Other investments	-	20,436	19,524	Discounted cash flows (3)	(3)	(3)	N/A
Loan participations sold - floating	(370,575)	(368,212)	(370,575)	Discounted cash flows	0.00% - 1.00%	N/A	0.90

(1) Fixed rate loans held for sale are measured at fair value using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.
(2) Represents profit margin range on hypothetical securitization scenario on fixed rate loans.
(3) The Company believes fair value approximates the estimated future cash flows the Company will receive from each other investment.
(4) The Company has excluded three A-notes with an aggregate face amount of $132,515 from the calculation of Yield and Remaining Maturity as they were legally transferred in connection with sales, but did not qualify as sales for accounting purposes as described in Note 4, and therefore, still remain on the Company’s consolidated statements of financial condition.
(5) The Company has excluded one A-note and seven senior participations, with an aggregate face amount of $370,575 from the calculation of Yield and Remaining Maturity as they were legally transferred in connection with sales, but did not qualify as sales for accounting purposes as described in Note 4, and therefore, still remain on the Company’s consolidated statements of financial condition.

(in thousands – except unit data)

The following is a reconciliation of the beginning and ending balances for loans held for sale and other investments, as well as loan participations sold measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended November 30, 2016 and November 30, 2015:

Loans held for sale, at fair value

	2016	2015
Balance at November 30, 2015 and 2014	$ 1,979,563	$ 1,417,133
Purchases and fundings of loans held for sale, including capitalized interest	1,159,275	2,650,528
Principal paydowns on loans held for sale	(291,488)	(419,375)
Proceeds from sale of loans held for sale	(1,019,396)	(1,683,724)
Origination discount related to loans and other investments paid off	4,704	3,198
Real estate consolidation	(26,566)	-
Loans transferred to securitization VIE	(688,423)	-
Unrealized gain (loss) on loans included in statement of operations	17,878	(14,750)
Effect of exchange rate changes	(43,360)	(4,290)
Realized gain (loss) included in statement of operations	(792)	30,843
Reversal of loan participations sold	(315,575)	-
Principal paydowns on loan participations sold	(6,855)	-
Balance at November 30, 2016 and 2015	$ 768,965	$ 1,979,563

Loan participations sold, at fair value

	2016	2015
Balance at November 30, 2015 and 2014	$ 370,575	$ 41,500
Proceeds from loan participations sold	84,370	329,075
Reversal of loan participations sold	(315,575)	-
Principal paydowns on loan participations sold	(6,855)	-
Balance at November 30, 2016 and 2015	$ 132,515	$ 370,575

Other investments, at fair value

	2016	2015
Balance at November 30, 2015 and 2014	$ 19,524	$ 49,190
Contributions to other investments	-	9,736
Proceeds from sale of other investments	-	(14,925)
Real estate consolidation	(18,912)	-
Pay downs of other investments	(618)	(24,661)
Income from other investments	-	4,695
Distributions from other investments	-	(3,802)
Origination discount related to other investments paid down	6	247
Effect of exchange-rate changes	-	19
Realized loss included in statement of operations	-	(63)
Unrealized loss on other investments	-	(912)
Balance at November 30, 2016 and 2015	$ -	$ 19,524

(in thousands – except unit data)

The following table presents the Company's investments and loan participations sold carried at estimated fair value on a recurring basis in the consolidated statements of financial condition as of November 30, 2016 and November 30, 2015:

Asset Type	November 30, 2016 Outstanding Face Amount	November 30, 2016 Cost Basis	November 30, 2016 Unrealized Gain (Loss)	November 30, 2016 Fair Value	November 30, 2015 Outstanding Face Amount	November 30, 2015 Cost Basis	November 30, 2015 Unrealized Gain (Loss)	November 30, 2015 Fair Value
Fixed rate loans	$ 112,250	$ 112,250	$ (5,104)	$ 107,146	$ 366,080	$ 366,225	$ (4,750)	$ 361,475
Adjustable rate loans	521 789	515 663	(322)	515 341	1 403 667	1 385 056	262	1 385 318
Fixed rate mezz and subordinate loans	99,634	86,233	4,228	90,461	81,200	67,995	5,631	73,626
Adjustable rate mezz and subordinate loans	57,504	55,204	813	56,017	161,765	157,668	1,476	159,144
Total loans held for sale	$ 791,177	$ 769,350	$ (385)	$ 768,965	$ 2,012,712	$ 1,976,944	$ 2,619	$ 1,979,563
Other investments	-	-	-	-	-	20,436	(912)	19,524
Real estate debt securities	19,826	13,017	744	13,761	-	-	-	-
Loan participations sold	(132,515)	(132,107)	(408)	(132,515)	(370,575)	(368,212)	(2,363)	(370,575)

The following table summarizes the effect of the Company's investments on the consolidated statements of operations and comprehensive income for the years ended November 30, 2016, 2015 and 2014:

Asset Type	Location of Gain or (Loss) Recognized in Earnings	Amount of Gain or (Loss) Recognized in Earnings: For the Year ended November 30, 2016	For the Year ended November 30, 2015	For the Year ended November 30, 2014
Fixed rate loans	Unrealized gain (loss) on loans held for sale and other investments	$ 20,528	$ (11,581)	$ 6,023
Fixed rate loans	Realized gain (loss) on sales of loans and other investments (1)	(2,210)	34,811	29,867
Adjustable rate loans	Unrealized gain (loss) on loans held for sale and other investments	(584)	(3,973)	(1,092)
Adjustable rate loans	Realized gain (loss) on sales of loans and other investments	625	(2,971)	4,500
Fixed rate mezz and subordinate loans	Unrealized gain (loss) on loans held for sale and other investments	(1,403)	(100)	3,549
Fixed rate mezz and subordinate loans	Realized gain (loss) on sales of loans and other investments	-	(997)	205
Adjustable rate mezz and subordinate loans	Unrealized gain (loss) on loans held for sale and other investments	(663)	904	309
Adjustable rate mezz and subordinate loans	Realized gain on sales of loans and other investments	793	-	-
Total loans held for sale		$ 17,086	$ 16,093	$ 43,361
Other investments	Unrealized gain (loss) on loans held for sale and other investments	912	(912)	-
Other investments	Realized loss on sales of loans and other investments	-	(63)	-
Total other investments		$ 912	$ (975)	$ -

(1) Realized gain on sales of loans and other investments for the year ended November, 30, 2015 includes $404 of realized loss on interest rate locks.

Loans held for sale are measured at estimated fair value based upon a hypothetical securitization model utilizing data from recent securitization spreads and pricing, the application of discount rates to estimated future cash flows using market yields or other valuation methodologies. These valuations are adjusted to consider loan pricing adjustments specific to each loan. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, estimated fair values are not necessarily indicative of the amount the Company could realize on disposition of the loans. The use of different market assumptions or estimation methodologies could have a material effect on the estimated fair value amounts.

The Company has not elected the fair value option related to its bond payable, repurchase facilities and credit facilities. The amortized cost basis of the repurchase facilities and credit facilities presented on the face of the consolidated statements of financial condition at November 30, 2016 and November 30, 2015 approximates fair value, given the short-term nature and interest rate resets of each facility. The estimated fair value of the liability related to bond payable at November 30, 2016 is based on the "ask" price at the last trading day of the period presented. The "ask" price at November 30, 2016 was 95.75, resulting in a fair value of the bond payable of $287,250. The "ask" price at November 30, 2015 was 98.25, resulting in a fair value of the bond payable of $294,750.

The carrying value of other financial instruments, including cash and cash equivalents, restricted cash, accrued interest receivable and accounts payable, approximate the fair values of the instruments due to their short-term nature.

As discussed above, the Company measures the assets and liabilities of consolidated securitization VIEs at fair value pursuant to the Company's election of the fair value option. The securitization VIEs in which the Company invests are "static"; that is, no reinvestment is permitted, and there is no active management of the underlying assets. In determining the fair value of the assets and liabilities of the securitization VIE, the Company maximizes the use of observable inputs over unobservable inputs. The principal market for selling CMBS assets is the securitization market where the market participant is considered to be a CMBS trust. This methodology results in the fair value of the assets of a static CMBS trust being equal to the fair value of its liabilities.

15. Derivative Instruments

The Company uses derivatives and interest rate lock commitments primarily to manage the estimated fair value variability of fixed rate loans held for sale caused by market interest rate fluctuations. At times, interest rate swaps are pledged as collateral in the Company's master repurchase agreements. The Company uses foreign currency forwards primarily to manage foreign currency fluctuations.

Goldman Sachs International, Jefferies Derivative Products, LLC, a related party, Jefferies Financial Services, Inc., a related party, Credit Suisse Securities (USA) LLC and Wells Fargo Securities LLC were the counterparties on all of the Company's interest rate swaps, foreign currency forwards and corporate credit index positions as of November 30, 2016 and November 30, 2015 and during the years then ended.

In valuing its derivatives, the Company considers the creditworthiness of both the Company and its counterparties, along with collateral provisions contained in each derivative agreement, from the perspective of both the Company and its counterparties. All of the Company's interest rate swaps, corporate credit index hedges and foreign currency forward contracts are either subject to bilateral collateral arrangements or clearing in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd Frank Act"). For its derivatives subject to bilateral collateral arrangements, the Company has netting arrangements in place with all derivative counterparties pursuant to the standard documentation developed by the International Swap and Derivatives Association ("ISDA"). For the swaps and credit derivatives cleared under the Dodd Frank Act, a Central Clearing Party ("CCP") stands between the Company and its over-the-counter derivative counterparties. In order to access clearing, the Company has entered into clearing agreements with Future Commission Merchants ("FCMs"). The Company is permitted to net all exposure with a common CCP and FCM under enforceable netting agreements, where a legal right of offset exists. Consequently, no credit valuation adjustment was made in determining the fair value of the Company's derivatives.

On September 11, 2014, the Company originated a loan in the UK in the original principal amount of 13,158 GBP, including future funding commitments, to a third-party borrower. This loan was refinanced by the Company on August 11, 2015. The new floating rate loan had an original principal amount of 12,500 GBP, including future funding commitments. As part of the underlying loan agreement, the Company was given a share warrant instrument, which enables the Company to subscribe for shares representing 33.3% of the borrower's ordinary issued share capital. This share warrant instrument is freely transferable and is accounted for as a bifurcated derivative, rather than an embedded derivative, given the terms of the agreement. The share warrants have a fair value of $1,519 and $1,700 as of November 30, 2016 and November 30, 2015, respectively. This valuation is based on the Company's internal analysis, which was primarily driven by the net asset value of the share capital at November 30, 2016, assuming a hypothetical liquidation of all assets and liabilities and considering control and liquidity restraints of the instrument.

On January 21, 2015, the Company originated a B-note loan in the UK in the original principal amount of 39,967 GBP, to a third-party borrower. The Company upsized the loan by 13,251 GBP on September 4, 2015, increasing the loan balance to 53,218 GBP. This loan was refinanced by the Company on December 16, 2015. The two new floating rate loans had a combined original principal amount of 96,675 GBP. As part of the original underlying loan agreement, the Company was given a share warrant instrument, which enables the Company to subscribe for shares representing 25.0% of the borrower's ordinary issued share capital. This share warrant instrument is freely transferable and is accounted for as a bifurcated derivative, rather than an embedded derivative, given the terms of the agreement. The share warrants have a fair value of $1,985 and $4,202 as of November 30, 2016 and November 30, 2015, respectively. This valuation is based on the Company's internal analysis, which was primarily driven by the net asset value of the share capital at November 30, 2016, assuming a hypothetical liquidation of all assets and liabilities and considering control and liquidity restraints of the instrument.

On May 26, 2015, the Company originated a floating rate loan in the UK in the original principal amount of 74,542 GBP, to a third-party borrower. As part of the underlying loan agreement, the Company was given a share warrant instrument, which enables the Company to subscribe for shares representing 25.0% of the borrower's ordinary issued share capital. This share warrant instrument is freely transferable and is accounted for as a bifurcated derivative, rather than an embedded derivative, given the terms of the agreement. The share warrants have a fair value of $2,303 and $2,117 as of November 30, 2016 and November 30, 2015, respectively. This valuation is based on the Company's internal analysis, which was primarily driven by the net asset value of the share capital at November 30, 2016, assuming a hypothetical liquidation of all assets and liabilities and considering control and liquidity restraints of the instrument.

(in thousands – except unit data)

The following table is a summary of notional amounts and estimated fair values of derivative instruments as of November 30, 2016 and November 30, 2015:

Derivative Contract Type	Notional as of November 30, 2016	Fair Value as of November 30, 2016		Notional as of November 30, 2015	Fair Value as of November 30, 2015	
		Asset Derivatives	Liability Derivatives		Asset Derivatives	Liability Derivatives
Interest rate swaps (1)	$ 119,013	$ 5,938	$ -	$ 313,600	$ 2,278	$ (1,302)
Total swaps	119,013	5,938	-	313,600	2,278	(1,302)
Corporate credit index (2)	-	-	-	141,000	-	(1,358)
Total index position	-	-	-	141,000	-	(1,358)
FX forward contracts (3)	152,112	1,519	(2,506)	200,604	2,614	-
Total FX forward contract	152 112	1 519	(2 506)	200 604	2 614	-
Other derivatives (4)	-	5,807	-	-	8,019	-
Total other derivatives	-	5,807	-	-	8,019	-
Total derivatives	$ 271,125	$ 13,264	$ (2,506)	$ 655,204	$ 12,911	$ (2,660)

Note:

1) Interest rate swaps are included in derivative assets and derivative liabilities on the consolidated statements of financial condition as of November 30, 2016 and November 30, 2015.
2) Corporate credit index is included in derivative liabilities on the consolidated statements of financial condition as of November 30, 2016 and November 30, 2015.
3) FX forward contracts are included in derivative assets and liabilities on the consolidated statements of financial condition as of November 30, 2016 and November 30, 2015, respectively.
4) Other derivatives are included in derivative assets on the consolidated statements of financial condition as of November 30, 2016 and November 30, 2015.

(in thousands – except unit data)

The effect of the Company's derivative instruments on the consolidated statements of operations and comprehensive income for the years ended November 30, 2016, 2015 and 2014 was as follows:

		Amount of Gain or (Loss) Recognized in Earnings		
Derivative Type	**Location of Gain or (Loss) Recognized in Earnings**	**For the Year ended November 30, 2016**	**For the Year ended November 30, 2015**	**For the Year ended November 30, 2014**
Interest rate swaps	Unrealized gain (loss) on derivative instruments	$ 4,962	$ 4,956	$ (3,305)
Interest rate swaps	Realized gain (loss) on derivative instruments	(10,302)	1,654	(8,115)
Corporate credit index	Unrealized gain (loss) on derivative instruments	365	(180)	580
Corporate credit index	Realized loss on derivative instruments	(2,458)	(56)	(3,177)
Interest rate locks	Realized loss on sales of loans held for sale and other investments (1)	-	(404)	-
CMBX	Realized loss on derivative instruments	-	-	(576)
FX forward contracts	Unrealized gain (loss) on derivative instruments	(3,601)	2,377	237
FX forward contracts	Realized gain on derivative instruments	21,375	2,406	365
Other derivatives	Unrealized gain (loss) on derivative instruments	(937)	8,167	-
Other derivatives	Realized gain on derivative instruments	-	128	-
Total derivatives		**$ 9,404**	**$ 19,048**	**$ (13,991)**

(1) Realized loss on interest rate locks of $404 is reflected in realized gain on sales of loans and other investments in the consolidated statements of operations and comprehensive income.

16. Offsetting Assets and Liabilities

Credit Risk-Related Contingent Features

The Company has agreements with certain of its derivative counterparties that contain a provision whereby if the Company defaults on certain of its indebtedness, the Company could also be declared in default on its derivatives, resulting in an acceleration of payment under the derivatives. As of November 30, 2016 and November 30, 2015, the Company was in compliance with these requirements and not in default on its indebtedness. As of November 30, 2016 and November 30, 2015, there was $13,222 and $13,922 of cash collateral held by the derivative counterparties for these derivatives, respectively. No additional cash is required to be posted if the acceleration of payment under the derivatives was triggered.

The following tables present both gross and net information about derivatives and other instruments eligible for offset in the consolidated statements of financial condition as of November 30, 2016 and November 30, 2015. The Company's accounting policy is to record derivative asset and liability positions on a gross basis, therefore the following table presents the gross derivative asset and liability positions recorded on the consolidated statements of financial condition while also disclosing the eligible amounts of financial instruments and cash collateral to the extent those amounts could offset the gross amount of derivative asset and liability positions. The actual amounts of collateral posted by or received from counterparties may be in excess of the amounts disclosed in the following table as the following only discloses amounts eligible to be offset to the extent of the recorded gross derivative positions.

(in thousands – except unit data)

As of November 30, 2016
Offsetting of Financial Assets and Derivative Assets

Description	Gross amounts of recognized assets	Gross amounts offset in the statement of financial condition	Net amounts of assets presented in the statement of financial condition	Gross amounts not offset in the statement of financial condition: Financial Instruments	Cash collateral received (2)	Net amount
Derivatives	$ 13,264	$ -	$ 13,264	$ -	$ -	$ 13,264
Total	$ 13,264	$ -	$ 13,264	$ -	$ -	$ 13,264

As of November 30, 2016
Offsetting of Financial Liabilities and Derivative Liabilities

Description	Gross amounts of recognized liabilities	Gross amounts offset in the statement of financial condition	Net amounts of liabilities presented in the statement of financial condition	Gross amounts not offset in the statement of financial condition: Financial Instruments	Cash collateral posted / (received)(1)(2)	Net amount
Derivatives	$ 2,506	$ -	$ 2,506	$ -	$ 2,506	$ -
Repurchase Agreements	68 095	-	68 095	68 095	-	-
Total	$ 70,601	$ -	$ 70,601	$ 68,095	$ 2,506	$ -

As of November 30, 2015
Offsetting of Financial Assets and Derivative Assets

Description	Gross amounts of recognized assets	Gross amounts offset in the statement of financial condition	Net amounts of assets presented in the statement of financial condition	Gross amounts not offset in the statement of financial condition: Financial Instruments	Cash collateral received (2)	Net amount
Derivatives	$ 12,911	$ -	$ 12,911	$ -	$ -	$ 12,911
Total	$ 12 911	$ -	$ 12 911	$ -	$ -	$ 12 911

As of November 30, 2015

Offsetting of Financial Liabilities and Derivative Liabilities

Description	Gross amounts of recognized liabilities	Gross amounts offset in the statement of financial condition	Net amounts of liabilities presented in the statement of financial condition	Gross amounts not offset in the statement of financial condition: Financial Instruments	Cash collateral posted / (received)(1)(2)	Net amount
Derivatives	$ 2,660	$ -	$ 2,660	$ -	$ 2,660	$ -
Repurchase Agreements	685,066	-	685,066	685,066	-	-
Total	$ 687 726	$ -	$ 687 726	$ 685 066	$ 2 660	$ -

(1) Included in restricted cash on consolidated statements of financial condition.
(2) The cash collateral not offset in the consolidated statements of financial condition may exceed any gross derivative liability position balance. In that case, the total amount that is reported as cash collateral not offset in the balance sheet is limited to the gross derivative liability position balance. In the case of a gross derivative asset position balance, no collateral posted by the Company will be shown in the above table.

Master netting agreements that the Company has entered into with its derivative and repurchase agreement counterparties allow for netting of the same transaction, in the same currency, on the same date. Assets, liabilities, and collateral subject to master netting agreements as of November 30, 2016 and November 30, 2015 are disclosed in the tables above. The Company presents its derivative and repurchase agreements gross on the consolidated statements of financial condition.

(in thousands – except unit data)

17. Commitments

Incentive Compensation

Employees of the Company may be eligible for incentive compensation based upon the performance of the Company per individual employment agreements. The amount of the incentive compensation pool in any fiscal year is based upon a fixed percentage of net income adjusted for certain operating expenses and excess compensation paid in prior periods, subject to Available Cash, as defined. Under these agreements, the Members may approve an increase in the amount of the incentive compensation pool earned in any fiscal year. The amounts of accrued incentive compensation included in compensation and benefits expense for the years ended November 30, 2016, 2015 and 2014 were $9,875, $18,857 and $8,789, respectively.

After allocation of the incentive compensation pool under these arrangements, certain officers are subject to a deferral of 20% of any annual incentive compensation allocated to them in a fiscal year, which vests over a three-year period following the fiscal year that the incentive compensation was earned, subject to additional tenure related provisions that may reduce that three-year deferral period. As of November 30, 2016 all deferred compensation is fully vested due to the aforementioned additional tenure related provisions. Deferred balances accrue a 7% rate of interest during the deferral period. For the years ended November 30, 2016, 2015 and 2014, $321, $413 and $386 of interest was accrued and recognized in interest expense, respectively. Incentive compensation that was deferred for the years ended November 30, 2016, 2015 and 2014 was $415, $1,217 and $0, respectively. For the years ended November 30, 2016, 2015 and 2014, $905, $1,773 and $2,776 were recognized as deferred compensation expense, respectively. The deferred amount of the incentive compensation is recognized in compensation and benefits expense on a straight-line basis over the vesting period. As of November 30, 2016 and 2015, there was $0 and $490 of unamortized deferred compensation expense, respectively.

Obligations under Lease Agreements

The Company is the lessee of office spaces located in Greenwich, Connecticut, Los Angeles, California, Irvine, California, Atlanta, Georgia, Chicago, Illinois and the UK. The following table presents minimum future rental payments under these contractual lease obligations as of November 30, 2016:

Years Ending November 30:		
2017	$	663
2018		660
2019		643
2020		529
2021		505
Thereafter		1,388
Total minimum lease payments	$	4,388

18. Subsequent Events

On January 10, 2016, the Company’s wholly-owned subsidiary, JLC WH VII extended the termination date of its master repurchase agreement to July 5, 2017. On January 18, 2017, the Company’s wholly-owned subsidiaries, JLC Warehouse VI terminated its master repurchase agreement in accordance with the terms of the agreement.

The Company has performed an evaluation of events that have occurred subsequent to November 30, 2016 and through January 23, 2017, the date these financial statements were available for release, and has determined that there were no further material subsequent events that occurred during such period requiring recognition and/or disclosure in these financial statements.

TAB 8 – PRICING

Pricing submitted separately in a separate, sealed envelope with disc or USB in **Packet #2**.

Deal Lists. Since January 2014, Jefferies has underwritten 72 transportation issues over $100 million, totaling more than $40 billion in aggregate. Table 22 provides the requested summary information for 30 representative transactions. Senior and co-senior engagements are highlighted in blue.

Table 22. Thirty Representative Tax-Exempt Transportation Issues over $100 Million Since January 1, 2014

Issuer Name	Sale Date	Par ($MM)	Issue Description	Coupon	M/S/F	Role
Triborough Bridge & Tunnel Auth	01/13/17	1,202.975	General Revenue & Refunding Bonds	Fixed	Aa3/AA-/AA-	Co-Manager
Chicago City-Illinois	11/03/16	1,014.335	Gen Airport Sr Lien Rev Ref Bonds	Fixed	NR/A/A	Co-Senior
Metropolitan Transport Auth (MTA)	10/19/16	645.655	Transportation Revenue Ref Bonds	Fixed	A1/AA-/A	Senior
Pennsylvania Turnpike Commission	09/23/16	335.320	Turnpike Sub & Spec Rev Ref Bonds	Fixed	A3/NR/A-	Co-Manager
Central Florida Expressway Au	09/23/16	631.330	Sr Lien Refunding Revenue Bonds	Fixed	A2/A/A	Co-Manager
Metropolitan Transport Auth (MTA)	09/15/16	1,057.430	Hudson Rail Yards Trust Oblig	Fixed	A2/NR/NR	Co-Manager
Connecticut	09/14/16	868.265	Special Tax Oblig & Ref Bonds	Fixed	Aa3/AA/AA-	Co-Manager
Metropolitan Transport Auth (MTA)	07/21/16	863.860	Transportation Revenue Bonds	Fixed, Variable	A1/AA-/A	Co-Manager
Metropolitan Transport Auth (MTA)	06/23/16	625.505	Transportation Revenue Ref Bonds	Fixed	A1/AA-/A	Co-Manager
NE Texas Regional Mobility Au (NETRMA)	05/24/16	124.735	Senior Lien Revenue Bonds	Fixed	Baa2/BBB/NR	Co-Manager
Metropolitan Transport Auth (MTA)	05/20/16	588.305	Dedicated Tax Fd & Ref Bonds	Fixed	NR/AA/AA	Co-Manager
Ctl Texas Reg Mobility Au (CTRMA)	05/12/16	358.030	Senior Lien Revenue Ref Bonds	Fixed	Baa2/BBB+/NR	Co-Manager
North Texas Tollway Auth (NTTA)	05/12/16	987.790	System 1st Tier Revenue Ref Bonds	Fixed	A1/A/NR	Co-Manager
Empire State Development Corp	03/09/16	1,021.609	State PIT Revenue Bonds	Fixed	NR/AAA/AA+	Co-Manager
Metropolitan Transport Auth (MTA)	03/03/16	579.955	Dedicated Tax Fund Ref Bonds	Fixed	NR/AA/AA	Co-Manager
Dallas Area Rapid Transit Auth	02/04/16	482.530	Sr Lien Sales Tax Rev Ref Bonds	Fixed	Aa2/AA+/NR	Co-Manager
Miami-Dade County-Florida	06/10/15	536.840	Aviation Rev & Ref Rev Bonds	Fixed	NR/A/A	Co-Senior
Wisconsin	03/26/15	207.240	Transportation Revenue Ref Bonds	Fixed	Aa2/AA+/AA+	Co-Manager
Massachusetts	12/04/14	347.310	Federal Highway GANs	Fixed	Aa1/AAA/NR	Co-Manager
Illinois State Toll Highway Auth	**11/25/14**	**264.555**	**Toll Highway Senior Rev Bonds**	**Fixed**	Aa3/AA-/AA-	**Co-Senior**
Pennsylvania Turnpike Commission	09/10/14	288.675	Special Obligation Bonds	Fixed	Aaa/NR/NR	Co-Senior
Dallas & Fort Worth Cities-Texas	08/27/14	97.315	Jt Rev Ref & Improvement Bonds	Fixed	NR/A+/A	Senior
Indiana Finance Auth	07/10/14	243.845	Tax-Exempt Private Activity Bonds	Fixed	NR/BBB-/BBB	Co-Senior
Metropolitan Transport Auth (MTA)	06/20/14	500.000	Transportation Revenue Bonds	Fixed	A2/AA-/A	Senior
Missouri Highway & Transport Com	05/21/14	900.990	1st & 2nd Lien Ref St Road Bonds	Fixed	Aaa/AAA/AAA	Co-Senior
Louisiana	04/30/14	121.250	Gas & Fuel Tax 2nd Lien Ref Bonds	Variable	Aa2/AA/AA-	Co-Manager
Wisconsin	03/20/14	339.745	Transportation Revenue Bonds	Fixed	Aa2/AA+/AA+	Senior
Texas Transportation Commission	03/07/14	1,457.795	State Highway Fd Rev & Ref Bonds	Fixed, Variable	Aaa/AAA/NR	Co-Manager
Illinois State Toll Highway Auth	**01/28/14**	**378.720**	**Toll Highway Senior Rev Ref Bonds**	**Fixed**	Aa3/AA-/AA-	**Senior**
NYS Thruway Authority	01/23/14	677.460	General Revenue Bonds	Fixed	A2/A/NR	Co-Manager

Resumes. Below are Jefferies' team resumes for the Tollway.

Investment Banking

KYM ARNONE, ***Managing Director and Joint-Head of Public Finance*** (New York, NY)

[redacted]

NIC MALAS, ***Managing Director and Head of National Transportation Group*** (New York, NY)

[redacted]

JOHN GUST, ***Senior Vice President*** (Los Angeles, CA)

[redacted]

TANYA GEORGE, ***Vice President*** (New York, NY)

[redacted]

ANH NGUYEN, ***Analyst*** (New York, NY)

[redacted]

[redacted]

Underwriting and Credit Strategy

ROY CARLBERG, ***Managing Director and Head of Long-Term Underwriting*** (New York, NY)

[redacted]

J.R. MCDERMOTT, ***Managing Director and Head of Short-Term Underwriting*** (New York, NY)

[redacted]

CINDY ASHMORE, ***Senior Vice President*** (New York, NY)

[redacted]

BETTY INFANTES, ***Senior Vice President*** (New York, NY)

[redacted]

CHRIS WHITE, ***Senior Vice President*** (New York, NY)

[redacted]

[redacted]

COPY

C. Project Title / Reference #22039948: Bond Underwriting Services, RFP #16-0155

The undersigned authorized representative of the identified Offeror hereby submits this Offer to perform in full compliance with the subject solicitation. By completing and signing this Form, the Offeror makes an Offer to the State of Illinois that the State may accept.

Offeror should use this Form as a final check to ensure that all required documents are completed and included with the Offer. Offeror must mark each blank below as appropriate; mark N/A when a section is not applicable to this solicitation. Offeror understands that failure to meet all requirements is cause for disqualification.

C.1. SOLICITATION AND CONTRACT REVIEW: Offeror reviewed the Request for Proposal, including all referenced documents and instructions, completed all blanks, provided all required information, and demonstrated how it will meet the requirements of the State of Illinois.

☒ Yes ☐ No

C.2. ADDENDA: Offeror acknowledges receipt of any and all addenda to the solicitation and has taken those into account in making this Offer.

☒ Yes ☐ No ☐ N/A

C.3. OFFEROR CONFERENCE: If attendance was mandatory, Offeror attended the Offeror's Conference.

☐ Yes ☐ No ☒ N/A

C.4. OFFER SUBMISSION: Offeror is submitting the correct number of copies, in a properly labeled container(s), to the correct location, and by the due date and time.

☒ Yes ☐ No

C.5. FORMS A or FORMS B: Offeror is properly submitting either Forms A or Forms B, but not both.

☒ Yes ☐ No

C.6. BOND: If applicable, Offeror is submitting its Bid Bond or Performance Bond.

☐ Yes ☐ No ☒ N/A

C.7. SMALL BUSINESS SET-ASIDE: Offeror is a qualified small business in the Small Business Set-Aside Program at the time Offers are due.

☐ Yes ☐ No ☒ N/A

C.8. PACKET 1 – SPECIFICATIONS/QUALIFICATIONS/STATEMENT OF WORK

[X] Yes [ ] No

C.8.1	Offeror's Proposed Solution to Meet the State's Requirements	[X] Yes [ ] No
C.8.2	Milestones and Deliverables	[X] Yes [ ] No
C.8.3	Offeror/Staff Specifications	[X] Yes [ ] No
C.8.4	Transportation and Delivery Terms	[ ] Yes [ ] No [X] N/A
C.8.5	Where Services Are to Be Performed	[X] Yes [ ] No [ ] N/A

C.9. PACKET 2 – PRICING

[X] Yes [ ] No

C.10. PACKET 3 – OFFER

[X] Yes [ ] No

C.10.1	Offer	[X] Yes [ ] No
C.10.2	Exceptions to Solicitation Contract Terms and Conditions	[X] Yes [ ] No [ ] N/A
C.10.3	Supplemental Provisions	[X] Yes [ ] No [ ] N/A
C.10.4	Subcontractor Disclosures	[X] Yes [ ] No [ ] N/A
C.10.5	References	[X] Yes [ ] No [ ] N/A

C.11. PACKET 4 – FORMS A

[X] Yes [ ] No

C.11.1	Business and Directory Information	[X] Yes [ ] No
C.11.2	Illinois Department of Human Rights Public Contracts Number	[X] Yes [ ] No
C.11.3	Authorized to do Business in Illinois	[X] Yes [ ] No
C.11.4	Standard Certifications	[X] Yes [ ] No
C.11.5	State Board of Elections	[X] Yes [ ] No
C.11.6	Disclosure of Business Operations in Iran	[X] Yes [ ] No
C.11.7	Financial Disclosures and Conflicts of Interest	[X] Yes [ ] No
C.11.8	Taxpayer Identification Number	[X] Yes [ ] No

C.12. PACKET 4 – FORMS B

☐ Yes ☒ No

C.12.1	Illinois Procurement Gateway Registration # with expiration date	☐ Yes ☐ No
C.12.2	Certifications Timely to this Solicitation	☐ Yes ☐ No
C.12.3	Replacement Certification to IPG Certification #6 (supersedes response in IPG)	☐ Yes ☐ No
C.12.4	Disclosure of Lobbyists for Bidder and parent entity(ies)	☐ Yes ☐ No
C.12.5	Disclosure of current and pending contract	☐ Yes ☐ No
C.12.6	Signature	☐ Yes ☐ No
C.12.7	Taxpayer Identification Number	☐ Yes ☐ No

C.13. PACKET 5 – REDACTED OFFER

☐ Yes ☒ No

C.14. PACKET 6 – BEP UTILIZATION PLAN

C.14.1	Does this solicitation contain a BEP goal?	☐ Yes ☒ No
C.14.2	Minorities, Females, Persons with Disabilities Participation and Utilization Plan	☐ Yes ☒ No ☐ N/A

C.15. PACKET 7 – VSB UTILIZATION PLAN

C.15.1	Does this solicitation contain a VSB goal?	☐ Yes ☒ No
C.15.2	Veteran Small Business Participation and Utilization Plan	☐ Yes ☒ No ☐ N/A

C.16. PREFERENCES

The Illinois Procurement Code provides various preferences to promote business opportunities in Illinois.

Does Offeror make any claims for preferences? If so, please mark the applicable preference(s) and include a listing of the items that qualify for the preference at the end of this Section and a description of why the preference applies. Agency reserves the right to determine whether the preference indicated applies to Offeror.

☐ Resident Bidder (30 ILCS 500/45-10).

☐ Soybean Oil-Based Ink (30 ILCS 500/45-15).

☐ Recycled Materials (30 ILCS 500/45-20).

☐ Recycled Paper (30 ILCS 500/45-25).

☐ Environmentally Preferable Supplies (30 ILCS 500/45-26).

☐ Correctional Industries (30 ILCS 500/45-30).

☐ Sheltered Workshops for the Severely Handicapped (30 ILCS 500/45-35).

☐ Gas Mileage (30 ILCS 500/45-40).

☐ Small Businesses (30 ILCS 500/45-45).

☐ Illinois Agricultural Products (30 ILCS 500/45-50).

☐ Corn-Based Plastics (30 ILCS 500/45-55).

☐ Disabled Veterans (30 ILCS 500/45-57).

☐ Vehicles Powered by Agricultural Commodity-Based Fuel (30 ILCS 500/45-6)

☐ Biobased Products (30 ILCS 500/45-75).

☐ Historic Preference Area (30 ILCS 500/45-80).

☐ Procurement of Domestic Products (30 ILCS 517).

☐ Public Purchases in Other States (30 ILCS 520).

☐ Illinois Mined Coal (30 ILCS 555).

☐ Steel Products Procurement (30 ILCS 565).

☐ Business Enterprise for Minorities, Females, and Persons with Disabilities Act (30 ILCS 575).

☐ Veterans Preference (330 ILCS 55).

Items that Qualify and Explanation: N/A [redacted]

Signature of Authorized Representative: [redacted]

Printed Name of Signatory: Nic Malas

Offeror's Name: Jefferies LLC

Date: 2/1/2017

STATE OF ILLINOIS
EXCEPTIONS TO SOLICITATION AND CONTRACT TERMS AND CONDITIONS

G. Jefferies LLC agrees with the terms and conditions set forth in the State of Illinois Request for Proposal (Reference Number: #22039948), including the standard terms and conditions, Illinois Tollway's supplemental provisions, certifications, and disclosures, with the following exceptions:

	Excluding certifications required by statute to be made by the Offeror, both Parties agree that all of the duties and obligations that the Offeror owes to Tollway for the work performed shall be pursuant to the solicitation, resulting contract, and Offeror's exceptions accepted by the State thereto as set forth below.
	STANDARD TERMS AND CONDITIONS
Section/ Subsection #	State the exception such as "add," "replace," and/or "delete."
3.F.2	PAYMENT TERMS AND CONDITIONS - Please note that as an underwriter of the State's municipal securities, the Vendor will not be paid pursuant to the Standard Terms and Conditions. Instead, payment to the Vendor will be controlled by and will occur pursuant to the bond purchase agreement.
3.F.9	CONFIDENTIAL INFORMATION - While we aware of the obligation to preserve confidentiality, if we are underwriting or placing a deal, we cannot – at the same time – be under an obligation to preserve confidentiality, as that may compromise our ability to comply with securities disclosure laws, among other things. To address that concern, please add the following at the end of the paragraph:
	"In connection with any offering of securities by the State of Illinois or the Illinois Tollway Authority or its affiliates in which Vendor is involved as an underwriter, agent, dealer or similar participant, nothing in this contract shall (i) prevent Vendor from complying with all applicable disclosure laws, regulations and principles in connection with such offering, (ii) restrict the ability of Vendor to consider information for due diligence purposes or share information with other underwriters,
	agents or dealers participating in such offering, (iii) prevent Vendor from retaining documents or other information in connection with due diligence, or (iv) prevent Vendor from using any such documents or other information in investigating or defending itself against claims made or threatened by purchasers, regulatory authorities or others in connection with such offering.
3.F.11	INDEMNIFICATION - The indemnification provision in the Standard Terms and Conditions is not typical for standard provisions used in municipal bond underwritings. This existing provision includes breaches of representation, death or injury to person or property and violations of intellectual property. In
	municipal bond underwritings, the indemnification is typically focused on damages caused by statements or omissions in the disclosure documents. Would you consider revising the indemnification provision?
	ADDITIONAL OFFEROR PROVISIONS
New Provision(s), # et. seq.	**Section/Subsection New Number, Title of New Subsection:** State the new additional term or condition. **NO EXCEPTIONS REQUESTED**

By: Jefferies LLC

Signed: [redacted]

Position: Managing Director

Date: February 1, 2017

STATE OF ILLINOIS
STATE SUPPLEMENTAL PROVISIONS

H.1. State Supplemental Provisions:

☐ Illinois Tollway Definitions

Click here to enter text.

☐ Required Federal Clauses, Certifications and Assurances

Click here to enter text.

☐ American Recovery and Reinvestment Act of 2009 (ARRA) Requirements

Click here to enter text.

☐ Public Works Requirements (construction and maintenance of a public work) 820 ILCS 130/4.

Click here to enter text.

☐ Prevailing Wage (janitorial cleaning, window cleaning, building and grounds, site technician, natural resources, food services, security services, and printing, if valued at more than $200 per month or $2,000 per year) 30 ILCS 500/25-60.

Click here to enter text.

☐ Illinois Tollway Specific Terms and Conditions

Click here to enter text.

☐ Other (describe)

Click here to enter text.

1.1 TOLLWAY SUPPLEMENTAL PROVISIONS:

☐ Definitions

☐ Required Federal Clauses, Certifications and Assurances

☐ ARRA Requirements (American Recovery and Reinvestment Act of 2009)

☐ Public Works Requirements <u>(construction and maintenance of a public work)</u> (820 ILCS 130/4)

☐ Prevailing Wage (janitorial cleaning, window cleaning, building and grounds, site technician, natural resources, food services, and security services, if valued at more than $200 per month or $2000 per year (30 ILCS 500/25-60)

☐ Prevailing Wage (all printing contracts) (30 ILCS 500/25-60)

☐ BEP Subcontracting Requirements (Utilization Plan and Letter of Intent)

☒ PAYMENT OF TOLLS: The Vendor shall be required to pay the full amount of tolls, if any, incurred by it during the duration of the contract. Said tolls will not be refunded by the Illinois Tollway. Furthermore, in the event that a final determination is made by the Illinois Tollway that the Contractor has failed to pay any required tolls and associated fines, the Illinois Tollway is authorized to take steps necessary to withhold the amounts of the unpaid tolls and fines from any payment due the contractor by the Illinois Tollway and/or other Tollway of Illinois office, department, commission, board or agency.

1.2 AGENCY SUPPLEMENTAL TERMS AND CONDITIONS:

1.2.1 Order of Precedence:
This contract Request for Proposal (RFP), taken together, comprises the Contract between the parties. With respect to any inconsistency or conflict among these documents the following order of precedence shall prevail:

1. This Contract
2. The RFP
3. Other submissions received after the initial proposal as part of the renegotiation process, if applicable and agreed upon

1.2.2 Agents and Employees:
Vendor shall be responsible for the negligent acts and omissions of its agents, employees and if applicable, subcontractors in their performance of Vendor's duties under this Contract. Vendor represents that it shall utilize the services of individuals skilled in the profession for which they will be used in performing services or supplying goods hereunder. In the event that the Tollway/Buyer determines that any individual performing services or supplying goods for Vendor hereunder is not providing such skilled services or delivery of goods, it shall promptly notify the Vendor and the Vendor shall replace that individual.

1.2.3 Publicity:
Vendor shall not, in any advertisement or any other type of solicitation for business, state, indicate or otherwise imply that it is under contract to the Tollway/Buyer nor shall the Tollway/Buyer's name be used in any such advertisement or solicitation without prior written approval except as required by law.

1.2.4 Consultation:
Vendor shall keep the Tollway/Buyer fully informed as to the progress of matters covered by this Contract. Where time permits and Vendor is not otherwise prohibited from so doing, Vendor shall offer the Tollway/Buyer the opportunity to review relevant documents prior to filing with any public body or adversarial party.

1.2.5 Third Party Beneficiaries:
There are no third party beneficiaries to this Contract. This Contract is intended only to benefit the Tollway/Buyer and the Vendor.

1.2.6 Successors In Interest:
All the terms, provisions, and conditions of the Contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives.

1.2.7 Vendor's Termination Duties**:**
The Vendor, upon receipt of notice of termination or upon request of the Tollway/Buyer, shall:

1.2.7.1 Cease work under this Contract and take all necessary or appropriate steps to limit disbursements and minimize costs, and furnish a report within thirty (30) days of the date of notice of termination, describing the status of all work under the Contract, including, without limitation, results accomplished, conclusions resulting there from, any other matters the Tollway/Buyer may require;

1.2.7.2 Immediately cease using and return to the Tollway/Buyer any personal property or materials, whether tangible or intangible, provided by the Tollway/Buyer to the Vendor;

1.2.7.3 Comply with the Tollway/Buyer's instructions for the timely transfer of any active files and work product produced by the Vendor under this Contract;

1.2.7.4 Cooperate in good faith with the Tollway/Buyer, its employees, agents and contractors during the transition period between the notification of termination and the substitution of any replacement contractor;

1.2.7.5 Immediately return to the Tollway/Buyer any payments made by the Tollway/Buyer for services that were not rendered by the Vendor.

1.3 OVERTIME:

If overtime is contemplated and provided for in this contract, all work performed by Vendor at overtime rates shall be pre-approved by the Tollway/Buyer.

1.4 VENUE AND ILLINOIS LAW:

Any claim against the Tollway arising out of this contract must be filed exclusively with Circuit Court for the Eighteenth Judicial Circuit, DuPage County, Illinois for State claims and the U.S. District Court for the Northern District of Illinois for Federal claims.

1.4.1 Whenever "State" is used or referenced in this Contract, it shall be interpreted to mean the Illinois State Toll Highway Authority.

1.4.2 The State Prompt Payment Act (30 ILCS 40) does not apply to the Tollway. Therefore, the first two sentences of paragraph 2.1 are deleted.

1.4.3. The Tollway is not currently an appropriated agency. Therefore, to the extent paragraph 1.5 concerns the Tollway being an appropriated agency, it does not apply.

1.4.4. The invoice submission deadline included in the second sentence of above paragraph 2.6 does not apply to the Tollway. Therefore, the second sentence of this paragraph is stricken. However, the remainder of the paragraph remains in effect.

1.5 REPORT OF A CHANGE IN CIRCUMSTANCES:

The (Contractor/Vendor) agrees to report to the TOLLWAY as soon as practically possible, but no later than 21 days following any change in facts or circumstances that might impact the (CONTRACTOR/VENDOR)'s ability to satisfy its legal or contractual responsibilities and obligations under this contract. Required reports include, but are not limited to changes in the (CONTRACTOR/VENDOR)'s Certification/Disclosure Forms, the (CONTRACTOR/VENDOR)'s IDOT pre-qualification, or any certification or licensing required for this project. Additionally, (CONTRACTOR/VENDOR) agrees to report to the Tollway within the above timeframe any arrests, indictments, convictions or other matters involving the (CONTRACTOR/VENDOR), or any of its principals, that might occur while this contract is in effect. This reporting requirement does not apply to common offenses, including but not limited to minor traffic/vehicle offenses.

Further, the (CONTRACTOR/VENDOR) agrees to incorporate substantially similar reporting requirements into the terms of any and all subcontracts relating to work performed under this agreement. The (CONTRACTOR/VENDOR) agrees to forward or relay to the Tollway any reports received from subcontractors pursuant to this paragraph within 21 days.

Finally, the (CONTRACTOR/VENDOR) acknowledges and agrees that the failure of the (CONTRACTOR/VENDOR) to comply with this reporting requirement shall constitute a material breach of contract which may result in this contract being declared void.

STATE OF ILLINOIS
SUBCONTRACTOR DISCLOSURE

I.1. Will subcontractors be utilized? ☐ Yes ☒ No

A subcontractor is a person or entity that enters into a contractual agreement with a total value of $50,000 or more with a person or entity who has a contract subject to the Illinois Procurement Code pursuant to which the person or entity provides some or all of the goods, services, real property, remuneration, or other monetary forms of consideration that are the subject of the primary State contract, including subleases from a lessee of a State contract.

All contracts with subcontractors must include Standard Certifications completed and signed by the subcontractor.

I.2. The maximum percentage of the goods or services that are the subject of this Offer and the resulting contract that may be subcontracted is Click here to enter text..

I.3. Please identify below subcontracts with an annual value of $50,000 or more that will be utilized in the performance of the contract, the names and addresses of the subcontractors, and a description of the work to be performed by each.

- Subcontractor Name: Click here to enter text.

  Anticipated/Estimated Amount to Be Paid: Click here to enter text.

  Address: Click here to enter text.

  Description of Work: Click here to enter text.

- Subcontractor Name: Click here to enter text.

  Anticipated/Estimated Amount to Be Paid: Click here to enter text.

  Address: Click here to enter text.

  Description of Work: Click here to enter text.

If additional space is necessary to provide subcontractor information, please attach an additional page.

I.4. For the subcontractors identified above, the Offeror must provide each subcontractor's Financial Disclosures and Conflicts of Interest to the State.

I.5. If the subcontractor is registered in the Illinois Procurement Gateway (IPG) and the Offeror is using the subcontractor's Standard Certifications or Financial Disclosures and Conflicts of Interest from the IPG, then the Offeror must also provide a completed Forms B for the subcontractor.

STATE OF ILLINOIS
REFERENCES

Provide references from established firms or government agencies (Click here to enter text.) other than the procuring agency/university that can attest to Offeror's experience and ability to perform the contract that is the subject of this solicitation.

J.1. Firm/Government Agency/University (name): North Texas Tollway Authority

Contact Person (name, title, email address, address, and phone):
Dana Boone, Director of Cash and Debt Management, dgibsonboone@ntta.org, 5900 W. Plano Parkway #100, Plano TX 75093, 214.451.2019
Date of Supplies/Services Provided: 2008 to date

Type of Supplies/Services Provided: Bond Underwriting Services

J.2. Firm/Government Agency/University (name): Pennsylvania Turnpike Commission

Contact Person (name, title, email address, address, and phone):
Nikolaus Grieshaber, CFO, ngriesha@paturnpike.com, PO Box 67676, Harrisburg PA 17106, 717.939.9551
Date of Supplies/Services Provided: 2002 to date

Type of Supplies/Services Provided: Bond Underwriting Services

J.3. Firm/Government Agency/University (name): Texas Department of Transportation

Contact Person (name, title, email address, address, and phone):
Jennifer Wright, Project Finance and Debt Program Manager, jennifer.wright@txdot.gov, 125 E. 11th Street, Austin TX 78701
Date of Supplies/Services Provided:2009 to date

Type of Supplies/Services Provided: Bond Underwriting Services

J.4. Firm/Government Agency/University (name): N/A - only 3 references requested.

Contact Person (name, title, email address, address, and phone): Click here to enter text.

Date of Supplies/Services Provided: Click here to enter text.

Type of Supplies/Services Provided: Click here to enter text.

Offeror Name: Jefferies LLC

Return Mailing Address: 520 Madison Ave, New York New York 10022

STATE OF ILLINOIS
FORMS A

COPY

A vendor responding to a solicitation by the State of Illinois must return the information requested within this section with their bid or offer if they are not registered in the Illinois Procurement Gateway (IPG). Failure to do so may render their bid or offer non-responsive and result in disqualification.

Please read this entire Forms A and provide the requested information as applicable and per the instructions. All forms and signature areas contained in this Forms A must be completed in full and submitted along with the bid in an Invitation for Bid; and completed in full and submitted along with the technical response and price proposal, which combined will constitute the Offer, in a Request for Proposal.

Vendor Name: Jefferies LLC	Phone: 212.336.7421
Street Address: 520 Madison Avenue	Email: nmalas@jefferies.com
City, State Zip: New York, NY 10022	Vendor Contact: Nic Malas

In compliance with the State and Federal Constitutions, the Illinois Human Rights Act, the U.S. Civil Rights Act, and Section 504 of the Federal Rehabilitation Act, the State of Illinois does not discriminate in employment, contracts, or any other activity.

The State of Illinois encourages prospective vendors to consider hiring qualified veterans and Illinois residents discharged from any Illinois adult correctional center, in appropriate circumstances.

OUTLINE

FORMS A

Complete this section if you are not using an IPG (Illinois Procurement Gateway) Registration #

Part

Business and Directory Information .... 1.

Illinois Department of Human Rights Public Contracts Number .... 2.

Authorized to Do Business in Illinois .... 3.

Standard Certifications .... 4.

State Board of Elections .... 5.

Disclosure of Business Operations in Iran .... 6.

Financial Disclosures and Conflicts of Interest .... 7.

Taxpayer Identification Number .... 8.

STATE OF ILLINOIS
BUSINESS AND DIRECTORY INFORMATION

1.1. Name of Business (official name and DBA)

Jefferies LLC

1.2. Business Headquarters (address, phone and fax)

520 Madison Avenue, New York NY 10022

212.336.7421

646.417.6232

1.3. If a Division or Subsidiary of another organization provide the name and address of the parent

Jefferies Group LLC (parent)

1.4. Billing Address

520 Madison Avenue

New York, NY 10022

1.5. Name of Chief Executive Officer

Richard Handler

1.6. Company Web Site Address

www.jefferies.com

1.7. Type of Organization (sole proprietor, corporation, etc.--should be same as on Taxpayer ID form below)

LLC

1.8. Length of time in business

53 years

1.9. Annual Sales for Offeror's most recently completed fiscal year

$2.415 billion net revenues

1.10. Show number of full-time employees, on average, during the most recent fiscal year

3,300

1.11. Is your company at least 51% owned and controlled by individuals in one of the following categories? If "Yes," please check the category that applies:

1.11.1. Minority (30 ILCS 575/2(A)(1) & (3)) ☐ Yes

1.11.2. Female (30 ILCS 575/2(A)(2) & (4)) ☐ Yes

1.11.3. Person with Disability (30 ILCS 575/2(A)(2.05) & (2.1)) ☐ Yes

1.11.4. Disadvantaged (49 CFR 26) ☐ Yes

1.11.5. Veteran (30 ILCS 500/45-57) ☐ Yes

STATE OF ILLINOIS

ILLINOIS DEPARTMENT OF HUMAN RIGHTS PUBLIC CONTRACT NUMBER

2.1. If Offeror employed fifteen or more full-time employees at the time of submission of their response to this solicitation or any time during the previous 365-day period leading up to submission, it must have a current IDHR Public Contract Number or have proof of having submitted a completed application for one **prior** to the solicitation opening date. 775 ILCS 5/2-101. If the Agency/University cannot confirm compliance, it will not be able to consider a Vendor's bid or offer. Please complete the appropriate sections below:

Name of Company (and DBA): Jefferies LLC.

☐ (check if applicable) The number is not required as the company has not met or exceeded the number of employees that makes registration necessary under the requirements of the Human Rights Act described above.

IDHR Public Contracts Number: 13592600 Expiration Date: 5/31/2018.

2.2. If number has not yet been issued, provide the date a completed application for the number was submitted to IDHR: Click here to enter text..

2.3. Upon expiration and until their Contractor Identification Number is renewed, companies will not be eligible to be awarded contracts by the State of Illinois or other jurisdictions that require a current IDHR number as a condition of contract eligibility. 44 ILL. ADM. CODE 750.210(a).

2.4. Numbers issued by the Department of Human Rights (or its predecessor agency, the Illinois Fair Employment Practices Commission) prior to July 1, 1998 are no longer valid. This affects numbers below 89999-00-0. Valid numbers begin with 900000-00-0.

2.5. If Offeror's organization holds an expired number, it must re-register with the Department of Human Rights.

2.6. Offeror may obtain an application form by:

2.6.1. Telephone: Call the IDHR Public Contracts Unit at (312) 814-2431 between Monday and Friday, 8:30 AM - 5:00 PM, CST. (TDD (312) 263-1579).

2.6.2. Internet: You may download the form from the Department of Human Rights' website at (http://www2.illinois.gov/dhr/PublicContracts/Pages/default.aspx).

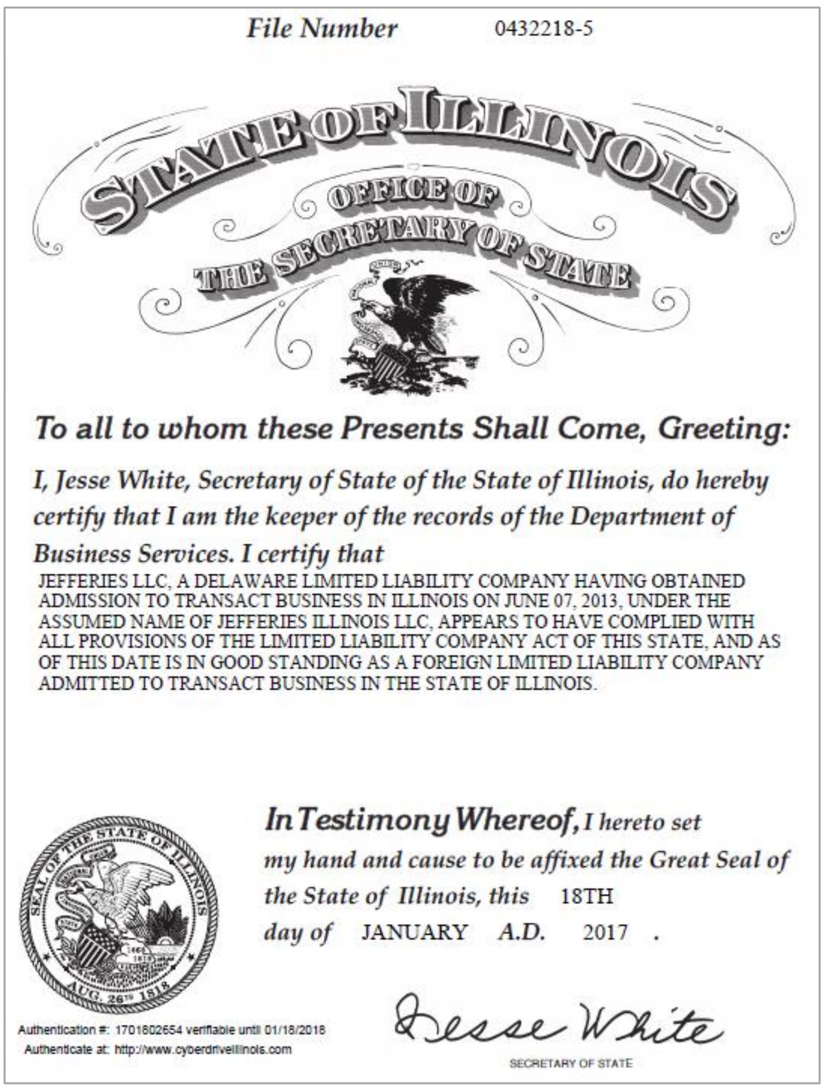
2.6.3. Mail: Write to the Department of Human Rights, Public Contracts Unit, 100 West Randolph Street, Suite 10-100, Chicago, IL 60601**.**

3. A person, other than an individual acting as a sole proprietor, must be a duly constituted legal entity and authorized to transact business or conduct affairs in Illinois prior to submitting an offer. 30 ILCS 500/20-43. Offerors must review and complete certification #4.32 in the Standard Certifications found in Forms A, Part 4.

   Certification #4.32 requires Vendor to check one of two boxes representing its status. The State may request evidence from a vendor that certifies it is authorized to do business in Illinois proving such authorization. Failure to produce evidence in a timely manner may be considered grounds for determining Vendor non-responsive or not responsible.

   For information on registering to transact business or conduct affairs in Illinois, please visit the Illinois Secretary of State's Department of Business Services at their website at
   (http://cyberdriveillinois.com/departments/business_services/home.html) or your home county clerk.

EVIDENCE OF BEING AUTHORIZED TO TRANSACT BUSINESS OR CONDUCT AFFAIRS IS THE SECRETARY OF STATE'S CERTIFICATE OF GOOD STANDING



File Number 0432218-5

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

JEFFERIES LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON JUNE 07, 2013, UNDER THE ASSUMED NAME OF JEFFERIES ILLINOIS LLC, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 18TH *day of* JANUARY *A.D.* 2017 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1701802654 verifiable until 01/18/2018
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

Vendor acknowledges and agrees that compliance with this subsection in its entirety for the term of the contract and any renewals is a material requirement and condition of this contract. By executing this contract Vendor certifies compliance with this subsection in its entirety, and is under a continuing obligation to remain in compliance and report any non-compliance.

This subsection, in its entirety, applies to subcontractors used on this contract. Vendor shall include these Standard Certifications in any subcontract used in the performance of the contract using the Standard Certification form provided by the State.

If this contract extends over multiple fiscal years, including the initial term and all renewals, Vendor and its subcontractors shall confirm compliance with this section in the manner and format determined by the State by the date specified by the State and in no event later than July 1 of each year that this contract remains in effect.

If the Parties determine that any certification in this section is not applicable to this contract it may be stricken without affecting the remaining subsections.

4.1. As part of each certification, Vendor acknowledges and agrees that should Vendor or its subcontractors provide false information, or fail to be or remain in compliance with the Standard Certification requirements, one or more of the following sanctions will apply:

- the contract may be void by operation of law,
- the State may void the contract, and
- the Vendor and it subcontractors may be subject to one or more of the following: suspension, debarment, denial of payment, civil fine, or criminal penalty.

Identifying a sanction or failing to identify a sanction in relation to any of the specific certifications does not waive imposition of other sanctions or preclude application of sanctions not specifically identified.

4.2. Vendor certifies it and its employees will comply with applicable provisions of the United States Civil Rights Act, Section 504 of the Federal Rehabilitation Act, the Americans with Disabilities Act, and applicable rules in performance of this contract.

4.3. Vendor, if an individual, sole proprietor, partner or an individual as member of a LLC, certifies he/she is not in default on an educational loan. 5 ILCS 385/3.

4.4. Vendor, if an individual, sole proprietor, partner or an individual as member of a LLC, certifies it he/she has not received (i) an early retirement incentive prior to 1993 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code or (ii) an early retirement incentive on or after 2002 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code. 30 ILCS 105/15a; 40 ILCS 5/14-108.3; 40 ILCS 5/16-133.

4.5. Vendor certifies that it is a legal entity authorized to do business in Illinois prior to submission of a bid, offer, or proposal. 30 ILCS 500/1-15.80, 20-43.

4.6. To the extent there was a current Vendor providing the services covered by this contract and the employees of that Vendor who provided those services are covered by a collective bargaining agreement, Vendor certifies (i) that it will offer to assume the collective bargaining obligations of the prior employer, including any existing collective bargaining agreement with the bargaining representative of any existing collective bargaining unit or units performing substantially similar work to the services covered by the contract subject to its bid or offer; and (ii) that it shall offer employment to all employees currently employed in any existing bargaining unit who perform substantially similar work to the work that will be performed pursuant to this contract. This does not apply to heating, air conditioning, plumbing and electrical service contracts. 30 ILCS 500/25-80.

4.7. Vendor certifies it has neither been convicted of bribing or attempting to bribe an officer or employee of the State of Illinois or any other State, nor made an admission of guilt of such conduct that is a matter of record. 30 ILCS 500/50-5.

4.8. If Vendor has been convicted of a felony, Vendor certifies at least five years have passed after the date of completion of the sentence for such felony, unless no person held responsible by a prosecutor's office for the facts upon which the conviction was based continues to have any involvement with the business. 30 ILCS 500/50-10.

4.9. If Vendor or any officer, director, partner, or other managerial agent of Vendor has been convicted of a felony under the Sarbanes-Oxley Act of 2002, or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953, Vendor certifies at least five years have passed since the date of the conviction. Vendor further certifies that it is not barred from being awarded a contract and acknowledges that the State shall declare the contract void if this certification is false. 30 ILCS 500/50-10.5.

4.10. Vendor certifies it is not barred from having a contract with the State based upon violating the prohibitions related to either submitting/writing specifications or providing assistance to an employee of the State of Illinois by reviewing, drafting, directing, or preparing any invitation for bids, a request for proposal, or request of information, or similar assistance (except as part of a public request for such information). 30 ILCS 500/50-10.5(e), *amended* by Pub. Act No. 97-0895 (August 3, 2012).

4.11. Vendor certifies that it and its affiliates are not delinquent in the payment of any debt to the State (or if delinquent has entered into a deferred payment plan to pay the debt), and Vendor and its affiliates acknowledge the State may declare the contract void if this certification is false or if Vendor or an affiliate later becomes delinquent and has not entered into a deferred payment plan to pay off the debt. 30 ILCS 500/50-11, 50-60.

4.12. Vendor certifies that it and all affiliates shall collect and remit Illinois Use Tax on all sales of tangible personal property into the State of Illinois in accordance with provisions of the Illinois Use Tax Act and acknowledges that failure to comply may result in the contract being declared void. 30 ILCS 500/50-12.

4.13. Vendor certifies that it has not been found by a court or the Pollution Control Board to have committed a willful or knowing violation of the Environmental Protection Act within the last five years, and is therefore not barred from being awarded a contract. 30 ILCS 500/50-14.

4.14. Vendor certifies it has neither paid any money or valuable thing to induce any person to refrain from bidding on a State contract, nor accepted any money or other valuable thing, or acted upon the promise of same, for not bidding on a State contract. 30 ILCS 500/50-25.

4.15. Vendor certifies it is not in violation of the "Revolving Door" provisions of the Illinois Procurement Code. 30 ILCS 500/50-30.

4.16. Vendor certifies that it has not retained a person or entity to attempt to influence the outcome of a procurement decision for compensation contingent in whole or in part upon the decision or procurement. 30 ILCS 500/50-38.

4.17. Vendor certifies that if it has hired a person required to register under the Lobbyist Registration Act to assist in obtaining any State contract, that none of the lobbyist's costs, fees, compensation, reimbursements, or other remuneration were billed to the State. 30 ILCS 500\50-38.

4.18. Vendor certifies it will report to the Illinois Attorney General and the Chief Procurement Officer any suspected collusion or other anti-competitive practice among any bidders, offerors, contractors, proposers, or employees of the State. 30 ILCS 500/50-40, 50-45, 50-50.

4.19. Vendor certifies steel products used or supplied in the performance of a contract for public works shall be manufactured or produced in the United States, unless the executive head of the procuring Agency/University grants an exception. 30 ILCS 565.

4.20. Drug Free Workplace

4.20.1. If Vendor employs 25 or more employees and this contract is worth more than $5,000, Vendor certifies it will provide a drug free workplace pursuant to the Drug Free Workplace Act.

4.20.2. If Vendor is an individual and this contract is worth more than $5000, Vendor certifies it shall not engage in the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance during the performance of the contract. 30 ILCS 580.

4.21. Vendor certifies that neither Vendor nor any substantially owned affiliate is participating or shall participate in an international boycott in violation of the U.S. Export Administration Act of 1979 or the applicable regulations of the United States. Department of Commerce. 30 ILCS 582.

4.22. Vendor certifies it has not been convicted of the offense of bid rigging or bid rotating or any similar offense of any state or of the United States. 720 ILCS 5/33 E-3, E-4.

4.23. Vendor certifies it complies with the Illinois Department of Human Rights Act and rules applicable to public contracts, which include providing equal employment opportunity, refraining from unlawful discrimination, and having written sexual harassment policies. 775 ILCS 5/2-105.

4.24. Vendor certifies it does not pay dues to or reimburse or subsidize payments by its employees for any dues or fees to any "discriminatory club." 775 ILCS 25/2.

4.25. Vendor certifies that no foreign-made equipment, materials, or supplies furnished to the State under the contract have been or will be produced in whole or in part by forced labor or indentured labor under penal sanction. 30 ILCS 583.

4.26. Vendor certifies that no foreign-made equipment, materials, or supplies furnished to the State under the contract have been produced in whole or in part by the labor of any child under the age of 12. 30 ILCS 584.

4.27. Vendor certifies that any violation of the Lead Poisoning Prevention Act, as it applies to owners of residential buildings, has been mitigated. 410 ILCS 45.

4.28. Vendor warrants and certifies that it and, to the best of its knowledge, its subcontractors have and will comply with Executive Order No. 1 (2007). The Order generally prohibits Vendors and subcontractors from hiring the then-serving Governor's family members to lobby procurement activities of the State, or any other unit of government in Illinois including local governments if that procurement may result in a contract valued at over $25,000. This prohibition also applies to hiring for that same purpose any former State employee who had procurement authority at any time during the one-year period preceding the procurement lobbying activity.

4.29. Vendor certifies that information technology, including electronic information, software, systems and equipment, developed or provided under this contract comply with the applicable requirements of the Illinois Information Technology Accessibility Act Standards as published at (www.dhs.state.il.us/iitaa) 30 ILCS 587.

4.30. Vendor certifies that it has read, understands, and is in compliance with the registration requirements of the Elections Code (10 ILCS 5/9-35) and the restrictions on making political contributions and related requirements of the Illinois Procurement Code. 30 ILCS 500/20-160 and 50-37. Vendor will not make a political contribution that will violate these requirements.

In accordance with section 20-160 of the Illinois Procurement Code, Vendor certifies as applicable:

☐ Vendor is not required to register as a business entity with the State Board of Elections.

or

☒ Vendor has registered with the State Board of Elections. As a registered business entity, Vendor acknowledges a continuing duty to update the registration as required by the Act.

4.31. Vendor certifies that if it is awarded a contract through the use of the preference required by the Procurement of Domestic Products Act, then it shall provide products pursuant to the contract or a subcontract that are manufactured in the United States. 30 ILCS 517.

4.32. A person (other than an individual acting as a sole proprietor) must be a duly constituted legal entity and authorized to transact business or conduct affairs in Illinois prior to submitting a bid or offer. 30 ILCS 500/20-43. If you do not meet these criteria, then your bid or offer will be disqualified.

Vendor must make one of the following two certifications by checking the appropriate box.

A. ☐ Vendor certifies it is an individual acting as a sole proprietorand is therefore not subject to the requirements of section 20-43 of the Procurement Code.

B. ☒ Vendor certifies that it is a legal entity, and was authorized to transact business or conduct affairs in Illinois as of the date for submitting this bid or offer. The State may require Vendor to provide evidence of compliance before award.

4.33. Vendor certifies that, for the duration of this contract it will:

- post its employment vacancies in Illinois and border states on the Department of Employment Security's IllinoisJobLink.com website or its successor system; or
- will provide an online link to these employment vacancies so that this link is accessible through the IllinoisJobLink.com website it successor system; or
- is exempt from 20 ILCS 1005/1005-47 because the contract is for construction-related services as that term is defined in section 1-15.20 of the Procurement Code; or the contract is for construction and vendor is a party to a contract with a bona fide labor organization and performs construction. (20 ILCS 1005/1005-47).

5. Section 50-37 of the Illinois Procurement Code prohibits political contributions of certain vendors, bidders and offerors. Additionally, section 9-35 of the Illinois Election Code governs provisions relating to reporting and making contributions to state officeholders, declared candidates for State offices and covered political organizations that promote the candidacy of an officeholder or declared candidate for office. The State may declare any resultant contract void if these Acts are violated.

   Generally, if a vendor, bidder, or offeror is an entity doing business for profit (i.e. sole proprietorship, partnership, corporation, limited liability company or partnership, or otherwise) and has contracts with State agencies that annually total more than $50,000 or whose aggregate pending bids or proposals and current State contracts that total more than $50,000, the vendor, bidder, or offeror is prohibited from making political contributions and must register with the State Board of Elections. 30 ILCS 500/20-160.

EVIDENCE OF REGISTRATION WITH THE STATE BOARD OF ELECTIONS
IS THE CERTIFICATE OF REGISTRATION


Certificate of Registration

STATE BOARD OF ELECTIONS

Registration No. 12230

Jefferies LLC
520 Madison Avenue
New York NY 10022

Information for this business last updated on:
Thursday, December 1, 2016

Certificate produced on Tuesday, January 24, 2017 at 10:04 AM

STATE OF ILLINOIS
DISCLOSURE OF BUSINESS OPERATIONS WITH IRAN

6. In accordance with 30 ILCS 500/50-36, each bid, offer, or proposal submitted for a State contract, other than a small purchase defined in Section 20-20 of the Illinois Procurement Code, will include a disclosure of whether or not the bidder, offeror, or proposing entity, or any of its corporate parents or subsidiaries, within the 24 months before submission of the bid, offer, or proposal had business operations that involved contracts with or provision of supplies or services to the Government of Iran, companies in which the Government of Iran has any direct or indirect equity share, consortiums or projects commissioned by the Government of Iran and:

   - more than 10% of the company's revenues produced in or assets located in Iran involve oil-related activities or mineral-extraction activities; less than 75% of the company's revenues produced in or assets located in Iran involve contracts with or provision of oil-related or mineral – extraction products or services to the Government of Iran or a project or consortium created exclusively by that Government; and the company has failed to take substantial action; or

   - the company has, on or after August 5, 1996, made an investment of $20 million or more, or any combination of investments of at least $10 million each that in the aggregate equals or exceeds $20 million in any 12- month period that directly or significantly contributes to the enhancement of Iran's ability to develop petroleum resources of Iran.

   A bid or offer that does not include this disclosure may be given a period after the bid or offer is submitted to cure non-disclosure. A chief procurement officer may consider the disclosure when evaluating the bid or offer or awarding the contract.

   ☒ There are no business operations that must be disclosed to comply with the above cited law.

   ☐ The following business operations are disclosed to comply with the above cited law:

   Click here to enter text.

STATE OF ILLINOIS
FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

The Financial Disclosures and Conflicts of Interest form ("form") must be accurately completed and submitted by the vendor, parent entity(ies), and subcontractors. There are **nine** steps to this form and each must be completed as instructed in the step heading and within the step. A bid or offer that does not include this form shall be considered non-responsive. The Agency/University will consider this form when evaluating the bid or offer or awarding the contract.

The requirement of disclosure of financial interests and conflicts of interest is a continuing obligation. If circumstances change and the disclosure is no longer accurate, then disclosing entities must provide an updated form.

Separate forms are required for the vendor, parent entity(ies), and subcontractors.

This disclosure is submitted for:

☒ Vendor

☐ Vendor's Parent Entity(ies) (100% ownership)

☐ Subcontractor(s) >$50,000 (annual value)

☐ Subcontractor's Parent Entity(ies) (100% ownership) > $50,000 (annual value)

Project Name	Bond Underwriting Services
Illinois Procurement Bulletin Number	22039948
Contract Number	16-0155
Vendor Name	Jefferies LLC
Doing Business As (DBA)	Click here to enter text.
Disclosing Entity	Jefferies LLC
Disclosing Entity's Parent Entity	Jefferies Group LLC
Subcontractor	N/A
Instrument of Ownership or Beneficial Interest	Limited Liability Company Membership Agreement (Series LLC, Low-Profit Limited Liability Company) ☒

STEP 1
SUPPORTING DOCUMENTATION SUBMITTAL

(All vendors complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

You must select one of the six options below and select the documentation you are submitting. You must provide the documentation that the applicable section requires with this form.

☐ Option 1 – Publicly Traded Entities

1.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

1.B. ☐ Attach a copy of the Federal 10-K or provide a web address of an electronic copy of the Federal 10-K, and skip to Step 3.

☐ Option 2 – Privately Held Entities with more than 100 Shareholders

2.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

2.B. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership share in excess of 5% and attach the information Federal 10-K reporting companies are required to report under 17 CFR 229.401.

☒ Option 3 – All other Privately Held Entities, not including Sole Proprietorships

3.A. ☒ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

☐ Option 4 – Foreign Entities

4.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

4.B. ☐ Attach a copy of the Securities Exchange Commission Form 20-F or 40-F and skip to Step 3.

☐ Option 5 – Not-for-Profit Entities

☐ Complete Step 2, Option B.

☐ Option 6 – Sole Proprietorships

☐ Skip to Step 3.

STEP 2
DISCLOSURE OF FINANCIAL INTEREST OR BOARD OF DIRECTORS

(All vendors, except sole proprietorships, must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Complete **either** Option A (for all entities other than not-for-profits) or Option B (for not-for-profits). Additional rows may be inserted into the tables or an attachment may be provided if needed.

OPTION A – Ownership Share and Distributive Income

Ownership Share – If you selected Option 1.A., 2.A., 2.B., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of ownership if said percentage exceeds 5%, or the dollar value of their ownership if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – X

Name	Address	Percentage of Ownership	$ Value of Ownership
Jefferies Group LLC	520 Madison Ave., NY NY 10022	100%	N/A
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.

Distributive Income – If you selected Option 1.A., 2.A., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of the disclosing vendor's total distributive income if said percentage exceeds 5% of the total distributive income of the disclosing entity, or the dollar value of their distributive income if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – Y

Name	Address	% of Distributive Income	$ Value of Distributive Income
Jefferies Group LLC	520 Madison Ave., NY NY 10022	100%	N/A
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.

Please certify that the following statements are true.

I have disclosed all individuals or entities that hold an ownership interest of greater than 5% or greater than $106,447.20.

☒ Yes ☐ No

I have disclosed all individuals or entities that were entitled to receive distributive income in an amount greater than $106,447.20 or greater than 5% of the total distributive income of the disclosing entity.

☒ Yes ☐ No

OPTION B – Disclosure of Board of Directors (Not-for-Profits)

If you selected Option 5 in Step 1, list members of your board of directors. Please include an attachment if necessary.

TABLE – Z	
Name	**Address**
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.

STEP 3
DISCLOSURE OF LOBBYIST OR AGENT

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

☐ Yes ☒ No. Is your company represented by or do you employ a lobbyist required to register under the Lobbyist Registration Act (lobbyist must be registered pursuant to the Act with the Secretary of State) or other agent who is not identified through Step 2, Option A above and who has communicated, is communicating, or may communicate with any State/Public University officer or employee concerning the bid or offer? If yes, please identify each lobbyist and agent, including the name and address below.

If you have a lobbyist that does not meet the criteria, then you do not have to disclose the lobbyist's information.

Name	**Address**	**Relationship to Disclosing Entity**
Click here to enter text.	Click here to enter text.	Click here to enter text.

Describe all costs/fees/compensation/reimbursements related to the assistance provided by each representative lobbyist or other agent to obtain this Agency/University contract: Click here to enter text.

STEP 4
PROHIBITED CONFLICTS OF INTEREST

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 4 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above. Please provide the name of the person for which responses are provided: Click here to enter text.

1.	Do you hold or are you the spouse or minor child who holds an elective office in the State of Illinois or hold a seat in the General Assembly?	☐ Yes ☐ No
2.	Have you, your spouse, or minor child been appointed to or employed in any offices or agencies of State government and receive compensation for such employment in excess of 60% ($106,447.20) of the salary of the Governor?	☐ Yes ☐ No
3.	Are you or are you the spouse or minor child of an officer or employee of the Capital Development Board or the Illinois Toll Highway Authority?	☐ Yes ☐ No
4.	Have you, your spouse, or an immediate family member who lives in your residence currently or who lived in your residence within the last 12 months been appointed as a member of a board, commission, authority, or task force authorized or created by State law or by executive order of the Governor?	☐ Yes ☐ No
5.	If you answered yes to any question in 1-4 above, please answer the following: Do you, your spouse, or minor child receive from the vendor more than 7.5% of the vendor's total distributable income or an amount of distributable income in excess of the salary of the Governor ($177,412.00)?	☐ Yes ☐ No
6.	If you answered yes to any question in 1-4 above, please answer the following: Is there a combined interest of self with spouse or minor child more than 15% in the aggregate of the vendor's distributable income or an amount of distributable income in excess of two times the salary of the Governor ($354,824.00)?	☐ Yes ☐ No

STEP 5
POTENTIAL CONFLICTS OF INTEREST RELATING TO PERSONAL RELATIONSHIPS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 5 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above.

Please provide the name of the person for which responses are provided: Click here to enter text.

1.	Do you currently have, or in the previous 3 years have you had State employment, including contractual employment of services?	☐ Yes ☐ No
2.	Has your spouse, father, mother, son, or daughter, had State employment, including contractual employment for services, in the previous 2 years?	☐ Yes ☐ No

3. Do you hold currently or have you held in the previous 3 years elective office of the State of Illinois, the government of the United States, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois? ☐ Yes ☐ No

4. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding elective office currently or in the previous 2 years? ☐ Yes ☐ No

5. Do you hold or have you held in the previous 3 years any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that office? ☐ Yes ☐ No

6. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding appointive office currently or in the previous 2 years? ☐ Yes ☐ No

7. Do you currently have or in the previous 3 years had employment as or by any registered lobbyist of the State government? ☐ Yes ☐ No

8. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) that is or was a registered lobbyist? ☐ Yes ☐ No

9. Do you currently have or in the previous 3 years had compensated employment by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☐ No

10. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) who is or was a compensated employee of any registered election or reelection committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☐ No

STEP 6
EXPLANATION OF AFFIRMATIVE RESPONSES

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you answered “Yes” in Step 4 or Step 5, please provide on an additional page a detailed explanation that includes, but is not limited to the name, salary, State agency or university, and position title of each individual.

STEP 7
POTENTIAL CONFLICTS OF INTEREST
RELATING TO DEBARMENT & LEGAL PROCEEDINGS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided: Jefferies, LLC

1. Within the previous ten years, have you had debarment from contracting with any governmental entity? ☐ Yes ☒ No
2. Within the previous ten years, have you had any professional licensure discipline? ☐ Yes ☒ No
3. Within the previous ten years, have you had any bankruptcies? ☐ Yes ☒ No
4. Within the previous ten years, have you had any adverse civil judgments and administrative findings? ☒ Yes ☐ No
5. Within the previous ten years, have you had any criminal felony convictions? ☐ Yes ☒ No

If you answered "Yes", please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual. Many aspects of our business involve substantial risks of regulatory and legal liability. Given the highly regulated nature of our business and industry, in the normal course of business, we are involved in a number of regulatory matters, including exams, investigations, and similar reviews, arising out of the conduct of our business. Settled regulatory matters are disclosed on our Form BD, which may found at: http://brokercheck.finra.org/Firm/Summary/2347 This link takes you right to the Jefferies report – when you reach the web page, click on "Detailed report (PDF)" just below the name "Jefferies LLC." The disclosure-event details begin on page 19 and the 10-year period back to 2007 ends on page 96, covering 33 events. Also, note that Jefferies did not have a public finance operation prior to 2009, so events numbered 30 and higher were prior to that time. There are also 4 arbitration awards, beginning on page 145. Based on currently available information, however, we do not believe that any matter will have a material adverse effect on our financial condition, nor has any prior matter had a material adverse effect on our financial condition or otherwise resulted in significant reputational or franchise risk. A PDF copy of our Form BD is also included in our proposal, per the Tollway's Addendum #1.

STEP 8
DISCLOSURE OF CURRENT AND PENDING CONTRACTS

FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you selected Option 1, 2, 3, 4, or 6 in Step 1, do you have any contracts, pending contracts, bids, proposals, subcontracts, leases or other ongoing procurement relationships with units of State of Illinois government?

☒ Yes ☐ No.

If "Yes", please specify below. Additional rows may be inserted into the table or an attachment may be provided if needed.

Agency/University	Project Title	Status	Value	Contract Reference/P.O./Illinois Procurement Bulletin #
State of Illinois	Senior Manager Pool	Ongoing	TBD	Ref # 22038948
Illinois State Toll Highway Authority	Senior Manager Pool	Ongoing	TBD	Ref #22037040
Illinois Sports Facilities Authority	Senior Manager Pool	Ongoing	TBD	Ref #22031239
Illinois Finance Authority	Co-Manager Pool	Ongoing	TBD	Ref #22028183
Illinois Housing Development Authority	Co-Manager Pool	Ongoing	TBD	RFP #2013-HAD-FI-010

Please explain the procurement relationship: Vendor

STEP 9
SIGN THE DISCLOSURE

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offeror pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity: Jefferies LLC

Signature: [redacted]

Date: February 1, 2017

Printed Name: Nic Malas

Title: Managing Director
Phone Number: 212.336.7421
Email Address: nmalas@jefferies.com

STATE OF ILLINOIS
TAXPAYER IDENTIFICATION NUMBER

I certify that:

The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and

I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and

I am a U.S. person (including a U.S. resident alien).

- If you are an individual, enter your name and SSN as it appears on your Social Security Card.
- If you are a sole proprietor, enter the owner's name on the name line followed by the name of the business and the owner's SSN or EIN.
- If you are a single-member LLC that is disregarded as an entity separate from its owner, enter the owner's name on the name line and the D/B/A on the business name line and enter the owner's SSN or EIN.
- If the LLC is a corporation or partnership, enter the entity's business name and EIN and for corporations, attach IRS acceptance letter (CP261 or CP277).
- For all other entities, enter the name of the entity as used to apply for the entity's EIN and the EIN.

Name: Nic Malas

Business Name: Jefferies LLC

Taxpayer Identification Number:

Social Security Number: Click here to enter text.

or

Employer Identification Number: [redacted]

Legal Status (check one):

☐ Individual

☐ Sole Proprietor

☐ Partnership

☐ Legal Services Corporation

☐ Tax-exempt

☐ Corporation providing or billing medical and/or health care services

☐ Corporation NOT providing or billing medical and/or health care services

☐ Governmental

☐ Nonresident alien

☐ Estate or trust

☐ Pharmacy (Non-Corp.)

☐ Pharmacy/Funeral Home/Cemetery (Corp.)

☒ Limited Liability Company (select applicable tax classification)

☒ C = corporation

☐ P = partnership

Signature of Authorized Representative: [redacted]

Date: February 1, 2017

STATE OF ILLINOIS
FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

The Financial Disclosures and Conflicts of Interest form ("form") must be accurately completed and submitted by the vendor, parent entity(ies), and subcontractors. There are **nine** steps to this form and each must be completed as instructed in the step heading and within the step. A bid or offer that does not include this form shall be considered non-responsive. The Agency/University will consider this form when evaluating the bid or offer or awarding the contract.

The requirement of disclosure of financial interests and conflicts of interest is a continuing obligation. If circumstances change and the disclosure is no longer accurate, then disclosing entities must provide an updated form.

Separate forms are required for the vendor, parent entity(ies), and subcontractors.

This disclosure is submitted for:

☐ Vendor

☒ Vendor's Parent Entity(ies) (100% ownership)

☐ Subcontractor(s) >$50,000 (annual value)

☐ Subcontractor's Parent Entity(ies) (100% ownership) > $50,000 (annual value)

Project Name	Bond Underwriting Services
Illinois Procurement Bulletin Number	22039948
Contract Number	16-0155
Vendor Name	Jefferies LLC
Doing Business As (DBA)	Click here to enter text.
Disclosing Entity	Jefferies Group LLC
Disclosing Entity's Parent Entity	Leucadia National Corporation
Subcontractor	N/A
Instrument of Ownership or Beneficial Interest	Limited Liability Company Membership Agreement (Series LLC, Low-Profit Limited Liability Company) ☐ If you selected Other, please describe:

STEP 1
SUPPORTING DOCUMENTATION SUBMITTAL

(All vendors complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

You must select one of the six options below and select the documentation you are submitting. You must provide the documentation that the applicable section requires with this form.

☐ Option 1 – Publicly Traded Entities

1.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

1.B. ☐ Attach a copy of the Federal 10-K or provide a web address of an electronic copy of the Federal 10-K, and skip to Step 3.

☐ Option 2 – Privately Held Entities with more than 100 Shareholders

2.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

2.B. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership share in excess of 5% and attach the information Federal 10-K reporting companies are required to report under 17 CFR 229.401.

☒ Option 3 – All other Privately Held Entities, not including Sole Proprietorships

3.A. ☒ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

☐ Option 4 – Foreign Entities

4.A. ☐ Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% ($106,447.20) of the annual salary of the Governor.

OR

4.B. ☐ Attach a copy of the Securities Exchange Commission Form 20-F or 40-F and skip to Step 3.

☐ Option 5 – Not-for-Profit Entities

☐ Complete Step 2, Option B.

☐ Option 6 – Sole Proprietorships

☐ Skip to Step 3.

STEP 2
DISCLOSURE OF FINANCIAL INTEREST OR BOARD OF DIRECTORS

(All vendors, except sole proprietorships, must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Complete **either** Option A (for all entities other than not-for-profits) or Option B (for not-for-profits). Additional rows may be inserted into the tables or an attachment may be provided if needed.

OPTION A – Ownership Share and Distributive Income

Ownership Share – If you selected Option 1.A., 2.A., 2.B., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of ownership if said percentage exceeds 5%, or the dollar value of their ownership if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – X

Name	Address	Percentage of Ownership	$ Value of Ownership
Leucadia National Corporation	315 Park Avenue South, NY, NY 10010	100%	N/A
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.

Distributive Income – If you selected Option 1.A., 2.A., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of the disclosing vendor's total distributive income if said percentage exceeds 5% of the total distributive income of the disclosing entity, or the dollar value of their distributive income if said dollar value exceeds $106,447.20.

☐ Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – Y

Name	Address	% of Distributive Income	$ Value of Distributive Income
Leucadia National Corporation	315 Park Avenue South, NY, NY 10010	100%	N/A
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.	Click here to enter text.	Click here to enter text.

Please certify that the following statements are true.

I have disclosed all individuals or entities that hold an ownership interest of greater than 5% or greater than $106,447.20.

☒ Yes ☐ No

I have disclosed all individuals or entities that were entitled to receive distributive income in an amount greater than $106,447.20 or greater than 5% of the total distributive income of the disclosing entity.

☒ Yes ☐ No

OPTION B – Disclosure of Board of Directors (Not-for-Profits)

If you selected Option 5 in Step 1, list members of your board of directors. Please include an attachment if necessary.

TABLE – Z	
Name	**Address**
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.
Click here to enter text.	Click here to enter text.

STEP 3
DISCLOSURE OF LOBBYIST OR AGENT

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

☐ Yes ☒ No. Is your company represented by or do you employ a lobbyist required to register under the Lobbyist Registration Act (lobbyist must be registered pursuant to the Act with the Secretary of State) or other agent who is not identified through Step 2, Option A above and who has communicated, is communicating, or may communicate with any State/Public University officer or employee concerning the bid or offer? If yes, please identify each lobbyist and agent, including the name and address below.

If you have a lobbyist that does not meet the criteria, then you do not have to disclose the lobbyist's information.

Name	Address	Relationship to Disclosing Entity
Click here to enter text.	Click here to enter text.	Click here to enter text.

Describe all costs/fees/compensation/reimbursements related to the assistance provided by each representative lobbyist or other agent to obtain this Agency/University contract: Click here to enter text.

STEP 4
PROHIBITED CONFLICTS OF INTEREST

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 4 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above. Please provide the name of the person for which responses are provided: Click here to enter text.

1. Do you hold or are you the spouse or minor child who holds an elective office in the State of Illinois or hold a seat in the General Assembly? ☐ Yes ☐ No
2. Have you, your spouse, or minor child been appointed to or employed in any offices or agencies of State government and receive compensation for such employment in excess of 60% ($106,447.20) of the salary of the Governor? ☐ Yes ☐ No
3. Are you or are you the spouse or minor child of an officer or employee of the Capital Development Board or the Illinois Toll Highway Authority? ☐ Yes ☐ No
4. Have you, your spouse, or an immediate family member who lives in your residence currently or who lived in your residence within the last 12 months been appointed as a member of a board, commission, authority, or task force authorized or created by State law or by executive order of the Governor? ☐ Yes ☐ No
5. If you answered yes to any question in 1-4 above, please answer the following: Do you, your spouse, or minor child receive from the vendor more than 7.5% of the vendor's total distributable income or an amount of distributable income in excess of the salary of the Governor ($177,412.00)? ☐ Yes ☐ No
6. If you answered yes to any question in 1-4 above, please answer the following: Is there a combined interest of self with spouse or minor child more than 15% in the aggregate of the vendor's distributable income or an amount of distributable income in excess of two times the salary of the Governor ($354,824.00)? ☐ Yes ☐ No

STEP 5
POTENTIAL CONFLICTS OF INTEREST RELATING TO PERSONAL RELATIONSHIPS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

Step 5 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above.

Please provide the name of the person for which responses are provided: Click here to enter text.

1. Do you currently have, or in the previous 3 years have you had State employment, including contractual employment of services? ☐ Yes ☐ No
2. Has your spouse, father, mother, son, or daughter, had State employment, including contractual employment for services, in the previous 2 years? ☐ Yes ☐ No

3. Do you hold currently or have you held in the previous 3 years elective office of the State of Illinois, the government of the United States, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois? ☐ Yes ☐ No

4. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding elective office currently or in the previous 2 years? ☐ Yes ☐ No

5. Do you hold or have you held in the previous 3 years any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that office? ☐ Yes ☐ No

6. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding appointive office currently or in the previous 2 years? ☐ Yes ☐ No

7. Do you currently have or in the previous 3 years had employment as or by any registered lobbyist of the State government? ☐ Yes ☐ No

8. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) that is or was a registered lobbyist? ☐ Yes ☐ No

9. Do you currently have or in the previous 3 years had compensated employment by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☐ No

10. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) who is or was a compensated employee of any registered election or reelection committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? ☐ Yes ☐ No

STEP 6
EXPLANATION OF AFFIRMATIVE RESPONSES

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you answered “Yes” in Step 4 or Step 5, please provide on an additional page a detailed explanation that includes, but is not limited to the name, salary, State agency or university, and position title of each individual.

STEP 7
POTENTIAL CONFLICTS OF INTEREST
RELATING TO DEBARMENT & LEGAL PROCEEDINGS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided: Jefferies Group, LLC

1. Within the previous ten years, have you had debarment from contracting with any governmental entity? ☐ Yes ☒ No
2. Within the previous ten years, have you had any professional licensure discipline? ☐ Yes ☒ No
3. Within the previous ten years, have you had any bankruptcies? ☐ Yes ☒ No
4. Within the previous ten years, have you had any adverse civil judgments and administrative findings? ☐ Yes ☒ No
5. Within the previous ten years, have you had any criminal felony convictions? ☐ Yes ☒ No

If you answered “Yes”, please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual.

STEP 8
DISCLOSURE OF CURRENT AND PENDING CONTRACTS

(Complete only if bid, offer, or contract has an annual value over $50,000)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

If you selected Option 1, 2, 3, 4, or 6 in Step 1, do you have any contracts, pending contracts, bids, proposals, subcontracts, leases or other ongoing procurement relationships with units of State of Illinois government?

☐ Yes ☒ No.

If “Yes”, please specify below. Additional rows may be inserted into the table or an attachment may be provided if needed.

Agency/University	Project Title	Status	Value	Contract Reference/P.O./Illinois Procurement Bulletin #

Please explain the procurement relationship: Click here to enter text.

STEP 9
SIGN THE DISCLOSURE

(All vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than $50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offeror pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity: Jefferies Group LLC

Signature:________[redacted] Date: February 1, 2017

Printed Name: Nic Malas

Title: Managing Director, Jefferies LLC

Phone Number: 212.336.7421

Email Address: nmalas@jefferies.com

DATE: 04/26/2016
TIME: 15:35

THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
PURCHASING
PURCHASE REQUISITION

REPORT: SNPOPR
PAGE: 7

DL
04/28/16

NEED NUMBER 825095
FUND ACCOUNT 01
OLD PROJECT NUMBER ......
C.P. NUMBER..............

REQUESTING LOCATION ... ADM ADMINISTRATION
REQUISITIONER .... GROSSO
SHIP TO .... ADM
VENDOR'S INVOICE ......

C.P. NUMBER	PROJ NO.	CC	ACCNT NO.	ITEM NUMBER	QTY	U/M	DESCRIPTION / COMMENTS	ESTIMATED UNIT COST	EMERG	LAST ORDER NUMBER	LAST ORD DATE	** FILL IN *** ORDER NUMBER
	0000	40	43220	099999	000001	EA	RFP FOR BOND UNDERWRITER	14,935,000.00000	NO			

REC SRC 1: RFP FOR BOND UNDERWRITING
REC SRC 1: /REMARKETING SERVICES
RFP FOR BOND UNDERWRITERS
RFP TO ESTABLISH POOLS OF
FIRMS TO PROVIDE BOND
UNDERWRITING AND REMARKET
ING SERVICES FOR A 3-YEAR
INITIAL TERM WITH RENEWAL
OPTIONS UP TO 2 YEARS.
EST. COST FOR FULL 5 YEAR
S IS $14,935,000,

Paid on PAV
CP# JEF15977903

NEED 825095 Approved By: GREG BEDALOV 04/20/2016

NEED 825095 Approved By: MIKE COLSCH 04/19/2016

NEED 825095 Approved By: PATTI PEARN 04/06/2016

Total $200,000.00

Contract # ~~[illegible]~~
16-0155C