JEFFERIES LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
AS OF NOVEMBER 30, 2013
AND INDEPENDENT AUDITOR'S REPORT
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Independent Auditor's Report

To the Member of Jefferies LLC

We have audited the accompanying consolidated statement of financial condition of Jefferies LLC and its subsidiaries as of November 30, 2013.

Management's Responsibility for the Consolidated Statement of Financial Condition

Management is responsible for the preparation and fair presentation of the consolidated statement of financial condition 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 statement of financial condition that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated statement of financial condition 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 consolidated statement of financial condition is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated statement of financial condition. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of consolidated statement of financial condition, 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 statement of financial condition 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 consolidated statement of financial condition. 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 accompanying consolidated statement of financial condition presents fairly, in all material respects, the financial position of Jefferies LLC and its subsidiaries at November 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
January 28, 2014

JEFFERIES LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
AS OF NOVEMBER 30, 2013
(Dollars in thousands)

ASSETS		
Cash and cash equivalents	$	1,902,003
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations		1,293,165
Financial instruments owned, at fair value, including securities pledged of $10,144,676		11,095,090
Securities borrowed		5,165,724
Securities purchased under agreements to resell		2,732,197
Receivables:		
Brokers, dealers, and clearing organizations		514,005
Customers		850,153
Fees, interest, and other		164,633
Due from affiliates		12,538
Premises and equipment, net		141,636
Goodwill		1,361,266
Other assets		354,430
Total assets	$	25,586,840
LIABILITIES AND MEMBER'S EQUITY		
LIABILITIES:		
Short-term borrowings	$	12,000
Financial instruments sold, not yet purchased, at fair value		3,868,941
Securities loaned		2,293,972
Securities sold under agreements to repurchase		9,440,213
Other secured financings (including $135,000 from VIE)		135,000
Payables:		
Brokers and dealers		377,359
Customers		2,993,472
Due to Parent and affiliates		706,597
Accrued expenses and other liabilities (including $72 from VIE)		655,692
		20,483,246
Subordinated liabilities		1,950,000
Member's equity		3,153,594
Total liabilities and member's equity	$	25,586,840

See notes to Consolidated Statement of Financial Condition.

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization and Business — On March 1, 2013, Jefferies & Company, Inc. a wholly owned subsidiary of Jefferies Group LLC (formerly Jefferies Group, Inc.) (the "Parent") was converted into a liability company and renamed Jefferies LLC (the "Company"). In addition, the Parent, through a series of merger transactions, became a wholly owned subsidiary of Leucadia National Corporation ("Leucadia" or the "Ultimate Parent") (the "Merger Transaction"), a diversified holding company incorporated in the state of New York and engaged in a variety of businesses through its consolidated subsidiaries. See Note 3, Merger Transaction for further information as it relates to the Company.

The Company is registered with the Securities and Exchange Commission ("SEC") as a broker-dealer under the Securities Exchange Act of 1934 (the "Act"), is registered as an introducing broker with the Commodity Futures Trading Commission ("CFTC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The accompanying Consolidated Statement of Financial Condition includes the accounts of the Company and its wholly owned subsidiary, Jefferies Insurance Holdings LLC, and all other entities in which it has a controlling financial interest.

The Company operates and is managed as a single business segment, that of an institutional securities broker-dealer, which provides several types of financial services, including sales, trading, financing and market making activities in equity, high yield, corporate bond, mortgage- and asset-backed, municipal, government and agency, convertible and international securities, as well as fundamental research and prime brokerage services. The Company provides investment banking services comprising securities underwriting and distribution and financial advisory services, including advice on mergers and acquisitions, recapitalizations and restructurings.

Merger with Jefferies High Yield Holdings, LLC — On April 1, 2013, Jefferies High Yield Holdings, LLC ("JHYH") and its wholly owned subsidiary Jefferies Yield Trading, LLC merged with and into the Company, with the Company as the surviving entity. JHYH was a wholly owned subsidiary of the Parent and, therefore, an affiliate of the Company. Jefferies High Yield Trading, LLC ("JHYT") was registered as a broker dealer under the Act and with FINRA and engaged in the secondary sales and trading of high yield securities and distressed securities. Upon the merger, the Company recognized the assets and liabilities of JHYH transferred into the Company at their carrying amounts.

The merger of JHYH into the Company is deemed a transfer between entities under common control and constitutes a change in the reporting entity of the Company. Accordingly, the financial statements of the Company are combined retrospectively as if the merger of JHYH with and into the Company had occurred as of December 1, 2012. At December 1, 2012, JHYH was the parent company of Jefferies High Yield Finance, LLC ("JHYF") and Jefferies Leveraged Credit Products, LLC ("JLCP") in addition to JHYT. JHYF was formed to enter into a total return swap contract which terminated on December 31, 2012 and JLCP was formed to trade leveraged bank loans. JHYF was liquidated and dissolved in March 2013 and JLCP was sold to the Parent on April 1, 2013 (See Note 4, Discontinued Operations for further discussion regarding the sale of JLCP). The Company's Consolidated Statement of Financial Condition includes the activities of JHYF and JLCP as of December 1, 2012 through the date of dissolution of JHYF and sale of JLCP.

At December 1, 2012, JHYH had mandatorily redeemable preferred interests outstanding of $1.1 billion, of which $347.6 million was owned by the Parent. Upon the merger of JHYH with and into the Company, the mandatorily redeemable preferred interests owned by the Parent result in additional equity of the Company when presenting the Consolidated Statement of Financial Condition on a retrospective basis. During 2013, the remaining mandatorily redeemable preferred interests were redeemed.

Basis of Presentation — The Merger Transaction between Jefferies Group LLC and Leucadia was accounted for using the acquisition method of accounting, which requires that the assets and liabilities of the Parent be fair valued. The application of the acquisition method of accounting has been pushed-down and reflected in the Consolidated Statement of Financial Condition of the Company establishing a new basis of accounting for the assets and liabilities of the Company.

The accompanying Consolidated Statement of Financial Condition has been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). These principles require management to make estimates and assumptions that may affect the amounts reported in the Consolidated Statement of Financial Condition and accompanying notes. The most significant of these estimates and assumptions relate to fair value measurements, compensation and benefits, goodwill, legal reserves and the realizability of deferred tax assets. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Consolidation — The Company's policy is to consolidate all entities in which it controls by ownership a majority of the outstanding voting stock. In addition, the Company consolidates entities which meet the definition of a variable interest entity for which it is 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. In situations where the Company has significant influence but not control of an entity that does not qualify as a variable interest entity, it applies the equity method of accounting or fair value accounting pursuant to the fair value option election. See Note 10, Variable Interest Entities for further discussion on variable interest entities.

All material intercompany accounts and transactions have been eliminated in consolidation.

Subsequent events — Management has evaluated events and transactions that occurred subsequent to November 30, 2013 through the date that the Consolidated Statement of Financial Condition was issued, and determined there were no events or transactions during such period requiring recognition or disclosure in the Consolidated Statement of Financial Condition.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents — Cash equivalents include highly liquid investments, including 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 Act, the Company as a broker dealer is obligated to segregate cash or qualified securities for the exclusive benefit of its clients. In addition, cash and certain financial instruments used for initial and variation margin purposes with clearing and depository organizations are included in this caption.

Foreign Currency Translation — Assets and liabilities of its foreign subsidiary having a non-U.S. dollar functional currency are translated at exchange rates at the end of the year.

Financial Instruments — 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 the Company's trading activities and include both cash and derivative products. Fair value is defined as 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, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring 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 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:

> Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reported date.
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> 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.
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> 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.

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 the Company's best estimate of fair value. The Company uses prices and inputs that are current as of 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, 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. 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. The Independent Price Verification ("IPV") Group, which is part of Finance, in partnership with Market Risk Management, is responsible for establishing the Company's valuation policies and procedures. The IPV Group and Market Risk Management, which are independent of the Company's business functions, play an important role and serve as a control function in determining that the Company's 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 of the Parent and is subject to the oversight of the IPV Committee, which is comprised of the Parent's Chief Financial Officer, Global Controller, Global Head of Product Control, Chief Risk Officer, and Principal Accounting Officer, among other personnel. The Company's IPV 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 the Company's 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 the financial instrument inventory. In the testing process, the IPV Group obtains prices and valuation inputs from sources independent of the Company, consistently adheres to established procedures set forth in the Company's 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 the Company's 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 Market 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 fair values of financial instruments in the Consolidated Statement of Financial Condition.

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 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 includes 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.

Receivable from and Payable to Customers — Receivable from and payable to customers includes amounts receivable and payable on cash and margin transactions. Securities owned by customers and held as collateral for these receivables are not reflected on the Consolidated Statement of Financial Condition.

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, the Company borrows securities to cover short sales and to complete transactions in which customers have failed to deliver securities by the required settlement date, and loaned securities to other brokers and dealers for similar purposes. The Company has an active securities borrowed and loaned matched book business in which it borrows securities from one party and lends them to another party. When the Company borrows securities, it generally provides cash to the lender as collateral, which is reflected in the Consolidated Statement of Financial Condition as Securities borrowed. Similarly, when the Company lends securities to another party, that party provides cash to the Company as collateral, which is reflected in the Consolidated Statement of Financial Condition as Securities loaned. The initial collateral advanced or received approximates or is greater than the fair value of the securities borrowed or loaned. The Company monitors the fair value of the securities borrowed and loaned on a daily basis and requests additional collateral or returns 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. The Company monitors 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. Repos are presented in the Consolidated Statement of Financial Condition on a net basis by counterparty, where permitted by generally accepted accounting principles.

Premises and Equipment — Premises and equipment are carried at cost less accumulated depreciation and amortization. The Company computes depreciation using the straight-line method over the estimated useful lives of the related assets, which is 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 Mach 1, 2013. The revised carrying values of internally developed software ready for its intended use are depreciated over the remaining use life of the software.

As of November 30, 2013, furniture, fixtures and equipment amounted to $205.6 million and leasehold improvements amounted to $94.5 million. The related accumulated depreciation and amortization was $158.5 million as of November 30, 2013. Included within furniture, fixtures and equipment is server storage equipment recorded under capital leases with a cost of $17.4 million as of November 30, 2013, which is being amortized over the lease term.

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, the Company has 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, the Company concludes 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 it is concluded otherwise, the Company is required to perform the two-step impairment test. The goodwill impairment test is performed by comparing the estimated fair value of the Company with its respective carrying value. If the estimated fair value exceeds the carrying value, goodwill 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.

The fair value of the Company is based on widely accepted valuation techniques that the Company believes market participants would use, although the valuation process requires significant judgment and often involves the use of significant estimates and assumptions. The methodologies the Company utilizes in estimating the fair value include market capitalization, 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. Refer to Note 12, Goodwill and Other Intangible Assets, for further information on the Company's assessment of goodwill.

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, the Company has 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 it is concluded otherwise, the Company is required to perform a quantitative impairment test.

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. 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 was changed from June 1 to August 1 following the Merger Transaction.

Income Taxes — The Company is a single-member limited liability company treated as a disregarded entity for federal and state income tax purposes. The Company's results of operations are included in the consolidated Federal and applicable state income tax returns filed by the Company's Ultimate Parent. 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 the Company and the Parent, payments are made to the Parent to settle current and deferred 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. 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. Under acquisition accounting for the Merger, the recognition of certain assets and liabilities at fair value created a change in the financial reporting basis for the Company's assets and liabilities, while the tax bases of the Company's assets and liabilities remained the same. As a result, deferred tax assets and liabilities were recognized for the change in the basis differences. 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 records uncertain tax positions using a two-step process: (1) it determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, it recognizes 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, the Company has been named, from time to time, as a defendant in legal and regulatory proceedings. The Company is also involved, from time to time, in other exams, investigations and similar reviews (both formal and informal) by governmental and self-regulatory agencies regarding its businesses, certain of which may result in judgments, settlements, fines, penalties or other injunctions.

The Company recognizes 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, the Company accrues the most likely amount of such loss, and if such an amount is not determinable, then the Company accrues 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, 2013, the Company has reserved approximately $22.4 million relating to an investigation of the purchases and sales of mortgage-backed securities based on a non-prosecution agreement reached in principle with the United States Attorney for the District of Connecticut and a settlement agreement in principle with the SEC, which remains subject to review and approval by the SEC Commissioners. The Company believes that any other matters for which it has determined a loss to be probable and reasonably estimable are not material to the Consolidated Statement of Financial Condition.

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. Management believes 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 the Company's Consolidated Statement of Financial Condition. In addition, management believes 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 Statement of Financial Condition is not material.

Share-Based Compensation — Certain employees participate in the Incentive Compensation Plan (the “Incentive Plan”), which prior to the merger was sponsored by the Parent and subsequent to the merger is sponsored by Leucadia. The Incentive Plan allows 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, RSUs, dividend equivalents or other share-based awards. In connection with the merger with Leucadia, the Incentive Plan was amended to provide for awards to be issued relating to shares of Leucadia, the Ultimate Parent, as of March 1, 2013. Share-based awards of the Parent, 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 existed prior to the merger (except for the elimination of fractional shares). For grants of RSUs, employees are granted restricted shares of common stock subject to forfeiture. RSUs give a participant the right to receive fully vested 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 Ultimate Parent's common stock.

Restricted stock and RSUs are granted to new employees as "sign-on" awards, to existing employees as "retention" awards and to certain senior executives. Sign-on and retention awards are generally subject to annual ratable vesting upon a four year service requirement and are amortized 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. The awards granted to senior executives are amortized over the service period as it has been determined it is probable that the performance condition will be achieved.

Other Compensation Plans — Employees participate in other compensation plans including an Employee Stock Purchase Plan ("ESPP"), which is considered non-compensatory effective January 1, 2007. All regular full time employees and employees who work part time over 20 hours per week are eligible to participate in the ESPP. Annual employee contributions are limited to $21,250, are voluntary, are made via payroll deduction and are used to purchase the Ultimate Parent's common stock at 95% of the closing price of the Ultimate Parent's common stock on the last day of the applicable session (monthly). The Parent has 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.

There is also an Employee Stock Ownership Plan ("ESOP") and a Deferred Compensation Plan. Eligible employees are able to defer compensation on a pre-tax basis by investing in the Ultimate Parent's common stock at a discount or, by allocating among any combination of the investment funds available under the Deferred Compensation Plan. Upon the consummation of the Merger Transaction, the ESPP and the ESOP were amended such that the shares underlying the plans are common stock of Leucadia.

In addition, the Company provides 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 ranging from one to eight years, with an approximate average term of three years.

Securitization Activities — The Company engages in securitization activities related to corporate loans, commercial mortgage loans, mortgage-backed and other asset-backed securities. Transfers of financial assets to securitization vehicles are accounted for as sales when the Company has 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 assets sold and the retained interests, if any, based upon their respective fair values at the date of sale. The Company may retain interests in the securitized financial assets as one or more tranches of the securitization. These retained interests in the securitized assets are included within Financial instruments owned in the Consolidated Statement of Financial Condition at fair value.

When a transfer of assets does not meet the criteria of a sale, the transfer is accounted for as a secured borrowing. The Company continues to recognize the assets of a secured borrowing in Financial instruments owned and recognizes associated financing in Other secured financings on the Consolidated Statement of Financial Condition.

Recent Accounting Developments

New Accounting Standards to be Adopted in Future Periods

Balance Sheet Offsetting Disclosures. In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 update requires 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. The guidance is effective for annual reporting periods beginning on or after January 1, 2013 (fiscal year ended November 30, 2014). This guidance does not amend the existing guidance on when it is appropriate to offset; as a result, the Company does not expect this guidance to affect its Consolidated Statement of Financial Condition.

Adopted Accounting Standards

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 the Company's Consolidated Statement of Financial Condition 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. The Company 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 the Company's Consolidated Statement of Financial Condition.

3. MERGER TRANSACTION

On March 1, 2013, the Parent merged with Leucadia. The Merger Transaction was accounted for by the Parent under the acquisition method of accounting; and through the application of push-down accounting, $3.7 billion of the total purchase price of $4.8 billion was allocated to the Company. The allocation of the consideration is based on several factors including, but not limited to, valuation assessments of tangible and intangible assets and liabilities. The fair value of the identifiable assets of the Company at the date of the merger was $23.9 billion, including intangible assets of $216.5 million, and the fair value of liabilities was $21.6 billion. This resulted in the recognition by the Company of goodwill of $1.4 billion. The following table summarizes the new basis for the Company's assets and liabilities at the date of acquisition, which have been reflected in the Consolidated Statement of Financial Condition (dollar thousands):

Assets acquired:		
Cash and cash equivalents	$	1,531,162
Cash and securities segregated		1,148,570
Financial instruments owned, at fair value		10,618,380
Securities borrowed		5,143,489
Securities purchased under agreements to resell		3,159,386
Receivables:		
Brokers, dealers and clearing organizations		965,669
Customers		662,908
Fees, interest and other		138,425
Due from affiliates		10,681
Premises and equipment		131,809
Intangible assets		216,470
Other assets		203,122
Total assets	$	23,930,071
Liabilities assumed:		
Short-term borrowings	$	100,000
Financial instruments sold, not yet purchased, at fair value		6,246,272
Securities loaned		1,816,105
Securities sold under agreements to repurchase		6,370,966
Other secured financings		60,000
Payables:		
Brokers, dealers and clearing organizations		1,366,218
Customers		2,812,953
Due to Parent and affiliates		492,951
Accrued expenses and other liabilities		394,799
		19,660,264
Subordinated liabilities		1,250,000
Mandatorily redeemable preferred interests		727,722
Total liabilities	$	21,637,986
Fair value of net assets acquired	$	2,292,085
Goodwill	$	1,361,266

4. DISCONTINUED OPERATIONS

The Company reports the results of operations of a business as discontinued operations if the operations and cash flows of the business have been or will be eliminated from the ongoing operations of the Company as a result of a disposal transaction and the Company will not have any significant continuing involvement in the operations of the business after the disposal transaction. In December 2012, management of the Parent agreed to transfer JLCP to the Parent. On April 1, 2013, JLCP was sold to the Parent for $230.2 million.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and highly liquid investments with original maturities of three months or less when purchased that are not used for trading purposes. Financial assets classified as cash and cash equivalents that are deemed by the Company's management to be generally readily convertible into cash as of November 30, 2013 are as follows (in thousands):

Cash in banks	$	86,998
Certificates of deposit		50,005
Money market investments		1,765,000
Total cash and cash equivalents	$	1,902,003
Cash and securities segregated (1)	$	1,293,165

(1) Consists of deposits at exchanges and clearing organizations, as well as deposits in accordance with Rule 15c3-3 of the Act, which subjects the Company as a broker dealer carrying client accounts to requirements related to maintaining cash or qualified securities in a segregated reserve account for the exclusive benefit of its clients.

6. FAIR VALUE DISCLOSURES

The following is a summary of the Company's financial assets and liabilities that are accounted for at fair value on a recurring basis as of November 30, 2013, by level within the fair value hierarchy (in thousands):

	Level 1 (1)	Level 2 (1)	Level 3	Counterparty and Cash Collateral Netting (2)	Total
Assets:					
Financial instruments owned:					
Corporate equity securities	$ 1,306,082	$ 145,560	$ 6,370	$ -	$ 1,458,012
Corporate debt securities	-	2,255,329	16,525	-	2,271,854
Collateralized debt obligations	-	152,635	12,276	-	164,911
U.S. government and federal agency securities	2,288,014	40,389	-	-	2,328,403
Municipal securities	-	664,054	-	-	664,054
Sovereign obligations	148	58,831	-	-	58,979
Residential mortgage-backed securities	-	2,826,303	103,489	-	2,929,792
Commercial mortgage-backed securities	-	1,018,593	13,620	-	1,032,213
Other asset-backed securities	-	17	12,192	-	12,209
Loans and other receivables	-	8,301	6,611	-	14,912
Derivatives	13,767	620,875	-	(493,483)	141,159
Investments at fair value	-	5	18,587	-	18,592
Total financial instruments owned	$ 3,608,011	$ 7,790,892	$ 189,670	$ (493,483)	$11,095,090
Cash and cash equivalents	$ 1,902,003	$ -	$ -	$ -	$ 1,902,003
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	1,293,165	-	-	-	1,293,165
Liabilities:					
Financial instruments sold, not yet purchased:					
Corporate equity securities	$ 1,245,006	$ 27,711	$ 38		$ 1,272,755
Corporate debt securities	-	1,122,705	-	-	1,122,705
U.S. government and federal agency securities	1,321,820	-	-	-	1,321,820
Sovereign obligations	-	72,890	-	-	72,890
Residential mortgage-backed securities	-	34,691	-	-	34,691
Loans	-	8,301	3,341	-	11,642
Derivatives	10,168	512,421	3,332	(493,483)	32,438
Total financial instruments sold, not yet purchased	$ 2,576,994	$ 1,778,719	$ 6,711	$ (493,483)	$ 3,868,941

(1) During the nine months ended November 30, 2013, the Company 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.

The following is a description of the valuation basis, including valuation techniques and inputs, used in measuring the Company's 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 exchange prices, which are generally obtained from external pricing services, and are categorized within Level 1 in 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 as Level 3 financial instruments 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. Key inputs in the valuation include 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 of comparable size, 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 classified within Level 3 of the fair value hierarchy and comprise a limited portion of our corporate bonds.
- High Yield Corporate and Convertible Bonds: High yield corporate and convertible bonds 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 or based on valuations received from third party brokers and are categorized within Level 2 or Level 3 of the fair value hierarchy depending on the observability and significance of the pricing inputs.

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. Non-callable U.S. agency securities are generally categorized within Level 1 and callable U.S. agency securities are categorized within 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 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. The Company uses 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. The Company also uses vendor data in developing 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 loan bonds and Federal National Mortgage Association ("FNMA") Delegated Underwriting and Servicing ("DUS") mortgage-backed securities are generally measured 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, if significant inputs are unobservable, 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 primarily categorized within Level 2 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.

- 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 the closing price of the underlying equity security 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 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. For many OTC derivative contracts, the inputs to the 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 options measured using a 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. Discounted cash flow models are utilized to value the Company's foreign exchange forwards with observable inputs including foreign currency spot rates and forward curves.

Investments, at Fair Value

Investments at fair value include investments in hedge funds, fund of funds and private equity funds, measured at fair value based on the net asset value of the funds provided by the fund managers and categorized within Level 3 of the fair value hierarchy. Investments at fair value also include direct 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 3 of the fair value hierarchy.

The following tables provide further information about the Company's investments in entities that have the characteristics of an investment company at November 30, 2013 (in thousands):

	Fair Value (5)	Unfunded Commitments
Equity Hedge Funds (1)	$ 4	$ -
High Yield Hedge Fund(2)	127	-
Fund of Funds(3)	9	-
Private Equity Funds(4)	4,286	552
Total(6)	$ 4,426	$ 552

(1) Investment in a hedge fund that invests in foreign technology companies. The fund is in liquidation and distributions will be received through the liquidation of the underlying assets of the funds. The Company is unable to estimate when the underlying assets will be fully liquidated.

(2) Investment in a hedge fund that invests in domestic and international public high yield debt, private high yield investments, senior bank loans, public leveraged equities, distressed debt and private equity investments. The fund is in liquidation and the Company is unable to estimate when the underlying assets will be fully liquidated.

(3) Investments in fund of funds that invest in various publicly traded companies. The Company requested redemption for the investments; however, it is unable to estimate when the remaining funds will be received.

(4) Investments in private 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 including acquired or restructured companies. Investments representing 91% of the fair value of investments in this category can never be redeemed, instead distributions are received through the liquidation of the underlying assets of the funds which are expected to liquidate in one to six years. Investments representing 9% of the fair value of investments in this category are in liquidation and the Company is unable to estimate when the underlying assets will be fully liquidated. At November 30, 2013, this category includes investments in equity funds managed by an affiliate with a fair value of $150,000 and an unfunded commitment of $75,000.

(5) Fair value has been estimated using the net asset value derived from each of the funds' capital statements.

(6) Investments at fair value on the Consolidated Statement of Financial Condition at November 30, 2013 include $14.2 million of direct investments which are not investment companies and therefore not included within this table. The Company has unfunded commitments to such investments of $3.3 million in aggregate at November 30, 2013.

Quantitative Information about Significant Unobservable Inputs used in Level 3 Fair Value Measurements at November 30, 2013

The table below presents 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 instrument 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.

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 quarters 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
Corporate equity securities	$ 4,520				
Non-exchange traded securities		Market approach	"EBITDA" [(a)] multiple	5.5	-
Corporate debt securities	$ 16,525				
		Scenario analysis	Estimated recovery percentage	23.6%	
		Comparable pricing	Comparable bond or loan price	$69.10-$70.50	$69.91
Collateralized debt obligations	$ 12,276				
		Discounted cash flows	Constant prepayment rate	15% to 20%	18%
			Constant default rate	2%	2%
			Loss severity	30% to 55%	40%
			Yield	3% to 17%	10%
Residential mortgage-backed securities	$ 103,489				
		Discounted cash flows	Constant prepayment rate	2% to 50%	11%
			Constant default rate	2% to 100%	17%
			Loss severity	30% to 90%	48%
			Yield	0% to 20%	7%
Commercial mortgage-backed securities	$ 13,620				
		Discounted cash flows	Yield	12% to 20%	14%
			Cumulative loss rate	5% to 8%	7%
Other asset backed securities	$ 12,192				
		Discounted cash flows	Constant prepayment rate	0% 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	$ 6,611				
		Scenario analysis	Estimated recovery percentage	41.60%	-
Investments at fair value	$ 10,281				
Private equity securities		Comparable pricing	Comparable share price	$414	-

Financial Instruments Sold, Not Yet Purchased	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Range	Weighted Average
Derivatives					
Equity options	$ (3,332)	Option model	Volatility	36% to 41%	39%

(a) Earnings before interest, taxes, depreciation and amortization ("EBITA").

The fair values of certain Level 3 assets that were determined based on third-party pricing information and reported net asset value are excluded from the above table. At November 30, 2013, the exclusions amounted to $10.2 million in aggregate and comprised certain investments in private equity funds and a private equity investment.

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 and corporate debt securities using a comparable pricing valuation technique. A significant increase (decrease) in the comparable price in isolation would result in a significantly higher (lower) 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.
- Residential and commercial mortgage-backed securities, other asset-backed securities and collateralized debt obligations using a discounted cash flow valuation technique. A significant increase (decrease) in isolation in the constant default rate, loss severities or cumulative loss rate and discount 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 yield would result in a significant lower (higher) fair value measurement.
- Non-exchange traded equity securities using a market approach valuation technique. A significant increase (decrease) in the EBITDA would result in a significant higher (lower) fair value measurement.
- Derivative equity options using an option model. A significant increase (decrease) in volatility would result in a significant higher (lower) fair value measurement.

Knight Capital

In 2012, the Company entered into a Securities Purchase Agreement with Knight Capital Group, Inc., a publicly-traded global financial services firm, ("the Agreement"). Under the Agreement, the Company purchased preferred stock, which was then converted to common stock of Knight Capital Group, Inc. At December 1, 2012, the Company owned approximately 44% of the outstanding common stock of Knight Capital Group, Inc., which constituted, approximately 22% of the voting right over the company. On July 1, 2013, Knight Capital Group, Inc. completed its previously announced merger with GETCO Holding Company, LLC (the merged company referred to as "KCG Holdings, Inc." and collectively referred to as "Knight Capital"). In connection with the consummation of the merger, the Company received cash consideration of $3.75 per share, or approximately $192 million, with respect to approximately 63% of its holding 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 its holding. As of

November 30, 2013, the Company owned approximately 13% of the outstanding common stock of Knight Capital.

The Company elected to record the investment in Knight Capital at fair value under the fair value option as the investment was acquired as part of the Company's capital markets activities. The valuation of the investment at November 30, 2013 is based on the closing exchange price of Knight Capital's common stock and included within Level 1 of the fair value hierarchy.

The following is a summary of selected financial information for KCG Holdings, Inc. as of September 30, 2013, the most recently available public financial information for the company (in millions):

	September 30, 2013
Total assets	$ 13,293.3
Total liabilities	11,780.3
Total equity and convertible preferred stock	1,513.0

The Company has separately entered into securities lending transactions with Knight Capital in the normal course of its capital markets activities. At November 30, 2013, the balances of securities borrowed and securities loaned were $11.0 million and $22.7 million, respectively.

Fair Value Option Election

The Company has elected the fair value option for all loans and loan commitments made by the Company's capital markets businesses and securitization activities. Certain of these loan activities were conducted by JLCP and include loans entered into by the Company's 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. Loans and loan commitments originated or purchased by our leveraged credit business as conducted by JLCP were managed on a fair value basis. Loans and loan commitments are managed on a fair value basis and are included in Financial instruments owned and Financial instruments owned – derivatives, respectively, on the Consolidated Statement of Financial Condition. At November 30, 2013, the net fair value of loan commitments was $1.7 million.

Receivables – Brokers, dealers and clearing organizations, Receivables – Customers, Receivables – Fees, interest and other, Payables – Brokers, dealers and clearing organizations and Payables – Customers, are not accounted for at fair value; however, the recorded amounts approximate fair value due to their liquid or short-term nature.

7. DERIVATIVE FINANCIAL INSTRUMENTS

Off-Balance Sheet Risk — The Company has 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 contain 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 the Company's Consolidated Statement of Financial Condition.

Derivative Financial Instruments — The Company's derivative activities are recorded at fair value on the Consolidated Statement 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 legal right to offset exists under a master netting agreement. Acting in a trading capacity, the Company may enter into derivative transactions to satisfy the needs of its clients and to manage its own exposure to market and credit risks resulting from its trading activities. (See Note 6, Fair Value Disclosures and Note 17, Commitments and Guarantees for additional disclosures about derivative 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 the Company's other trading-related activities. The Company manages the risks associated with derivatives on an aggregate basis along with the risks associated with proprietary trading as part of its firm wide risk management policies. In connection with its derivative activities, the Company may enter into master netting agreements and collateral arrangements with counterparties. These agreements provide the Company with the ability to offset a counterparty's rights and obligations, request additional collateral when necessary or liquidate the collateral in the event of counterparty default.

The following table presents the fair value and related number of derivative contracts at November 30, 2013 categorized by type of derivative contract. The fair value of assets/liabilities related to derivative contracts represents the Company's receivable/payable for derivative financial instruments, gross of counterparty netting and cash collateral received and pledged (in thousands, except contract amounts):

	Assets		Liabilities	
	Fair Value	Number of Contracts	Fair Value	Number of Contracts
Interest rate contracts	$ 157,906	59,058	$ 82,200	69,013
Foreign exchange contracts	158	57	309	34
Equity contracts	474,480	1,666,917	443,057	1,713,091
Credit contracts	2,098	7	355	2
Total	634,642		525,921	
Counterparty/cash-collateral netting	(493,483)		(493,483)	
Total per Consolidated Statement of Financial Condition	$ 141,159		$ 32,438	

OTC Derivatives. The table below sets forth by remaining contract maturity the fair value of OTC derivative assets and liabilities as of November 30, 2013 (in thousands):

	OTC Derivative Assets [1] [2]			
	0-12 months	1-5 years	Greater than 5 years	Total
Foreign exchange forwards and swaps	$ 124	$ —	$ —	$ 124
Interest rate forwards	82,192	21,041	—	103,233
Total	$ 82,316	$ 21,041	$ —	$ 103,357

(1) At November 30, 2013, the Company held exchange-traded derivative assets and other credit agreements with a fair value of $37.8 million, which are not included in the table above.
(2) Derivative fair values include counterparty netting within product category.

	OTC Derivative Liabilities [1]			
	0-12 months	1-5 years	Greater than 5 years	Total
Foreign exchange forwards and swaps	$ 276	$ —	$ —	$ 276
Interest rate forwards	15,290	13,540	—	28,830
Equity options	—	—	3,332	3,332
Total	$ 15,566	$ 13,540	$ 3,332	$ 32,438

(1) Derivative fair values include counterparty netting within product category.

At November 30, 2013, the counterparty credit quality with respect to the fair value of the Company's OTC derivative assets was as follows (in thousands):

Counterparty Credit Quality [1]:	
A- or higher	$ 37,436
BBB- to BBB+	3,296
BB+ or lower	2,123
Unrated	60,502
Total	$ 103,357

(1) The Company utilizes internal credit ratings determined by its Risk Management department. Credit ratings determined by Risk Management use methodologies that produce ratings generally consistent with those produced by external rating agencies.

Credit Risk — In the normal course of business, the Company is involved in the execution, settlement and financing of various customer and principal securities transactions. Customer activities are transacted on a cash, margin or delivery-versus-payment basis. Securities transactions are subject to the risk of counterparty or customer nonperformance. Transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through settlement date.

The Company seeks to control the risk associated with these transactions by establishing and monitoring credit limits and by monitoring collateral and transaction levels daily. The Company may require counterparties to deposit additional collateral or return collateral pledged. In the case of aged securities failed to receive, the Company may, under industry regulations, purchase the underlying securities in the market and seek reimbursement for any losses from the counterparty.

Concentration of Credit Risk — As a securities firm, the Company's activities are executed primarily with and on behalf of other financial institutions, including brokers and dealers, banks and other institutional customers. Concentrations of credit risk can be affected by changes in economic, industry or geographical factors. The Company seeks to control its credit risk and the potential risk concentration through a variety of reporting and control procedures, including those described in the preceding discussion of credit risk.

8. COLLATERALIZED TRANSACTIONS

The Company enters into secured borrowing and lending arrangements to obtain collateral necessary to effect settlement, finance inventory positions, meet customer needs, earn interest rate spreads or re-lend as part of its dealer operations. The Company manages its exposure to credit risk associated with these transactions by entering into master netting agreements. The Company monitors the fair value of the securities loaned and borrowed on a daily basis as compared with the related payable or receivable, and requests additional collateral or the return of excess collateral, as appropriate. The Company pledges financial instruments as collateral under repurchase agreements, securities lending agreements and other secured arrangements, including clearing arrangements. The 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 as Securities pledged on the Consolidated Statement of Financial Condition.

The Company receives securities as collateral under resale agreements, securities borrowing transactions, derivative transactions and customer margin loans. In many instances, the Company is permitted by contract or custom to re-hypothecate the securities received as collateral. These securities may be used to secure repurchase agreements, enter into security lending transactions, satisfy margin requirements on derivative transactions or cover short positions. At November 30, 2013, the approximate fair value of securities received as collateral by the Company that may be sold or repledged by the Company was approximately $19,176.7 million. At November 30, 2013, a substantial portion of the securities received had been sold or repledged.

Additionally, the Company engages in securities for securities transactions in which it is the borrower of securities and provides other securities as collateral rather than cash. As no cash is provided under these types of transactions, the Company, as borrower, treats these as noncash transactions and does not recognize assets or liabilities on the Consolidated Statement of Financial Condition. The securities pledged as collateral under these transactions are included within Financial instruments owned and noted as Securities pledged on the Consolidated Statement of Financial Condition. In instances where the Company receives securities as collateral in connection with securities-for-securities transactions in which the Company is deemed the lender of securities and is permitted to sell or repledge the securities received as collateral, the Company reports the fair value of the collateral received and the related obligation to return the collateral in the Consolidated Statement of Financial Condition.

9. SECURITIZATION ACTIVITIES

The Company engages in securitization activities related to corporate loans, commercial mortgage loans and mortgage-backed and other asset-backed securities. In its securitization activities, the Company transfers these assets to special purpose entities ("SPEs") and acts as the placement or structuring agent for the beneficial interests sold to investors by the SPE. A significant portion of the securitization transactions are securitization of assets issued or guaranteed by U.S. government agencies. These SPE's generally meet the criteria of variable interest entities; however, the Company generally does not consolidate the SPEs as it is not considered the primary beneficiary for these SPEs. See Note 10, Variable Interest Entities for further discussion on variable interest entities and the determination of the primary beneficiary.

The Company accounts for its securitization transactions as sales provided it has relinquished control over the transferred assets. Transferred assets are carried at fair value. If the Company has not relinquished control over the transferred assets, the assets continue to be recognized in Financial instruments owned and a corresponding secured borrowing is recognized in Other secured financings on the Consolidated Statement of Financial Condition.

The Company generally receives cash proceeds in connection with the transfer of assets to an SPE. The Company 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), which are included within Financial instruments owned. The Company applies fair value accounting to the securities.

The following table presents activity related to the Company's securitizations that were accounted for as sales in which it had continuing involvement (in millions):

	Successor		Predecessor	
	Nine Months Ended November 30, 2013		Three Months Ended February 28, 2013	
Transferred assets	$	4,592.5	$	2,711.1
Proceeds on new securitizations	$	4,609.0	$	2,724.3
Cash flows received on retained interests	$	35.6	$	32.3

Assets received as proceeds in the form of mortgage-backed-securities issued by the SPE have been initially categorized as Level 2 within the fair value hierarchy. For further information on fair value measurements and the fair value hierarchy, refer to Note 2, Significant Accounting Policies, and Note 6, Fair Value Disclosures.

The Company has not provided financial or other support to these securitization vehicles during the year ended November 30, 2013. Further, the Company has no explicit or implicit arrangements to provide additional financial support to these securitization vehicles and has no liabilities related to these securitization vehicles at November 30, 2013. Although not obligated, in connection with secondary market-making the Company may make a market in the securities issued by these SPEs. In these market-making transactions, the Company buys the securities from and sells 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 – Mortgage- and asset-backed securities on the Company's Consolidated Statement of Financial Condition. To the extent the securities purchased through these market-making activities meet specific thresholds and the Company is 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 table presented in Note 10, Variable Interest Entities.

The Company's retained interests in SPEs where it, acting as transferor, has transferred assets, and has continuing involvement and for which it received sale accounting treatment was (in millions):

	As of November 30, 2013	
Securitization Type	Total Assets	Assets Retained
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

The Company does not have any derivative contracts executed in connection with these securitization activities. Total assets represent the unpaid principal amount of assets in the SPEs in which the Company has continuing involvement and are presented solely to provide information regarding the size of the transaction and the size of the underlying assets supporting the Company's 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. The Company's risk of loss is limited to this fair value amount which is included within total Financial instruments owned-Mortgage- and asset-backed securities on the Company's Consolidated Statement of Financial Condition.

10. VARIABLE INTEREST ENTITIES

Variable interest entities ("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 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.

The Company initially determines whether it is the primary beneficiary of a VIE upon its initial involvement with the VIE and continues to reassess whether it is the primary beneficiary of the 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 by management. In determining whether the Company has the power to direct the VIE's most significant activities, the Company first identifies the activities of the VIE that most significantly impact its economic performance. The considerations in determining the VIE's most significant activities primarily include, but are not limited to, the VIE's purpose and design and the risks passed through to investors. The Company then assesses whether it has the power to direct those significant activities. The considerations in determining whether the Company has the power to direct the VIE's most significant activities include, but are not limited to, 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 it has determined that the power over a VIE's most significant activities is shared, the Company assesses whether it is the party with the power over the majority of the significant activities. If the Company is the party with the power over the majority of the significant activities, it meets the "power" criteria of the primary beneficiary. If the Company does not have the power over a majority of the significant activities or determines that decisions require consent of each sharing party, the Company does not meet the "power" criteria of the primary beneficiary.

The Company assesses its variable interests in a VIE both individually and in aggregate to determine whether it 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 interests are significant to a VIE requires significant judgment. In determining the significance of its variable interests, the Company considers the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, its involvement in the VIE and its market-making activities related to the variable interests.

Consolidated VIEs

The Company is the primary beneficiary of mortgage-backed financing vehicles to which the Company sells agency and non-agency residential and commercial mortgage-backed securities pursuant to the terms of a master repurchase agreement and is responsible for managing the assets within these vehicles. The Company's variable interest consists of its collateral margin maintenance obligations under the master repurchase agreement. The assets of the VIEs consist of reverse repurchase agreements of $135.1 million, in aggregate, which are available for the benefit of the vehicle's note holders and have been eliminated in consolidation. Notes issued by the mortgage-backed financing vehicles of $135.0 million and accrued interest of $72,000 are included within Other secured financing and Interest Payable on the Consolidated Statement of Financial Condition. The creditors of the VIEs do not have recourse to the Company's general credit.

Nonconsolidated VIEs

The Company also holds variable interests in VIEs in which it is not the primary beneficiary and does not have the power to direct the activities that most significantly impact the VIEs economic performance, and therefore, has not consolidated these VIEs. Further, the Company has not provided financial or other support to these VIEs during the year ended November 30, 2013 and has no explicit or implicit arrangements to provide additional financial support to these VIEs and has no liabilities related to these VIEs at November 30, 2013.

The following table presents information about nonconsolidated VIEs in which the Company had variable interests aggregated by principal business activity. The tables include VIEs where the Company has determined that the maximum exposure to loss is greater than specific thresholds, or meets certain other criteria. A substantial portion of the variable interests in mortgage- and asset-backed VIEs are sponsored by unrelated third parties and consist entirely of mortgage-backed securities purchased or retained in connection with the Company's market making activities.

	As of November 30, 2013		
(in millions)	Financial Statement Carrying Amount	Maximum exposure to loss	VIE Assets [1]
Collateralised loan obligations	$ 9.0 [2]	$ 9.0 [3]	$ 728.5
Agency mortgage- and asset-backed securitizations	1,226.0 [2]	1,226.0 [3]	5,857.3
Non-agency mortgage- and asset-backed securitizations	586.0 [2]	586.0 [3]	64,346.1
Total	$ 1,821.0	$ 1,821.0	$ 70,931.9

(1) VIE assets represent the unpaid principal balance of the assets in these vehicles at November 30, 2013 and represent the underlying assets that provide the cash flows supporting the Company's variable interests

(2) Consists of debt securities accounted for at fair value, which are included within Financial instruments owned.

(3) The maximum exposure to loss in these non-consolidated VIEs is limited to the Company's investment, which is represented by the financial statement carrying amount of its purchased or retained interest.

Collateralized Loan Obligations. The Company acted as transferor and underwriter in several collateralized loan obligation ("CLOs") transactions during the period and retained securities representing variable interests in the CLOs. Assets collateralizing the CLOs include bank loans, participation interests and sub-investment grade and senior secured U.S. loans. The Company's exposure to loss from these entities is limited to our investments in the debt securities held.

Mortgage- and Asset-Backed Vehicles. In connection with the Company's trading and market-making activities, it buys and sells mortgage- and asset-backed securities. Mortgage- and asset-backed securities issued by securitization entities are generally considered variable interests in VIEs. A substantial portion of the Company's variable interests in mortgage- and asset-backed VIEs are sponsored by unrelated third parties. The variable interests consist entirely of mortgage- and asset-backed securities and are accounted for at fair value and included in Financial instruments owned on the Company's Consolidated Statement of Financial Condition.

11. RECEIVABLE FROM, AND PAYABLE TO, BROKERS, DEALERS AND CLEARING ORGANIZATIONS

The following is a summary of the major categories of receivable from, and payable to, brokers, dealers and clearing organizations as of November 30, 2013 (in thousands):

	Receivable	Payable
Trades in process of settlement, net	$ 220,635	$ 642
Futures margin from affiliates and brokers	142,052	16,948
Securities failed to deliver/receive	116,318	133,002
Clearing organizations	21,870	226,764
Other	13,130	3
	$ 514,005	$ 377,359

12. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

In connection with the Merger Transaction, goodwill of $1.4 billion was recorded on March 1, 2013 and the Company's assets, including existing intangible assets and new intangible assets, and liabilities were recorded at their fair values. See Note 3, Merger Transaction for further information.

Goodwill Impairment Testing

As part of the push down of the acquisition method of accounting for the Merger Transaction and the resulting creation of a new Successor reporting entity, the Company's annual goodwill impairment testing date is designated as August 1. Prior to the merger, the Company's annual goodwill impairment test date was June 1.

The goodwill impairment test consists of two steps. In the first step, the fair value of the Company is compared with its carrying value, including goodwill and intangible assets. If the fair value is in excess of the carrying value, goodwill 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 Company's goodwill to the fair value of the net assets of the Company.

Estimating the fair value of the Company requires management judgment. The estimated fair value of the Company was 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, the Company applied a control premium to arrive at the estimated fair value on a controlling basis.

The Company's annual goodwill impairment testing as of August 1, 2013 did not indicate any goodwill impairment. Adverse market or economic events could result in impairment charges in future periods.

Intangible Assets

The table below presents the gross carrying amount, accumulated amortization and net carrying amount of identifiable intangible assets and their weighted average remaining lives as of November 30, 2013 (in thousands):

	Gross cost	Accumulated amortization	Net carrying amount	Weighted average remaining lives (years)
Customer relationships	$ 114,949	$ (14,827)	$ 100,122	14.8
Trade names	99,866	(2,140)	97,726	34.3
Exchange and clearing organization membership interests and registrations	1,655	-	1,655	N/A
	$ 216,470	$ (16,967)	$ 199,503	

The Company performed its annual impairment testing of intangible assets with an indefinite useful life, which consists of exchange and clearing organization membership interests and registrations, as of August 1, 2013. The Company 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 with an indefinite useful life. With regard to its qualitative assessment of the intangible assets, based on its assessment of market conditions, the utilization of the assets and the replacement costs associated with the assets since the most recent valuation date of March 1, 2013 as part of acquisition accounting, the Company has concluded that it is not more likely than not that the intangible assets are impaired. Prior to the merger, the Company's annual impairment testing date was June 1.

13. SHORT-TERM BORROWINGS

Short-term borrowings consist of bank loans that are payable on demand and generally bear interest at spreads over the federal funds rate. Bank loans at November 30, 2013, totaled $12.0 million, which is secured.

14. LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

On April 30, 2013, the Company retired three subordinated loan agreements with an aggregate principal amount of $1.25 billion and, concurrently, entered into a new subordinated loan agreement for $1.95 billion. At November 30, 2013, the Company has outstanding borrowings of $1.95 billion from the Parent under the subordinated loan agreement dated April 30, 2013. The subordinated loan agreement has an initial 6 year term and will automatically extend for additional one year periods, unless specified actions are taken prior to the maturity date by the Company or Parent. Amounts borrowed under the subordinated loan agreement bear interest of 7.5% per annum.

Amounts borrowed by the Company under the subordinated loan agreement have been approved by FINRA and, therefore, qualify as capital in computing net capital under the SEC's Net Capital Rule 15c3-1 under the Act ("Rule 15c3-1"). To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

On April 30, 2013, the Company entered into a 10 year $300.0 million revolving note and cash subordination agreement. Amounts borrowed under this agreement qualify as capital in computing net capital under Rule 15c3-1, bear interest at a rate agreed at the time of the advance and are to be repaid in full by April 30, 2024. No amounts were outstanding under this agreement at November 30, 2013.

15. DEFINED BENEFIT PLAN

Certain employees of the Company are covered by a defined benefit pension plan sponsored by the Parent. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. Benefits are based on years of service and the employee's career average pay. The Parent's funding policy is to contribute to the plan at least the minimum amount that can be deducted for Federal income tax purposes. The plan assets consist of approximately 58% equities, 40% fixed income and 2% cash at November 30, 2013. Effective December 31, 2005, benefits under the pension plan were frozen.

The Company participates in various benefit plans of the Parent covering substantially all employees, including an Employee Stock Purchase Plan ("ESPP") designed to qualify under Section 423 of the Internal Revenue Code ("IRC") and a profit sharing plan, which includes a salary reduction feature designed to qualify under Section 401(k) of the IRC.

16. INCOME TAXES

The Company is subject to U.S. Federal income tax as well as income tax in multiple state jurisdictions.

Deferred income tax assets and liabilities are provided for temporary differences between the tax basis of an asset or liability and its reported amount in the Consolidated Statement of Financial Condition. These temporary differences result in taxable or deductible amounts in future years and are measured utilizing tax rates that will be in effect when such differences are expected to reverse. Management believes it is more likely than not that the Company will generate sufficient taxable income in the future to realize the deferred tax asset and therefore, no valuation allowance is required at November 30, 2013. Pursuant to the tax sharing agreement between the Company and its Parent, the Company settles its deferred tax assets and liabilities with the Parent periodically. In the absence of such an agreement, the Company would have reported a net deferred tax asset of $235.2 million as of November 30, 2013, which is primarily related to compensation.

The following table presents a reconciliation of gross unrecognized tax benefits for the year ended November 30, 2013 (in thousands):

Balance — November 30, 2012	$ 103,988
Increases for tax positions related to current period	15,286
Increases for tax positions related to prior period	16,204
Decreases for tax positions related to prior period	(22,367)
Decreases related to settlements with taxing authorities	
Balance — November 30, 2013	$ 113,111

The Company's unrecognized tax benefits are recorded at the Parent. The total amount of unrecognized benefits attributable to the Company that, if recognized, would affect the effective tax rate is $73.6 million (net of Federal benefit of state issues) at November 30, 2013..

The Company is currently under examination by the Internal Revenue Service and other major tax jurisdictions in which it has business operations. The Company does not expect that resolution of these examinations will have a material effect on the Consolidated Statement of Financial Condition of the Company. It is reasonably possible that, within the next twelve months, various tax examinations will be concluded and statutes of limitation will expire which would have the effect of reducing the balance of unrecognized tax benefits by $3.3 million.

The table below summarizes the earliest tax years that remain subject to examination in the major tax jurisdictions in which the Company operates:

Jurisdiction	Tax Year
United States	2006
California	2006
Connecticut	2006
Massachusetts	2006
New Jersey	2007
New York State	2001
New York City	2003

17. COMMITMENTS AND GUARANTEES

Commitments

The following table summarizes the Company’s commitments at November 30, 2013 (in millions):

	Expected Maturity Date					
	2014	2015	2016 and 2017	2018 and 2019	2020 and Later	Notional/ Maximum Payout
Equity commitments	$ 0.2	$ -	$ 0.4	$ -	$ 3.4	$ 4.0
Mortgage-related commitments	750.2	492.9	202.8	-	-	1,445.9
Forward starting reverse repos	702.3	-	-	-	-	702.3
Total	$ 1,452.7	$ 492.9	$ 203.2	$ -	$ 3.4	$ 2,152.2

Equity Commitments — The Company has committed to invest an aggregate of $1.5 million in JCP Partners IV LLC, a private equity fund managed by a director and Chairman of the Executive Committee of the Parent. As of November 30, 2013, the Company had funded approximately $1.4 million of its commitment leaving $0.1 million unfunded.

The Company had commitments to invest up to $10.0 million in various other investments, of which $3.9 million remained unfunded as of November 30, 2013.

Mortgage-Related Commitments — The Company enters into forward contracts to purchase mortgage participation certificates and mortgage-backed securities as part of its securitization activities. 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 Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac") or the Government National Mortgage Association ("Ginnie Mae"). The fair value of mortgage-related commitments recorded on the Consolidated Statement of Financial Condition was $54.2 million at November 30, 2013.

Forward Starting Repurchase Agreements — The Company enters into commitments to buy securities with agreements to re-sell on a forward starting basis and commitments to sell securities with agreements to re-purchase on a forward starting basis that are primarily secured by U.S. government, agency securities.

Leases — The Company has obligations under non-cancelable operating leases principally for office space that expire on various dates through 2029. During the first quarter of 2013 the Company renewed the lease of its global headquarters and executive offices at 520 Madison Avenue, New York, New York 10022; extending the lease term by additional fifteen years. At November 30, 2013, future minimum aggregate annual lease payments under such leases for fiscal years ended November 30, 2014 through 2018 and the aggregate amounts thereafter, are as follows (in thousands):

	Gross	Sub-Leases	Net
2014	$ 49,250	$ 5,283	$ 43,967
2015	33,628	2,639	30,989
2016	41,313	2,493	38,820
2017	43,991	577	43,414
2018	43,570	23	43,547
Thereafter	437,649		437,649

During 2012, the Company entered into a master sale and leaseback agreement under which it sold and has leased back existing and additional new equipment supplied by the lessor. The lease agreement 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, 2013, minimum future lease payments are as follows (in thousands):

Fiscal Year	
2014	$ 3,887
2015	3,887
2016	3,887
2017	3,887
2018	1,583
2019	167
Net minimum lease payments	17,298
Less amount representing interest	1,508
Present value of net minimum lease payments	$ 15,790

Guarantees

Derivative Contracts — Certain derivative contracts that the Company has entered into meet the accounting definition of a guarantee under U.S. GAAP. Such derivative contracts include written equity, interest rate and bond put options, and written currency contracts. On certain of these contracts, such as written foreign currency options, the maximum payout cannot be quantified since the increase in foreign exchange rates are not contractually limited by the terms of the contract. As such, the Company has disclosed notional values as a measure of the maximum potential payout under these contracts.

At November 30, 2013, the maximum payout was approximately $31,401.5 million. It is however management's belief that notional amounts generally overstate expected payout and that fair value of these contracts is a more relevant measure of the Company's obligations. At November 30, 2013, the fair value of derivative contracts meeting the definition of a guarantee is a liability of approximately $110.2 million. The Company substantially mitigates its exposure to market risk on these contracts through hedges, such as other derivative contracts and/or cash instruments. The Company manages risk associated with derivative contracts meeting the definition of a guarantee consistent with its risk management policies.

The following table summarizes the notional amounts associated with the Company's derivative contracts meeting the definition of a guarantee under U.S. GAAP at November 30, 2013 (in millions):

	Expected Maturity Date					
Guarantee Type	2014	2015	2016 and 2017	2018 and 2019	2020 and Later	Notional/ Maximum Payout
Derivative contracts - non-credit derivatives	$ 31,344.5	$ 52.9	$ 4.1	$ -	$ -	$ 31,401.5

Other Guarantees — The Company is a member of numerous exchanges and clearinghouses. In the normal course of business the 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 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 Company to be required to make payments under such guarantees is deemed remote. Accordingly, no contingent liability is recorded in the Consolidated Statement of Financial Condition for these guarantees.

18. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company obtains advances from the Parent, which are generally payable on demand. The Company provides various trading, securities lending, clearing, execution and administrative services to subsidiaries of the Parent.

Balances with related parties reflected in the Consolidated Statement of Financial Condition are set forth below (in thousands):

		November 30, 2013
Assets:		
Securities borrowed	$	75,344
Receivables from brokers, dealers and clearing organizations		17,377
Due from affiliates		12,538
Liabilities:		
Securities loaned	$	236,623
Due to Parent		668,062
Due to affiliates		38,535

Trading, clearance and administrative activities — Management believes amounts arising through related party transactions are reasonable and approximate amounts that would have been recorded if the Company operated as an unaffiliated entity. Amounts Due to and Due from affiliates are periodically settled in cash. The Company has entered into expense sharing agreements with Jefferies Execution Services, Inc. ("JefEx") (a wholly owned subsidiary of the Parent), Jefferies Finance, LLC ("JFin") (a 50% joint venture of the Parent), Jefferies Mortgage Finance, Inc. ("JMFI") (a wholly owned subsidiary of the Parent), Jefferies Bache Financial Services Inc. ("JBFSI") and Jefferies Derivative Products LLC ("JDP") (a registered swap-dealers and wholly owned subsidiaries of the Parent), Jefferies Capital Partners, LLC ("JCP") and Jefferies International Limited ("JIL") (a wholly owned subsidiary of the Parent). The agreements govern the services provided and reimbursements thereof. Additionally, Jefferies Bache, LLC ("Jefferies Bache") executes and clears futures trades for the Company and the Company has entered into clearing and execution agreements with JefEx and JIL.

The Company also engages in debt capital markets transactions with JFin related to the originations of loans by JFin.

Debt securities of the Parent and Ultimate Parent —In connection with its sales and trading activities, from time to time the Company makes a market in long-term debt securities of the Parent and the Ultimate Parent (i.e., the Company buys and sells debt securities issued by its Parent and Ultimate Parent). At November 30, 2013, approximately $8.7 million and $4.0 million of debt securities issued by the Parent and $12.0 million and $0.1 million of the Ultimate Parent are included in Financial instruments owned and Financial instruments sold, not yet purchased, respectively, on the Consolidated Statement of Financial Condition.

Berkadia Commercial Mortgage, LLC — At November 30, 2013, the Company had commitments to purchase $300.0 million in agency commercial mortgage-backed securities from Berkadia Commercial Mortgage, LLC, which is partially owned by Leucadia.

Dividend payments — The Company paid a dividend to the Parent of $600.0 million during the year ended November 30, 2013.

Stock Compensation Plans — The Company's employees participate in share based awards of the Ultimate Parent and, prior to the Merger Transaction, the Parent.

Employee brokerage accounts and loans — At November 30, 2013, the Company had $1.3 million of loans outstanding to its employees, which are included in Other assets on the Consolidated Statement of Financial Condition.

19. REGULATORY REQUIREMENTS

The Company is a registered broker-dealer in securities and an introducing broker for futures and, accordingly, is subject to the net capital requirements of the SEC, CFTC and FINRA. The Company is required to maintain minimum net capital, as defined under Rule 15c3-1, of not less than the greater of $1.5 million or 2% of aggregate debit items arising from customer transactions, plus excess margin collateral on reverse repurchase transactions. As an introducing futures broker under Regulation 1.17 of the CFTC, the Company is required to maintain minimum net capital of the greater of $45,000 or the capital required under Rule 15c3-1. Additionally FINRA may require a member firm to reduce its business if its net capital is less than 4% of such aggregate debit items and may prohibit a firm from expanding its business if its net capital is less than 5% of such aggregate debit items. At November 30, 2013, the Company had net capital, as defined under such rules, of $891.5 million which exceeded the minimum regulatory capital requirement by $841.5 million.

Advances to the Parent and its affiliates, repayment of subordinated liabilities, capital distributions and other equity withdrawals are subject to certain notification and other provisions of the net capital rule of the SEC.

As of November 30, 2013, the Company performed the computation of assets in the proprietary accounts of its introducing brokers (commonly referred to as "PAIB") in accordance with the customer reserve computation set forth in SEC Rule 15c3-3 (Customer Protection) under the Act.

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A copy of the Company's November 30, 2013 Consolidated Statement of Financial Condition filed pursuant to Rule17a-5 of the Securities Exchange Act of 1934 is available for examination at the New York Office of the Securities and Exchange Commission or at the Company's principal office at 520 Madison Avenue, New York, N.Y. 10022.

A copy of this Jefferies LLC and Subsidiaries Consolidated Statement of Financial Condition can be viewed online at the Jefferies website at:
http://investor-relations.jefferies.com/GenPage.aspx?IID=102756&GKP=207790